

Fulfilling our Mission: Path forward for Parcel Select

*“Neither snow, nor rain, nor heat, nor gloom of night stays
these couriers from the swift completion of their appointed rounds”*

Table of Contents

1	Introduction	2
2	Overview of our Parcel Select customer base	3
3	The economics of Parcel Select	4
4	Pricing Overview for Parcel Select	5
5	Implications of a Significant Price Increase	6
6	Labor and cost implications of rapid package volume loss.	8
7	Parcel Select commercial strategy	8
7.1	Expanding Parcel Select to large retailers.	8
7.2	Executing a sequence of negotiations with UPS, FedEx, and Amazon.	9
7.3	Building flexible pricing agreements with DHL and Pitney Bowes.	9
8	Opportunity to build a growing partnership with Amazon.	10
9	Request of the Board of Governors to move forward with Parcel Select strategy	11
10	Appendix A: Additional information on competitor in-sourcing capabilities	12
11	Appendix B: Total air and ground parcels, market share	14
12	Appendix C: Parcel Select Facts and Figures	15
13	Appendix D: Labor Implications	17
14	Appendix E: Indirect Parcel Select Customers	19

In early 2019, USPS management defined a strategy for Parcel Select to (1) reinvigorate legacy partnerships while securing contribution and (2) win new customers. As Parcel Select volumes declined for the first time, this strategy became critical to maintaining the resilience of the package business.

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to sustain course towards financial sustainability.
- Authority to sustain current course of the parcel select strategy and proceed with customer negotiations.
- Willingness to call and assure customers that USPS will be a partner to their businesses as they grow packages.
- Provide outreach to CEOs of Walmart, Target and Amazon to provide certainty.

1 Introduction

Purpose of this memo

The objective of this document is to brief the Board of Governors on the ongoing Parcel Select (last-mile) strategy and its value to the Postal Service and to the American public.

Management requests authority to continue execution of the Parcel Select strategy.

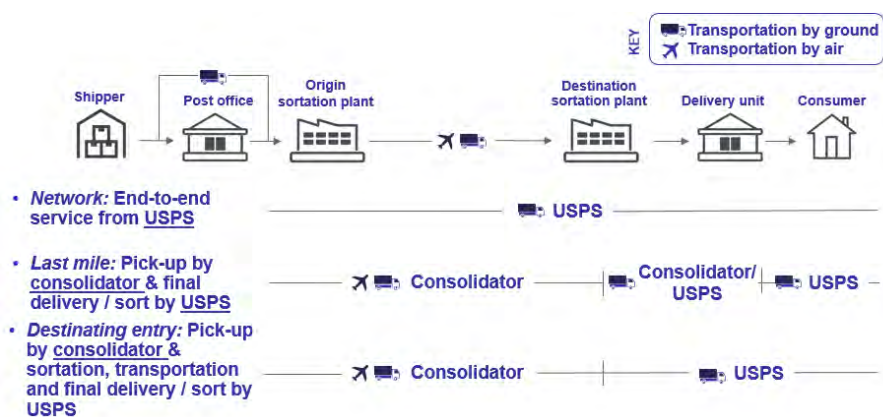
The role of our package business

In FY2019, packages generated \$22.7B of revenue and \$7.4B of contribution for the Postal Service. The contribution from the package business helps fund the Universal Service Obligation and enables USPS to deliver on its mission to serve *all* Americans, not only those in cities and affluent neighborhoods. As mail volumes decline, packages have been and will continue to be critical to the financial health of USPS. Without packages, USPS financial position would degrade.

Brief overview of Parcel Select as a last-mile network product

USPS serves customers with two product types: full-network (First-Class Package Service, Priority Mail) and last-mile (Parcel Select). In FY2019, Parcel Select generated \$6.8B in revenue and \$3.3B in contribution.

In the last-mile space, USPS works either with consolidators (like UPS or DHL) or works directly with retailers (like Walmart or CVS) to carry out the *last mile* delivery. For the most part, last-mile customers deliver their packages to a Delivery Unit (Post Office), and manages the last mile to the address.



The Postal Service is facing headwinds in the last mile space

Legacy carriers like UPS and FedEx built their businesses on a high margin B2B market. With the growth of e-commerce, they heavily invested to transform their networks to capture the lower margin and high-growth B2C market. Operating profitable B2C networks requires unprecedented densities for these carriers, and they initially relied on USPS Parcel Select to support their expansion. However, due to consistent USPS price increases, these customers built their own networks and pursued delivering volume themselves. As a result, in 2019 Parcel Select volumes declined for the first time.

On May 30, 2019, FedEx announced publicly it will end its partnership with USPS. FedEx told USPS they were leaving for one reason: “the price was too high.”

COVID-19 has accelerated e-commerce penetration for most retail businesses

As a result of the COVID-19 pandemic, retailers are shifting their business models to catch the wave of a turbocharged e-commerce landscape. Online sales have grown ~50%, and Parcel Select volumes have

increased 20-30%¹ vs. prior year. While the current growth in package volumes is a temporary spike, a significant portion of the new volumes may persist even as Americans' lives return to a "new normal."

We are at an inflection point in our Parcel Select strategy

Many retailers – including Target, Walmart, and pharmaceutical companies – need to provide 'fast and free' shipping to be competitive online. Retailers' business models have thin margins, and require both affordable and stable price points for their shipping. They are ready to invest in the Postal Service relationship by developing cost-effective networks that bring their product to our facilities.

However, these network investments require substantial capital outlays, with multi-year payback periods. To justify the investment, our customers need operational and price certainty. The recent political narrative around USPS calls into question both our price stability and our near-term operational viability. Customers have told management that a USPS partnership now comes with new risks: price volatility, operational unpredictability, and legislation to limit USPS to mail delivery only.

We need to move quickly. While other carriers have wavered operationally, our customers and the American public have been reminded that the United States Postal Service is a force uniting America. This is the moment to make clear the Board's competitive business strategy and proceed with negotiations to secure our future.

2 Overview of our Parcel Select customer base

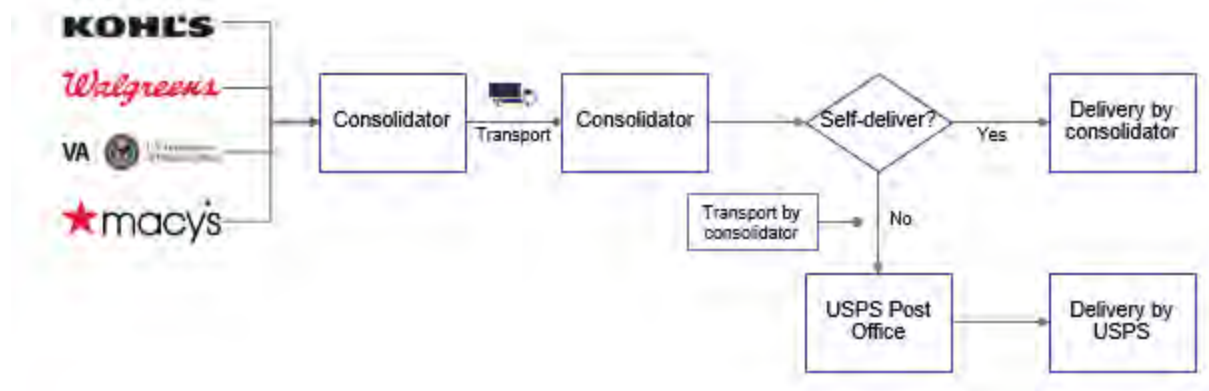
Shippers access Parcel Select in two ways.

1. **Indirectly** using consolidators like DHL, FedEx, UPS, or Pitney Bowes who do the first and middle mile for the customer and deliver the package to the Postal Service at the Delivery Unit (Post Office). These relationships support a broad base of shippers from small storefronts to critical government services like the Department of Veteran's Affairs.
2. **Directly** by bringing their product to USPS facilities. Examples of these customers include: Walmart, Amazon, and Target.

Indirect partnerships bring end-shippers to USPS via mixed-network solutions, where USPS executes the last mile. UPS and FedEx have a non-exclusive relationship and use USPS when it is economical. Pitney Bowes and DHL almost exclusively use USPS to execute their last mile.

- Very few customers have the density to drop at a plant or a post office directly. Instead, many large brick and mortar retailers use partners to access our network, including: **Macy's, Gap, Kohl's, Victoria's Secret, Bath & Body Works and Walgreens.**
- Companies like **QVC, HSN, General Motors, and Unilever** also access our network indirectly.
- Using this model, **USPS delivers for more than 20,000 businesses** across the United States.

¹ During the period between Mar 14 and May 1, BCI – CDM data.



Direct partnerships bring packages directly to the USPS network like consolidators. These partnerships require significant capital investments from customers. Potential new customers need operational and price stability as soon as possible to prepare mid-term capital plans and near-term plans for peak 2020.

- **Walmart** is piloting Parcel Select in Florida and was considering building its network around USPS in order to compete with e-commerce players. They have indicated USPS has favorable economics, superior service, excellent customer experience, and nimble support relative to FedEx. *They are now concerned with USPS' price stability and scalability of this pilot program. They have their staff assessing the risk before making further investments.*
- **Target** was planning to pilot a direct Parcel Select relationship with USPS. Target has historically partnered indirectly with USPS through UPS.
- **Amazon** is the largest legacy partner and stated it wants to continue building the relationship. Due to the administration's recent comments about "Internet companies" and their relationship with the US Postal Service, *they remain concerned about the risk associated with USPS.* Amazon for the first time in our relationship reduced volume in 2019 by ~10% driven in part by their concerns about their ability to meet their customer promise through USPS. They have demonstrated that they can and will pull away business from us to mitigate risk.
- USPS is in ongoing conversations with **Home Depot, Staples, and Chewy.com** (PetSmart).

Across both direct and indirect partnerships, USPS Parcel Select plays a particularly crucial role in pharmaceuticals. Since March 14, USPS has made more than 20M Parcel Select pharmaceutical deliveries. Customers include: US Department of Veteran Affairs, Humana, CVS, Walgreens, and Costco.

3 The economics of Parcel Select

In 2019 alone, Parcel Select contributed \$6.8B of revenue and \$3.3B in contribution. Every Parcel Select NSA is profitable. Packages entered at a Post Office cover their attributable cost by 1.5 to 2 times.

There is significant political discourse on the business case for Parcel Select pricing. Many arguments that pricing is below cost appear tied to a 2017 Citibank report that was wrong.² Citibank indicated that USPS would need to increase price by 50% in order to break even – but it was based on incorrect assumptions. This article was also disproven by both Business Insider² and USPS management. USPS management

² Citi published a report entitled "The Free Shipping Tax" on April 18, 2017. In this article it indicated that Parcel Select prices would need to increase 50% in order to break-even. The analyst used an incorrect number based on the floor of the institutional cost coverage, as opposed to the actual institutional cost coverage figure.

informed the White House Domestic Policy Advisor Andrew Bremberg in 2017 that the CitiBank report was inaccurate and detailed the inaccuracies.

CitiBank admitted it used erroneous assumptions in its analysis – with the lead analyst publicly stating “I’d love to say it wasn’t a mistake.”

Parcel Select is high-contribution because the marginal cost to deliver to a residence is quite low when the Postal Service would already drive by every address due to its Universal Service Obligation. Parcel Select is actually a key way for USPS to improve contribution from each stop. This is particularly important as the number of delivery points have *grown*, while overall network volumes have *dropped*.

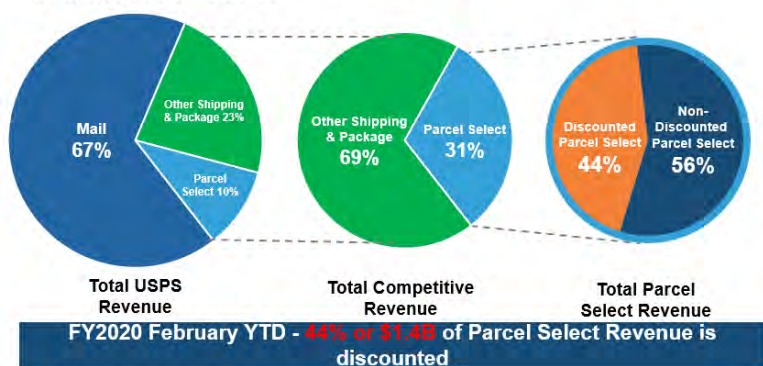
4 Pricing Overview for Parcel Select

To retain and grow business in the last mile, USPS must price competitively. This means pricing below the customer’s alternative (self-delivery or another carrier) while maximizing USPS contribution.

- **As with all products, published prices are established and approved by the Board of Governors.** The Board approved moderate price increases for both Parcel Select Lightweight (12.3%, 4.2%) and Parcel Select DDU Heavyweight (9.9%, 2.0%) for FY2019 and FY2020 respectively.
- Today, **~56% of Parcel Select volume is charged at published rates (no NSA discounts)**. This means that, for a majority of customers, price changes take effect almost immediately.

The majority of Parcel Select revenue is earned at published prices and is not discounted

- Rural and lightweight volume is not discounted¹
- Discounts are applied to locations with greater delivery density to incentivize use of USPS last-mile



¹Current UPS contract price caps may create lower than published prices for PSLW

- When necessary to win new business, **USPS uses Negotiated Service Agreements** to be competitive with what the market will bear. These discounts are tied to published rate increases.

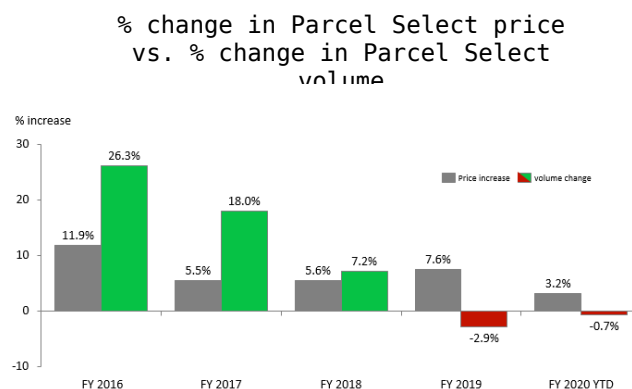
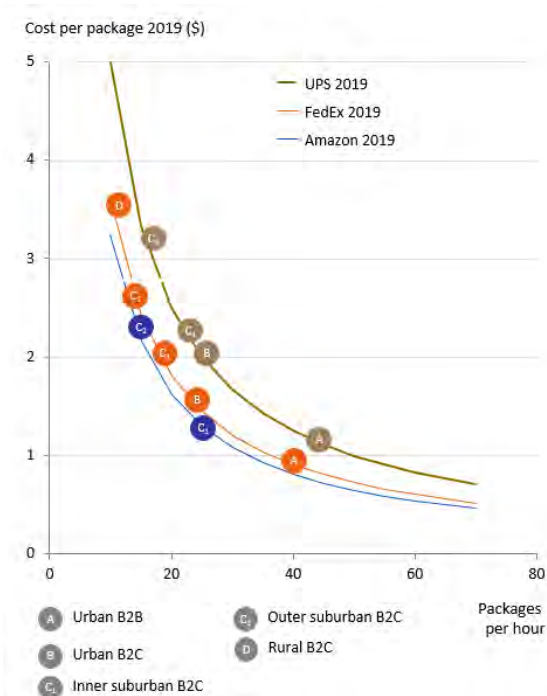
Today, competitors’ costs to deliver are decreasing for several reasons:

- *Improved density* – More people are getting more packages. This makes routes more profitable.
- *Lower labor costs* – UPS³, FedEx, and Amazon use flex and contract drivers to reduce cost.
- *Significant multi-year capital investments* – Competitors investing to improve efficiency in package sortation, automate facilities, and develop last-mile residential networks.

³ <https://www.reuters.com/article/us-fedex-lastmile-exclusive/exclusive-fedex-to-hire-700-flexible-rural-and-residential-drivers-idUSKCN1T728S>

- *New innovations* – Competitors building low-cost delivery alternatives such as retail access points and lockers

The exhibit to the left demonstrates how competitor’s costs-to-deliver the last-mile vary based on both density (number of packages on a route) and by underlying cost structures (labor rates). Over the past five years, these curves have consistently shifted downwards. In parallel, USPS consistently increased price, leading to a point of “diseconomy” for some Parcel Select customers. From FY2016 to FY2020, USPS raised Parcel Select Prices ~38%.



Note: includes PS and PSLW.

In 2019, FedEx publicly indicated that it would fully insource Parcel Select volumes, discontinue its SmartPost product, and expand to offer Sunday delivery. FedEx told USPS management:

“This decision was based on pure economics. The service was excellent.”

USPS is on track to lose ~\$1.1B in revenue and ~\$600M in contribution by 2022. USPS terminated the NSA in September 2019, and all remaining volumes with FedEx will begin to be charged at published rates – they will lose their discounts.

Even in a strong relationship like UPS, there are significant headwinds to consider. In particular, the union agreement between Teamsters and UPS state:

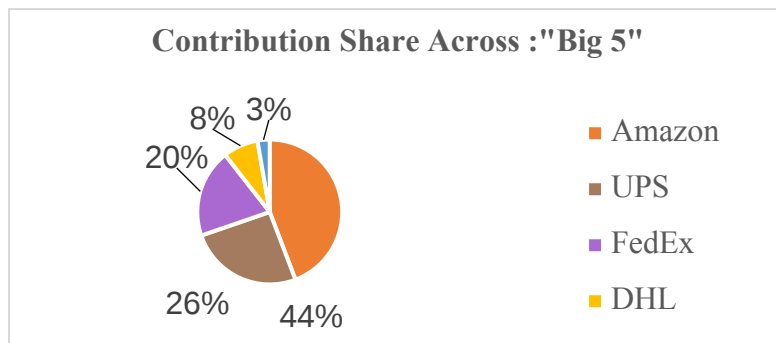
- UPS is required to in-source any time there are two packages going to same address.
- UPS SurePost product (its Parcel Select product) is tied in the UPS Teamster’s contract to the existence of the FedEx SmartPost product. FedEx has announced the cessation of the FedEx

SmartPost product. We believe this will be a major point in upcoming 2022 Teamster negotiation and puts ~\$1.4B in revenue and ~\$750M in contribution at risk.

5 Implications of a Significant Price Increase

If USPS were to raise Parcel Select prices by anywhere from 0.5-4 times current published pricing, we would rapidly price ourselves “out of the market.” Management has assessed that the entire \$3.3B of annual contribution would be at risk. Under extreme price increase scenarios, customers would in-source or divert volumes to alternative carriers within a year.

	FY19 PS Volume at risk ⁴	FY19 PS Revenue at risk	FY19 PS Contribution at risk	FY19 % of <u>no-discount</u> volume
Amazon	1,150M	\$2,600M	\$1,300M	57%
UPS	630M	\$1,400M	\$750M	63%
FedEx	460M	\$1,100M	\$580M	57%
DHL	250M	\$480M	\$230M	88%
Pitney Bowes	70M	\$170M	\$80M	68%
Total for Big 5	2,500M	\$5,700M	\$2,900M	62%



In the event of a significant price increase, we expect the following scenarios would likely occur:

- *Amazon: USPS would lose \$1.3B of contribution within 1 year. Volume would shift into Amazon Delivery Service Provider's and UPS' networks (already has \$8B of Amazon business).⁵*
- *UPS: USPS would lose the relationship and the contribution guarantee established in contract. UPS would sunset its relationship with the Postal Service and in-source significant volumes to Ground network by activating "peak operations."*
- *FedEx would maintain its current course of decline and might accelerate in-sourcing plans. Their rates will increase in September 2020, as their NSA expires.*
- *Partners like DHL and Pitney Bowes would become immediately uncompetitive in the market. They would likely be unable to find a replacement delivery partner, and would sell their assets.*

⁴ Source: Volume and revenue figures from Business Customer Intelligence. Contribution is estimated based on partner volume and inject profile.

⁵ Source: Jan 2020 <https://www.wsj.com/articles/ups-results-get-boost-from-amazon-11580388498>

Losing Parcel Select business effectively cedes the package market while disproportionately exposing small and medium businesses:

- All customers will become wary of relying on USPS as a shipping solution.
- Small & Medium businesses that pay published rates will be disproportionately impacted.
- UPS and FedEx will in-source all their packages. Their cost-to-deliver will rapidly fall, and they will actively pursue USPS' Priority Mail and First Class Package Service volumes, and will win.

USPS has the most pricing flexibility in low-density regions where competitors have the highest cost to deliver. However this flexibility is tenuous and constrained because:

- Unilateral price increases would impact all Lightweight volume regardless of geography
- Even lowest-density areas are facing downwards price pressures and are at-risk as competitors unlock new models like flex drivers or access points (previously described)

Additional impacts of major price increases include:

- **Disproportionate impact to the pharmaceutical sector at a time** when these services are more critical than ever. In particular, customers like the Department of Veterans Affairs, Walgreens, or ExpressScripts would **see price increases in <1 month**.
- **Loss of USPS as the price anchor in the market for *all business and all consumers*.** Rural Americans would likely absorb the greatest price increases.⁶ If USPS exited packages, UPS and FedEx would have the ability to take exorbitant price increases in an oligopolistic fashion.
- **Rapid loss of volume and loss of contribution would further impact USPS' cash position.**

6 Labor and cost implications of rapid package volume loss.

In the event of rapid losses of Parcel Select volumes, the Postal Service would need to remove costs at a rate commensurate with the lost revenue. These variable costs are directly tied to American jobs.

These stable jobs would be compromised at a time of significant economic decline. A significant number of non-career employees (City Carrier Assistants (CCA), Rural Carrier Assistants (RCA), and Postal Support Employees (PSE)) would have their positions eliminated immediately as the lower wage non-career employees would have to be contractually reduced before impacting career employees.

In addition, management would see a net reduction in the CCAs in excess of cap agreed to with the unions. These lower-cost carriers were permitted contingent on Sunday volume. These lower-cost carriers support overall operations seven days a week, and reduction in CCAs would impact overall cost structure for mail and packages.

[Additional information in Appendix D on labor economics associated with package volume loss]

7 Parcel Select commercial strategy

Since early 2019, USPS management has been implementing an updated Parcel Select strategy:

⁶ This narrative is reinforced by the significant lobbying efforts that UPS undertakes to challenge existing pricing, with a push to force USPS to allocate more costs to its parcel business and force up prices.

- **Part 1. Expanding the product to serve as the “great equalizer” for brick and mortar retailers** as they build their e-commerce business (Walmart, Target).
- **Part 2. Executing a sequence of negotiations with all three >\$1B Parcel Select customers – UPS, FedEx, and Amazon** to secure long-term commitments.
- **Part 3. Building flexible pricing agreements with DHL and Pitney Bowes to give them tools to win competitive business** and build 100% last-mile USPS partnerships.

For all components, USPS is maximizing contribution by pricing to what the market will bear:

- Competitive analysis to surgically price Parcel Select by entry point, time of day, and weight.
- Dimension-weight pricing element.
- Sophisticated ZIP-level pricing to match market elasticities.

7.1 Expanding Parcel Select to large retailers.

As traditional retailers expanded e-commerce businesses, USPS launched a “great equalizer” mission.

Walmart signed an agreement in December 2019 and became the first major retailer to begin developing a network around USPS Delivery Units. This agreement laid the foundation for USPS to win net-new business – Walmart currently ships 85% of volume with FedEx today. **However, this relationship is at immediate risk if USPS cannot provide certainty to customer.**

- **Walmart account is worth ~\$10M today but has an upwards potential of >\$100M – all of which currently goes to competitors.**
- Walmart has capital plans to build a sort center network to enter packages at the Post Office. *They can only do this with both operational and pricing certainty as significant capital investment will be required by Walmart to execute this strategy to align their network to our network.*
- If Walmart program scales, it will meet the 2-day service expectation of consumers with no membership fee and increase access to e-commerce for low income Americans.
- By leveraging the USPS Parcel Select product, Walmart can now compete with Amazon’s seven day a week delivery offering.

Target has been in ongoing negotiations and solution development work with USPS for over a year. USPS has not secured the business and lost the business to UPS’ competitive bids in late 2019. Target now has plans to pilot a program similar to Walmart by September 2020.

Many retailers are interested in building relationship at USPS destinating sortation plants (one step “up” from the post office). Currently, USPS is cost-disadvantaged due to capacity constraints in these facilities.

- As part of management’s package strategy, network investments would enable USPS to develop a competitive product for a broader customer base including: Staples, Office Depot, and Home Depot.
- The Postal Service is trying to win new business in this mid-network product. However, customers say USPS’ price is not competitive and build solutions with FedEx and UPS instead.

7.2 Executing a sequence of negotiations with UPS, FedEx, and Amazon.

At the beginning of 2019, the Postal Service initiated a reset of the largest Parcel Select customers.

- **UPS** negotiations (concluded in June 2019) created a new relationship with UPS and blueprinted a *new overall approach* to Parcel Select customers:
 - *Growth is a requirement* for discounts and decline results in a reversion to published rates
 - *Rate caps provided* with growth requirements.
 - *Sunday product is available at a premium.*
 - *Commitment to give USPS 100% of UPS Mail Innovations – a \$610M business for USPS (Parcel Select Lightweight).*
- **FedEx** negotiations faced headwinds given plan to in-source volumes. USPS exercised FedEx termination clause in September 2019. Post termination notice, USPS entered into negotiations with the goal of winning Sunday delivery and retaining suburban and rural SmartPost volume:
 - *FedEx requested discounts on Parcel Select Lightweight and discounts in Heavyweight.*
 - *FedEx was unwilling to commit volumes and USPS management concluded negotiations.*
- **Amazon** negotiations were planned to begin in early 2020, with intent of solidifying the growth relationship in alignment with UPS agreement. [NOTE – Deep Dive in Section 8].

7.3 **Building flexible pricing agreements with DHL and Pitney Bowes.**

DHL and **Pitney Bowes** are consolidators like UPS, however they do not have last-mile capabilities. They build custom solutions and use USPS for the last mile.

- Both partners indicated new customers could be won if there was an “alternative price” that could be employed at Postal Service management’s discretion.
- Alternative price program lets partners request improved rates to win hard-to-win or at-risk business (for example, USPS and Pitney Bowes are actively collaborating to win BarkBox as a customer – a \$5M opportunity).

8 **Opportunity to build a growing partnership with Amazon.**

Amazon is USPS’ largest customer. In FY19, it generated \$3.9B in revenue across all business. In Parcel Select, it generated \$2.6B in revenue and \$1.3B in contribution. It generated more contribution than any other customer by almost 2 times.

In early 2020, USPS prepared to initiate Amazon negotiations following the conclusion of FedEx negotiations. There are two foundational components to the ongoing relationship reset:

1. *Component 1. Guaranteeing contribution certainty for USPS’ existing business in exchange for price increase non-discounted (or published rate) volume.*
2. *Component 2. Building new Amazon business currently going to other carriers and expanding overall relationship.*

Component 1. Guaranteeing contribution for USPS

USPS has an opportunity to guarantee multiple years of contribution in exchange for price increase caps on non-discounted volume.

Management recommends aggressively leveraging Amazon’s most-recent request for price increase caps to execute the Parcel Select strategy and establish high-consequence volume commitments.

Amazon is looking to engage in negotiations as quickly as possible, to facilitate their own network planning. This is to USPS’ advantage, as it represents a significant departure from how Amazon traditionally operates. The opportunity to create this contribution security is time-limited, and it is critical to move swiftly while USPS has an outsized role in enabling business continuity.

Proposed terms would align, in principle, with UPS agreement.

Exhibit: Potential Terms to Improve Amazon NSA and Secure Contribution Certainty

Term	Opening Ask	Similar NSA Examples	Improvement on current Amazon NSA
Commitment length	3-5 years 1 year termination notice	FedEx and UPS	Maintains commitment length and termination relationship.
Decline Penalty	Move all Parcel Select volume to <u>published pricing</u> if growth falls below commitments.	UPS	In the event Amazon is unable to meet their contractual commitments, they would experience a >40% rate increase as prices shifted from discounted rates to published rates.
Price by ZIP	Align price to relative <u>competitive market price</u> . Provide deepest discounts where competitors' costs are lowest. Maximize contribution by charging the most in regions where competitors are most disadvantaged	UPS	Shifts from a less-specific pricing schema that makes it challenging for USPS to retain business in most dense regions. Ensures lower-density and operationally costly regions are charged appropriate higher rate.
Volume Growth Tiers	Volume growth calculated on rolling 4Q basis.	Growth tiers for UPS	Ensures revenue increase of up to \$3B+ over 3 years
Rapid volume reduction	Volume volatility in a 5-digit ZIP removes discounts.	UPS FedEx (ZIP level)	Incentivizes operational consistency

Component 2. Building new Amazon business.

Since peak 2019, Amazon has needed additional capacity and entered new volume at USPS' destinating sortation facilities at published rates (no discounts). As they continue to invest in their own fulfillment capabilities, they are looking for a long-term sortation partner beyond temporary "capacity augmentation".

Currently, they see significant opportunity to transfer volumes currently won by other carriers if negotiations can commence. These negotiations are nascent, but represent an opportunity to begin to retake share of the business, **USPS has fallen from 60% of share to 30% of share today in 3 years.**

What happens if neither component is executed?

Amazon may grow to 70% of the e-commerce market by 2024. Failure to retain or grow this relationship represents a significant opportunity-cost in terms of both retaining and growing contribution.

If USPS cannot guarantee contribution from Amazon in exchange for price certainty, it will lose a majority of Amazon's volume. Amazon will be forced to in-source. **This represents a loss of ~\$1.0B in annual contribution by FY2023.** This business would continue to decline as Amazon scaled alternative solutions until USPS only provided the rural deliveries (<6-7% of volume today).

If Component 2 is not executed, USPS **would lose the opportunity** to retake lost Amazon business (Note: **UPS currently has \$8B of revenue** with Amazon).

9 Request of the Board of Governors to move forward with Parcel Select strategy

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

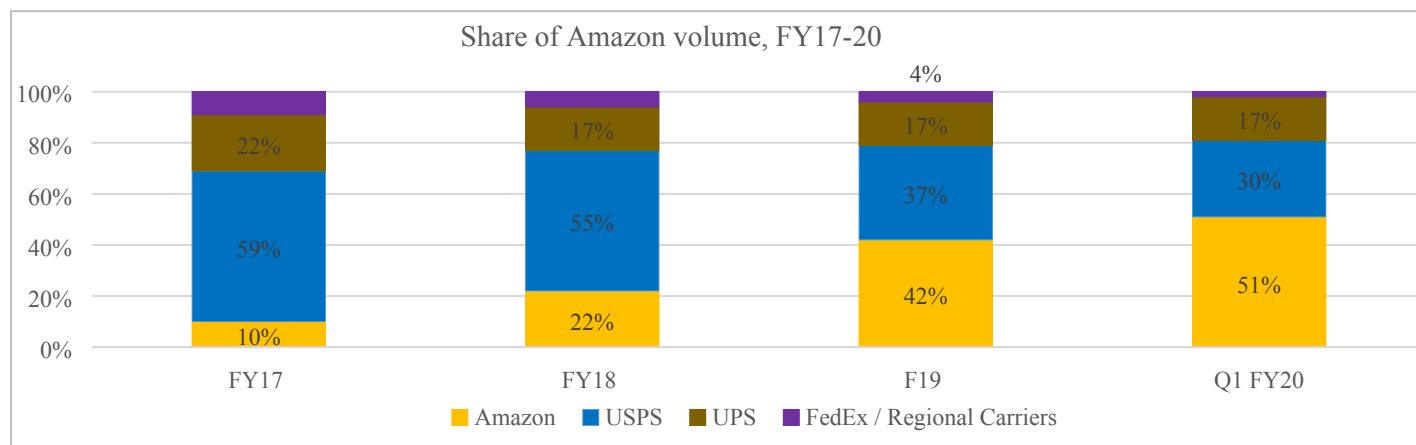
Any major price increases for USPS customers will result in a limited near-term contribution windfall lasting less than one year. Extreme price increases would make initiating “peak operations” profitable for all competitors, and they would quickly absorb volumes at reduced margins, mitigating any near-term windfall contribution. **USPS will ultimately see an annual loss of ~\$3.3B in contribution, and will lose the opportunity to further grow business. Further, the overall package business would be compromised, and USPS would see its deficit grow and its cash position degenerate quicker than projected.**

In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to sustain course towards financial sustainability.
- Authority to sustain current course of the parcel select strategy and proceed with customer negotiations.
- Willingness to call and assure customers that USPS will be a partner to their businesses as they grow packages.
- Provide outreach to CEOs of Walmart, Target and Amazon to provide certainty.

10 Appendix A: Additional information on competitor in-sourcing capabilities

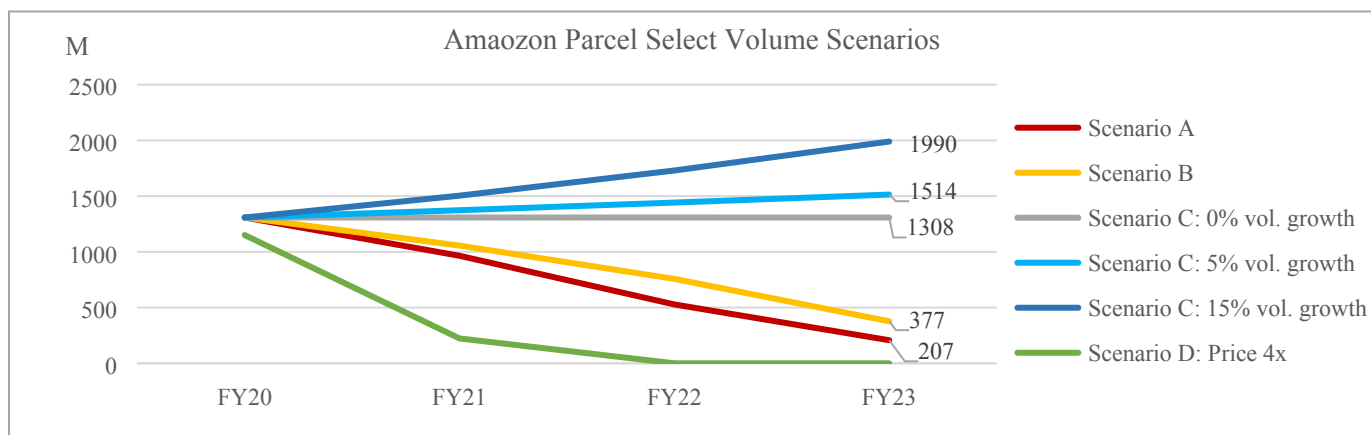
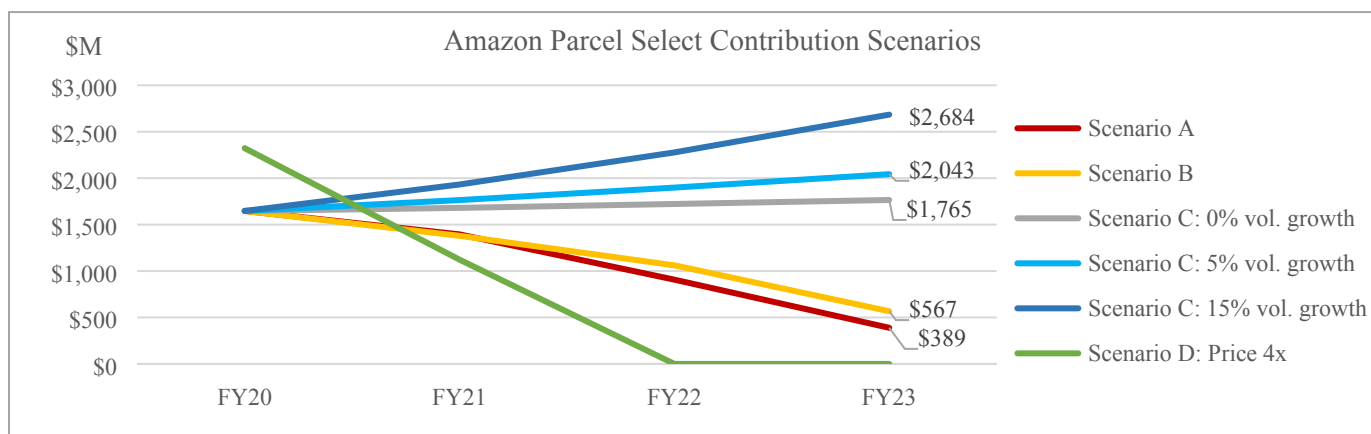
Amazon has been aggressively insourcing volume with Amazon Logistics, sending 2B+ packages in FY19, which primarily cuts into USPS’ share:



Major USPS last-mile competitors (UPS, FedEx and Amazon Logistics) are **all currently making investments** to increase capacity and network capabilities. While FedEx is not building out capabilities for <1lb parcels (or currently taking a large share of Amazon), UPS and AMZL have investments that suggest expanded capacity across both lightweight and heavyweight parcels.

UPS has the capability to absorb a majority of USPS-Amazon volume in the near future with limited incremental investment.

- **Major investments in new and expanded facilities will increase UPS daily capacity by ~3-5M pieces per day in 2020:**
 - 1 new regional super-hub in Harrisburg, PA with ability to process up to 100K packages per hour.
 - 2 new super-hubs in Tacoma, WA & Ontario, CA with ability to process ~50K packages per hour.
 - 3 new automated sortation & distribution centers with ability to process at least ~20K packages per hour.
 - Transition to ~100% sortation automation increases efficiency by 30%.
- **Ability to handle incremental volume in the last mile will require significant expansion of workforce** (+100K temporary workers employed during peak) and delivery fleet (+25%)



USPS management has assessed the multi-year contribution impact based on the following go-forward Amazon scenarios:

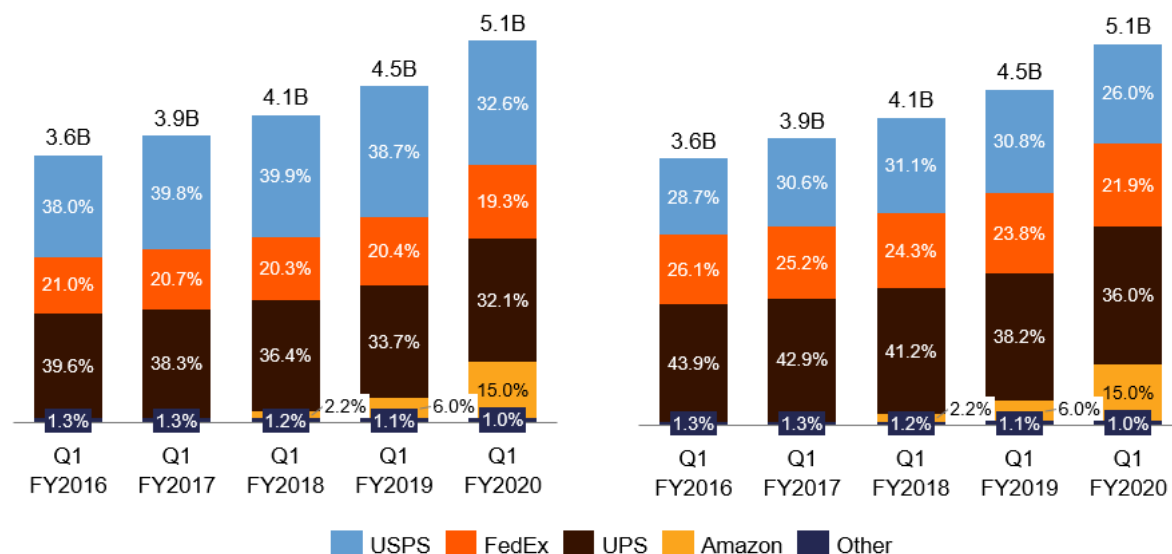
- a) Contribution harvest strategy through rate increases of ~50% of PSLW while maintaining NSA.
- b) Steady-state contract status with steady contribution decline and standard rate increases.
- c) Contractually “locked-in” state to grow contribution.
 - o C1: Maintain minimum 0% volume growth (“no decline”) to keep NSA pricing
 - o C2: Maintain low 5% volume growth to steal share from competitors
 - o C3: Maintain strong 15% volume growth in line with Amazon’s e-commerce growth
- d) Increase published prices to 4X *and* terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)

11 Appendix B: Total air and ground parcels, market share⁷

Total air and ground parcels, market share

Delivery View

Origin View



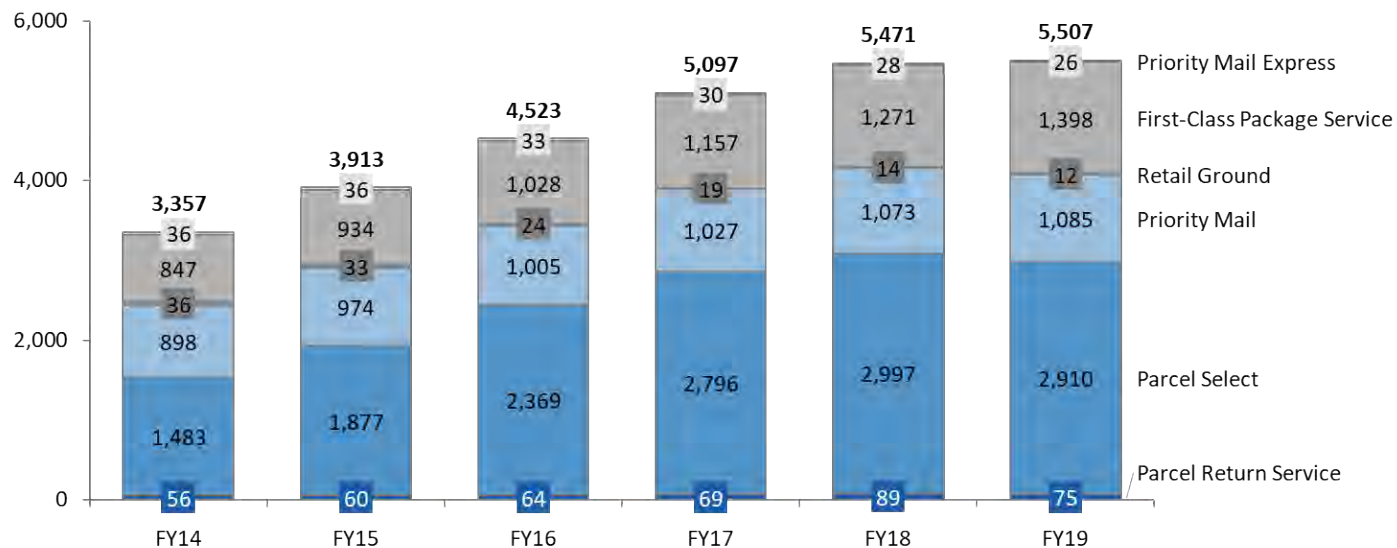
Note: USPS includes Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, Standard Mail Parcels, BPM Parcels, Library Mail and Media Mail.
Source: The Colography Group, Inc. Domestic Quarterly Market Growth And Competitor Share Report

⁷ Colography, for parcels less than 70 pounds. Note: The delivery chart above includes all network and last mile parcels and credits each company based on which company delivers the parcel to final destination. Some of these products may have traversed the networks of these other carriers prior to entry into the Postal Service's network for delivery. For USPS these views include Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, and Standard Mail Parcels. USPS excludes BPM Parcels, Library Mail. For the delivery view, USPS volume includes SurePost and SmartPost volume. The origin view reflects volume that originates with the shipper.

12 Appendix C: Parcel Select Facts and Figures

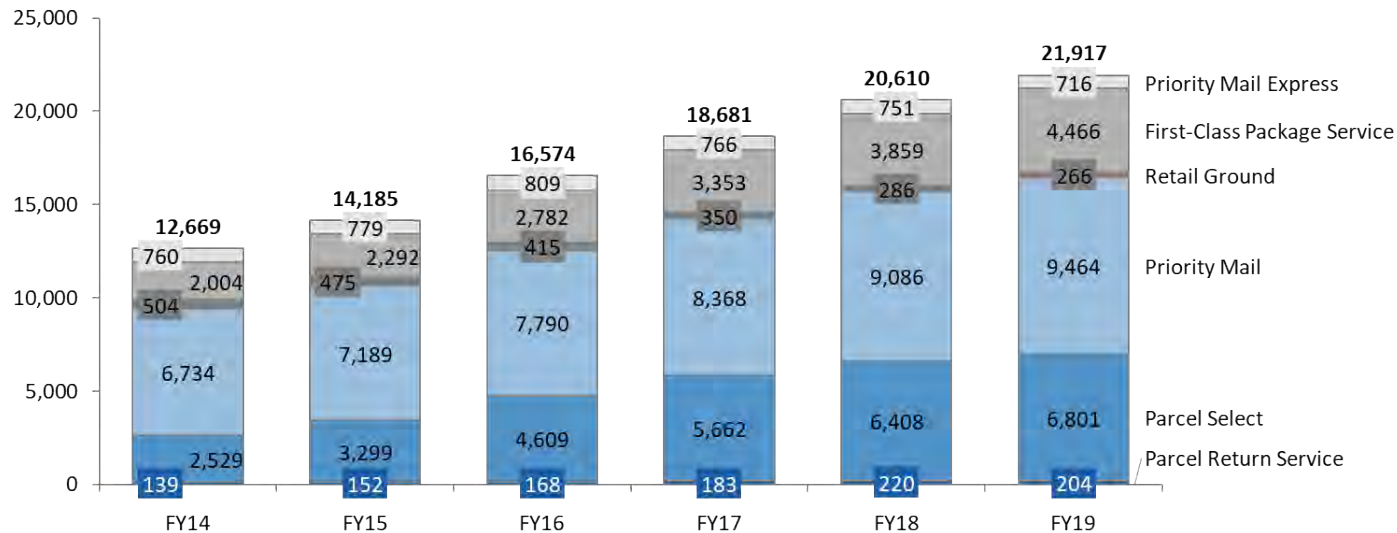
Volume

Packages (millions)



Revenue

\$ (millions)



Additional Comparison of all Top 5 NSAs

A Comparison of Large Parcel Select NSAs



Effective date		6/1/2012	1/10/2019	4/3/2019	8/28/2019 (GEO Pricing started 1/26/20)
Duration	10 yrs. (orig. 5)	9 yrs. (orig. 7)	3 yrs.	3 yrs.	3 yrs. (2x 1-yr extensions)
Termination notice	12 months	12 months	30 days	30 days	365 days
Termination date	10/29/2023	5/31/2021 Termination submitted (9/30/2019)	1/31/2022	4/2/2022	12/31/2022
Non-discounted ZIPs	8,588	23,714	22,419	21,196	33,281
% Non-discounted vol. (1 lb+)	37%	37%	21%	34%	3%
Price cap	Volume based (2.0% to 5.5%)	5% Std, 3.5% Alt (capped at cell-level with banking)	2% (2019) 5% (2020+)	5%	5% or 1% below published (min. of 1%) 4.5% (Lightweight)
Annual price change date	1 October	1 June	Pub. rate change	1 February	Pub. rate change
FY20 Feb YTD (PS+PSLW)					
Volume	581M	181M	105M	33M	293M
Vol. % change to SPLY	4.3%	-18.4%	-5.5%	7.1%	0.1%
Revenue	1,409M	457M	217M	76M	667M
Rev. % change to SPLY	15.5%	-11.6%	5.6%	9.1%	2.0%
2019 price increase	2%	5% Std, 3.5% Alt	2%	N/A	0% (waived)
2020 price increase	2%	2% Std, 2% Alt	2%	2%	2.7%
%DDU of DDU/DSCF	99.7%	89%	90%	85%	87%
% PSLW volume	48%	43%	82%	55%	48%
Current STD 2 lb DDU \$/Pc	\$2.44	\$2.44	\$2.39	\$2.18	B-\$2.40; C-\$2.48; A&D-3.29
Current ALT 2 lb DDU \$/Pc	N/A	\$2.11	T1 - \$2.13 T2 - \$2.02	T1 - \$1.94 T2 - \$1.86	\$2.18

13 Appendix D: Labor Implications

In the event of rapid losses of package volumes triggered by major price increases, the Postal Service would need to remove costs as a result of the lost revenue. These variable costs are directly tied to American jobs. These stable jobs would be compromised at a time of significant economic decline.

- The loss of Parcel Select volume would equate to approximately 55,961,000 bargaining unit work hours.

	<u>Work Hours</u>	<u>Non-Career Equivalent</u>	<u>Non-Career On Rolls</u>	<u>Non-Career Remaining After</u>
Clerks and Mail Handlers	21,543,143	10,858	33,968	23,110
City Carriers	19,945,250	10,058	36,887	26,829
Rural Carriers	13,878,271	6,950	51,695	44,745
Vehicle Service Drivers (APWU)	593,931	299	236	(63)
<u>TOTAL</u>	55,960,954	28,165	122,786	94,621

- The loss of *all* competitive package volume would equate to approximately 169,425,000 work hours, broken down as follows:

	<u>Work Hours</u>	<u>Non-Career Equivalent</u>	<u>Non-Career On Rolls</u>	<u>Non-Career Remaining After</u>
Clerks and Mail Handlers	104,055,997	52,448	33,968	(18,480)
City Carriers	34,555,645	17,426	36,887	19,461
Rural Carriers	25,335,085	12,687	51,695	39,008
Vehicle Service Drivers (APWU)	5,478,257	2,761	236	(2,525)
<u>TOTAL</u>	169,424,984	85,321	122,786	37,465

- Currently, the Postal Service has the ability to lay off its non-career workforce for lack of work, as well as a portion of its career bargaining unit work force depending on the union.
- Notably, the Postal Service's universal service obligation means that a reduction in workload associated with a loss of package volume may not translate to dollar-for-dollar cost savings. The Postal Service will still incur the fixed costs of servicing the nation's delivery points, albeit with reduced revenue per delivery point.
- In some cases (APWU Clerks and Mail Handlers, for example), there are not enough employees (career and non-career) eligible for layoff to capture all of the savings from the reduction in work hours associated with the loss of competitive package volume. The Postal Service would have to

wait for excess employees to attrit out (or consider seeking and negotiating a VERA) in order to capture further savings.

- While non-career employees may be let go relatively quickly for lack of work, the union(s) will no doubt challenge any attempt to eliminate a wide swath of the workforce. Furthermore, for those employee crafts (Clerks, Mail Handlers) where it would be necessary to lay off career employees to capture the savings, there are a number of contractual steps the Postal Service must take before implementing a layoff.
- From an operational standpoint, the practicality of eliminating the most flexible component of the Postal Service's workforce would also need to be considered and weighed against potential cost savings. Moreover, the employees who remain on the rolls (i.e., who are protected from layoff) will be the most expensive, most senior employees, so cost per remaining work hour will increase.

For the reasons above, it would not be possible to reduce these costs at a pace that is commensurate with the revenue lost. Therefore, USPS' cash position would be *further* negatively impacted by a radical loss of volumes.

14 Appendix E: Indirect Parcel Select Customers

Customers with >\$1M in indirect Parcel Select in FY19, by consolidator

Across DHL, FedEx, UPS, and Pitney Bowes/Newgistics, 265 distinct customers had >\$1M in indirect Parcel Select spend in FY19, driving \$2.2B in revenue for USPS.

DHL	
Customers	FY19 Revenue
Express Scripts Inc.	\$116.3M
Saddle Creek Logistics Services	\$57.0M
General Motors Corporation	\$21.5M
Vericast	\$18.2M
Unilever United States Inc.	\$14.6M
Number of Additional Customers >\$1M: 33	\$132.2M
Total: 38 Customers	\$360.0M

FedEx	
Customers	FY19 Revenue
US Department of Veterans Affairs	\$136.5M
Publishers Clearing House	\$64.7M
Kohl's Corporation	\$37.2M
US Elogistics Service Corp.	\$29.9M
Kynetic	\$29.9M
Number of Additional Customers >\$1M: 122	\$535.3M
Total: 127 Customers	\$833.5M

UPS	
Customers	FY19 Revenue
Qurata Retail Group	\$143.7M
Macy's Inc.	\$80.5M
GAP Inc.	\$52.7M
DHL	\$47.5M
Kohl's Corporation	\$38.9M
Number of Additional Customers >\$1M: 100	\$466.4M
Total: 105 Customers	\$829.7M

Pitney Bowes/Newgistics	
Customers	FY19 Revenue
L Brands	\$48.7M
Pitney Bowes	\$31.7M
Ebay Inc.	\$29.6M
S.F. Express Corp.	\$13.0M
Starcrest Products of California	\$7.9M
Number of Additional Customers >\$1M: 14	\$30.7M
Total: 19 Customers	\$161.6M

Number of <\$1M Parcel Select customers by industry segment

	DHL		FedEx		UPS		Pitney Bowes/Newgistics	
Industry	Customers	Revenue	Customers	Revenue	Customers	Revenue	Customers	Revenue
Retail Trade	1,728	\$65.9M	2,166	\$53.0M	270	\$14.9M	415	\$7.3M
Wholesale Trade	931	\$22.5M	1,332	\$19.4M	46	\$2.7M	248	\$4M
MSP	192	\$16.8M	182	\$12.7M	23	\$7.7M	44	\$1.7M
Professional, Scientific, and Technical Services	302	\$11.3M	448	\$9.5M	24	\$4.0M	303	\$1.2M
Manufacturing	697	\$10.8M	880	\$8.9M	18	\$3.1M	179	\$4M
Information	133	\$7.5M	171	\$5.8M	13	\$7M	60	\$1M
Transportation and Warehousing	67	\$4.4M	164	\$3.1M	11	\$1.7M	42	\$1M
Health Care and Social Assistance	91	\$3.2M	125	\$2.6M	-	\$1.6M	274	\$3M
Finance and Insurance	65	\$2.8M	66	\$2.0M	1	\$0M	113	\$9M
Arts, Entertainment, and Recreation	62	\$1.9M	98	\$1.7M	-	\$1M	55	\$1.0M
Public Administration	11	\$1.4M	26	\$1.5M	2	\$0M	35	\$1M
Educational Services	43	\$1.2M	64	\$4M	4	\$0M	134	\$0M
Other ⁸	3,473	\$48.3M	5,147	\$40.0M	44	\$16.8M	1,454	\$7.7M
TOTAL	7,795	\$198.3M	10,869	\$160.7M	456	\$53.3M	3,356	\$21.0M

⁸ "Other" category consists of customers in various industries, including: Real Estate, Rental, and Leasing, Agriculture, Forestry, Fishing, and Hunting, Utilities, Management of Companies and Enterprises, Mining, Quarrying, and Oil and Gas Extraction, Accommodation and Food Services, Administrative, Support, and Waste Management/Remediation Services, and Other/Unknown Services where data is incomplete

Fulfilling our Mission: Path forward for Parcel Select

“Neither snow, nor rain, nor heat, nor gloom of night stays these couriers from the swift completion of their appointed rounds.”

Table of Contents

1	Introduction.....	2
2	Overview of our Parcel Select customer base.....	3
3	The economics of Parcel Select.....	4
4	Pricing Overview for Parcel Select.....	5
5	Implications of a Significant Price Increase	6
6	Labor and cost implications of rapid package volume loss.....	8
7	Parcel Select commercial strategy	8
7.1	Expanding Parcel Select to large retailers.....	8
7.2	Executing a sequence of negotiations with UPS, FedEx, and Amazon.....	9
7.3	Building flexible pricing agreements with DHL and Pitney Bowes.....	9
8	Opportunity to build a growing partnership with Amazon.....	10
9	Request of the Board of Governors to move forward with Parcel Select strategy	11
10	Appendix A: Additional information on competitor in-sourcing capabilities	12
11	Appendix B: Total air and ground parcels, market share	14
12	Appendix C: Parcel Select Facts and Figures	15
13	Appendix D: Labor Implications	17
14	Appendix E: Indirect Parcel Select Customers.....	19

In early 2019, USPS management defined a strategy for Parcel Select to (1) reinvigorate legacy partnerships while securing contribution and (2) win new customers. As Parcel Select volumes declined for the first time in 2019 after years of growth~~for the first time~~, this strategy became critical to maintaining the resilience of the package business.

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to ~~sustain course towards financial sustainability~~maximize package and overall USPS profitability.
- ~~Authority to~~Concurrence with our plans to sustain current course of the parcel select strategy and proceed with customer negotiations.
- Willingness to call and assure customers that USPS will be a partner to their businesses as they grow packages.

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- Provide outreach to CEOs of Walmart, Target and Amazon to provide certainty.

1 Introduction

Purpose of this memo

The objective of this document is to brief the Board of Governors on the ongoing Parcel Select (last-mile) strategy and its value to the Postal Service and to the American public.

Management requests ~~concurrence authority~~ to continue execution of the Parcel Select strategy.

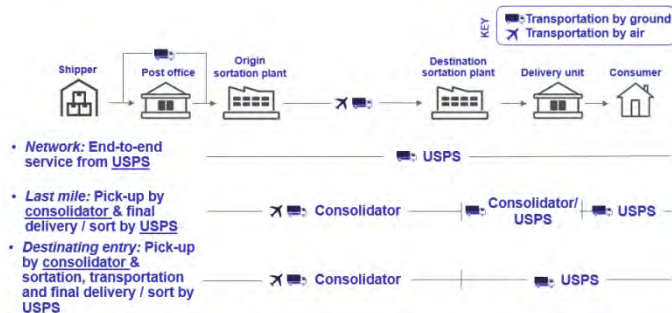
The role of our package business

In FY2019, packages generated \$22.7B of revenue and \$7.4B of contribution for the Postal Service. The contribution from the package business helps fund the Universal Service Obligation and enables USPS to deliver on its mission to serve *all* Americans, not only those in cities and affluent neighborhoods. As mail volumes decline, packages have been and will continue to be critical to the financial health of USPS. Without packages, USPS financial position would degrade.

Brief overview of Parcel Select as a last-mile network product

USPS serves customers with two product types: full-network (First-Class Package Service, Priority Mail) and last-mile (Parcel Select). In FY2019, Parcel Select generated \$6.8B in revenue and \$3.3B in contribution.

In the last-mile space, USPS works either with consolidators (like UPS or DHL) or works directly with retailers (like Walmart or CVS) to carry out the *last mile* delivery. For the most part, last-mile customers deliver their packages to a Delivery Unit (Post Office), and manages the last mile to the address.



The Postal Service is facing headwinds in the last mile space

Legacy carriers like UPS and FedEx built their businesses on a high margin B2B market. With the growth of e-commerce, they heavily invested to transform their networks to capture the lower margin and high-growth B2C market. Operating profitable B2C networks requires unprecedented densities for these carriers, and they initially relied on USPS Parcel Select to support their expansion. However, due to growth in package density that improve economics and to consistent USPS parcel select price increases, these customers built their own networks and pursued delivering volume themselves. Amazon also in-sourced and contracted out to other delivery companies for volume that USPS previously delivered. As a result, in 2019 Parcel Select volumes declined for the first time.

On May 30, 2019, FedEx announced publicly it will ~~end its partnership with USPS~~ insource substantially all of the volume that they have historically given to USPS to deliver the last mile. FedEx told USPS they were leaving for one main reason: **“the price was too high.”**

COVID-19 has accelerated e-commerce penetration for most retail businesses

As a result of the COVID-19 pandemic, retailers are shifting their business models to catch the wave of a turbocharged e-commerce landscape. Online sales have grown ~50%, and Parcel Select volumes have increased about 40%-20-30%¹ vs. prior year. While the current level of growth in package volumes is a temporary spike, a significant portion of the new volumes may persist following the recession even as Americans' lives return to a “new normal.”

We are at an inflection point in our Parcel Select strategy

Many retailers – including Target, Walmart, and pharmaceutical companies – need to provide ‘fast and free’ shipping to be competitive online. Retailers’ business models have thin margins, and require both affordable and stable price points for their shipping. They are ready to invest in the Postal Service relationship by developing cost-effective networks that bring their product to our facilities.

However, these network investments require substantial capital outlays, with multi-year payback periods. To justify the investment, our customers need operational and price certainty. The recent political narrative around USPS calls into question both our price stability and our near-term operational viability. Customers have told management that a USPS partnership now comes with new risks: price volatility, operational unpredictability, and legislation to limit USPS to ~~mail~~ deliver mailly only.

We need to move quickly. While other carriers have wavered operationally, our customers and the American public have been reminded that the United States Postal Service is a force uniting America. This is the moment to make clear ~~the Board's~~ our competitive business strategy and proceed with negotiations to secure our future.

2 Overview of our Parcel Select customer base

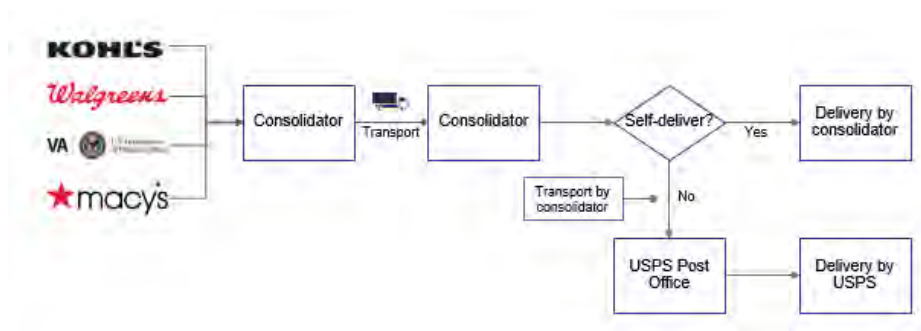
Shippers access Parcel Select in two ways.

1. **Indirectly** using consolidators like DHL, FedEx, UPS, or Pitney Bowes who do the first and middle mile for the customer and deliver the package to the Postal Service at the Delivery Unit (Post Office). These relationships support a broad base of shippers from small storefronts to critical government services like the Department of Veteran's Affairs.
2. **Directly** by bringing their product to USPS facilities. Examples of these customers include: Walmart, Amazon, and Target.

Indirect partnerships bring end-shippers to USPS via mixed-network solutions, where USPS executes the last mile. UPS and FedEx have a non-exclusive relationship and use USPS when it is economical. Pitney Bowes and DHL almost exclusively use USPS to execute their last mile.

- Very few customers have the density to drop at a plant or a post office directly. Instead, many large brick and mortar retailers use partners to access our network, including: **Macy's, Gap, Kohl's, Victoria's Secret, Bath & Body Works and Walgreens.**
- Companies like **QVC, HSN, General Motors, and Unilever** also access our network indirectly.
- Using this model, **USPS delivers for more than 20,000 businesses** across the United States.

¹ During the period between Mar 14 and May 1, BCI – CDM data.



Direct partnerships bring packages directly to the USPS network like consolidators. These partnerships require significant capital investments from customers. Potential new customers need operational and price stability as soon as possible to prepare mid-term capital plans and near-term plans for peak 2020.

- **Walmart** is piloting Parcel Select in Florida and was considering building its network around USPS in order to compete with e-commerce players. They have indicated USPS has favorable economics, superior service, excellent customer experience, and nimble support relative to FedEx. *They are now concerned with USPS' price stability and scalability of this pilot program. They have their staff assessing the risk before making further investments.*
- **Target** was planning to pilot a direct Parcel Select relationship with USPS. Target has historically partnered indirectly with USPS through UPS.
- **Amazon** is the largest legacy partner and stated it wants to continue building the relationship. Due to the administration's recent comments about "Internet companies" and their relationship with the US Postal Service, *they remain concerned about the risk associated with USPS.* Amazon for the first time in our relationship reduced volume in 2019 by ~10% driven in part by their concerns about their ability to meet their customer promise through USPS. They have demonstrated that they can and will pull away business from us to mitigate risk.
- USPS is in ongoing conversations with **Home Depot, Staples, and Chewy.com (PetSmart).**

Across both direct and indirect partnerships, USPS Parcel Select plays a particularly crucial role in pharmaceuticals. Since March 14, USPS has made more than 20M Parcel Select pharmaceutical deliveries. Customers include: US Department of Veteran Affairs, Humana, CVS, Walgreens, and Costco.

3 The economics of Parcel Select

In 2019 alone, Parcel Select contributed \$6.8B of revenue and \$3.3B in contribution. Every Parcel Select NSA is profitable. Packages entered at a Post Office cover their attributable cost by 1.5 to 2 times.

There is significant political discourse on the business case for Parcel Select pricing. Many arguments that pricing is below cost appear tied to a 2017 Citibank report that was wrong.² Citibank indicated that USPS would need to increase price by 50% in order to break even – but it was based on incorrect assumptions. This article was also disproven by both Business Insider² and USPS management. USPS management

² Citi published a report entitled "The Free Shipping Tax" on April 18, 2017. In this article it indicated that Parcel Select prices would need to increase 50% in order to break-even. The analyst used an incorrect number based on the floor of the institutional cost coverage, as opposed to the actual institutional cost coverage figure.

informed the White House Domestic Policy Advisor Andrew Bremberg in 2017 that the CitiBank report was inaccurate and detailed the inaccuracies.

CitiBank admitted it used erroneous assumptions in its analysis – with the lead analyst publicly stating “I’d love to say it wasn’t a mistake.”

Parcel Select is high-contribution because the marginal cost to deliver to a residence is quite low when the Postal Service would already drive by every address due to its Universal Service Obligation. Parcel Select is actually a key way for USPS to improve contribution from each stop. This is particularly important as the number of delivery points have *grown*, while overall network volumes have *dropped*.

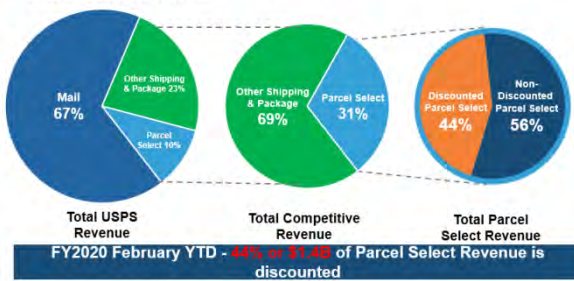
4 Pricing Overview for Parcel Select

To retain and grow business in the last mile, USPS must price competitively. This means pricing below the customer’s alternative (self-delivery or another carrier) while maximizing USPS contribution.

- **As with all products, published prices are established and approved by the Board of Governors.** The Board approved moderate price increases for both Parcel Select Lightweight (12.3%, 4.2%) and Parcel Select DDU Heavyweight (9.9%, 2.0%) for FY2019 and FY2020 respectively. The 2020 price increase was lower than 2019 as we saw volumes drop in 2019 for the first time, after taking over 30% increase in parcel select pricing over the last 5 years.
- Today, **~56% of Parcel Select volume is charged at published rates (no NSA discounts).** This means that, for a majority of customers, published price changes take effect almost immediately.

The majority of Parcel Select revenue is earned at published prices and is not discounted

- Rural and lightweight volume is not discounted¹
- Discounts are applied to locations with greater delivery density to incentivize use of USPS last-mile



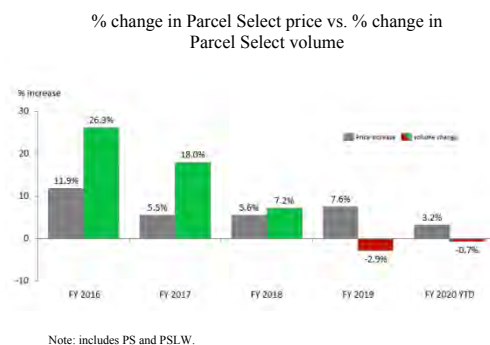
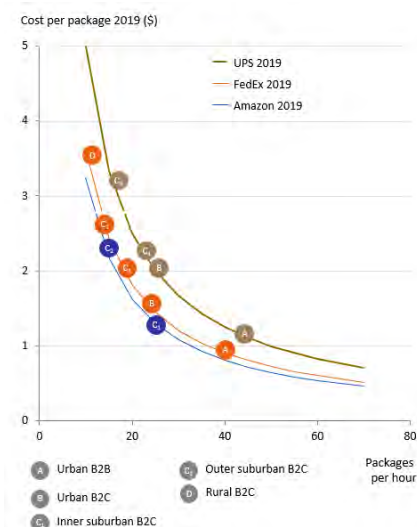
- When necessary to win new business, USPS uses **Negotiated Service Agreements** to be competitive with what the market will bear. These discounts are tied to published rate increases?????

Today, competitors’ costs to deliver are decreasing for several reasons:

- *Improved density* – More people are getting more packages. This lowers the per package cost of delivery and makes routes more profitable.

- *Lower labor costs* – UPS³, FedEx, and Amazon use some flex and contract drivers to reduce cost.
- *Significant multi-year capital investments* – Competitors investing to improve efficiency in package sortation, automate facilities, and develop last-mile residential networks.
- *New innovations* – Competitors building low-cost delivery alternatives such as retail access points and lockers

The exhibit below to the left demonstrates how competitor's costs-to-deliver the last-mile vary based on both density (number of packages on a route) and by underlying cost structures (labor rates). Over the past five years, these curves have consistently shifted downwards. In parallel, USPS consistently increased price, leading to a point of "diseconomy" for some Parcel Select customers. From FY2016 to FY2020, USPS raised Parcel Select Prices ~38%. I'd add a cost line for our attributable costs in the cost curves below.



In 2019, FedEx publicly indicated that it would fully insource Parcel Select volumes, discontinue its SmartPost product [is this defined], and expand to offer Sunday delivery. FedEx told USPS management:

"This decision was based on pure economics. The service was excellent."

USPS is on track to lose ~\$1.1B in **FEDEX** revenue and ~\$600M in contribution by 2022. USPS terminated the NSA in September 2019, and all remaining volumes with FedEx will begin to be charged

³ <https://www.reuters.com/article/us-fedex-lastmile-exclusive/exclusive-fedex-to-hire-700-flexible-rural-and-residential-drivers-idUSKCN1T728S>

at published rates – they will lose their discounts. We may consider additional price increases as FedEx has indicated they are leaving anyway.

Even in a strong relationship like UPS, there are significant headwinds to consider. In particular, the union agreement between Teamsters who deliver for the UPS and UPS state:

- UPS is required to in-source any time there are two packages going to same address.
- UPS SurePost product (its Parcel Select product) The Parcel Select volume that UPS has us deliver is dependent on NSA pricing. Also, the Teamsters agreement allows UPS to continue using Parcel Select with us as long as FedEx continues using us for Parcel Select. As mentioned earlier FedEx is eliminating their Parcel Select ties to us, tied in the UPS Teamster's contract to the existence of the FedEx SmartPost product. FedEx has announced the cessation of the FedEx SmartPost product. We believe this will be a major point in upcoming 2022 Teamster negotiation and puts ~\$1.4B in revenue and ~\$750M in contribution at risk. **IF THIS IS ALREADY IN THE Teamsters contract then why would UPS still be able to continue using parcel select UNTIL THE CURRENT CONTRACT EXPIRES—SEEMS LIKE IF IT'S IN THE CONTRACT, THAT COULD HAPPEN SOONER?**

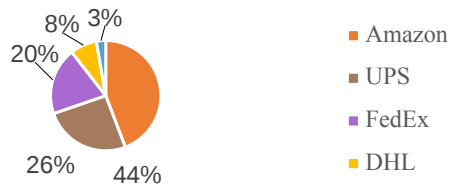
5 Implications of a Significant Price Increase

If USPS were to raise Parcel Select prices by anywhere from 0.5-4 times current published pricing, we would rapidly price ourselves “out of the market.” Management has assessed that the entire \$3.3B of annual contribution would be at risk. Under extreme price increase scenarios, customers would in-source or divert volumes to alternative carriers within a year. While we would likely get more very short-term revenue and contribution after a steep price increase, we would have little to no volume and revenue in the medium to long term. We would effectively kill this product, and harm our reputation as a valued package delivery organization.

	FY19 PS Volume at risk ⁴	FY19 PS Revenue at risk	FY19 PS Contribution at risk	FY19 % of no-discount volume
Amazon	1,150M	\$2,600M	\$1,300M	57%
UPS	630M	\$1,400M	\$750M	63%
FedEx	460M	\$1,100M	\$580M	57%
DHL	250M	\$480M	\$230M	88%
Pitney Bowes	70M	\$170M	\$80M	68%
Total for Big 5	2,500M	\$5,700M	\$2,900M	62%

⁴ Source: Volume and revenue figures from Business Customer Intelligence. Contribution is estimated based on partner volume and inject profile.

Contribution Share Across : "Big 5"



In the event of a significant price increase, we expect the following scenarios would likely occur:

- *Amazon: USPS would lose \$1.3B of contribution ~~within 1 year~~ very quickly, likely in 1-2 years depending on the size of the price increase. Volume would shift into Amazon Delivery Service Provider's and UPS' networks (UPS already has \$8B of Amazon business).⁵*
- *UPS: USPS would lose the relationship and the contribution guarantee established in their NSA with us. ~~contract.~~ UPS would sunset its relationship with the Postal Service and in-source significant volumes to its Ground network by activating "peak operations."*
- *FedEx would maintain its current course of decline and might accelerate in-sourcing plans. Their rates will increase in September 2020, as their NSA expires.*
- *Partners like DHL and Pitney Bowes would become immediately uncompetitive in the market. They would likely be unable to find a replacement delivery partner, and would exit the business or partner with another last mile delivery Company. ~~sell their assets.~~*

Losing the Parcel Select business effectively cedes the package market while disproportionately exposing small and medium businesses:

- All customers will become wary of relying on USPS as a shipping solution.
- Small & Medium businesses that pay published rates will be disproportionately impacted.
- UPS and FedEx will in-source all their packages. Their cost-to-deliver will rapidly fall, and they will actively pursue USPS' Priority Mail and First Class Package Service network businesses, volumes, and will win.

USPS has the most pricing flexibility in low-density regions where competitors have the highest cost to deliver. However this flexibility is tenuous and constrained because:

- Unilateral price increases would impact all Lightweight volume regardless of geography [again, I don't agree with this concept. We only have a handful of PS customers, and we could do NSA's if it would benefit us.]
- Even lowest-density areas are facing downwards price pressures and are at-risk as competitors unlock new models like flex drivers or access points (previously described)

Additional impacts of major price increases include:

- **Disproportionate impact to the pharmaceutical sector at a time** when these services are more critical than ever. In particular, customers like the Department of Veterans Affairs, Walgreens, or ExpressScripts would **see price increases in <1 month.**

⁵ Source: Jan 2020 <https://www.wsj.com/articles/ups-results-get-boost-from-amazon-11580388498>

- **Loss of USPS as ~~the price anchor in the market for~~ a competitive option for all business and all consumers.** Rural Americans would likely absorb the greatest price increases.⁶ If USPS exited packages, UPS and FedEx would have the ability to take exorbitant price increases in an oligopolistic fashion.
- **Rapid loss of volume and loss of contribution would further impact USPS' cash position.**

6 Labor and cost implications of rapid package volume loss.

In the event of rapid losses of Parcel Select volumes, the Postal Service would need to remove costs at a rate commensurate with the lost revenue. These variable costs are directly tied to postal employees. ~~[there would still be American jobs, in other Companies]American jobs.~~

These stable jobs would be compromised at a time of significant economic decline. A significant number of non-career employees (City Carrier Assistants (CCA), Rural Carrier Assistants (RCA), and Postal Support Employees (PSE)) would have their positions eliminated immediately as the lower wage non-career employees would have to be contractually reduced before impacting career employees.

In addition, management would see a net reduction in the CCAs in excess of cap agreed to with the unions. These lower-cost carriers were permitted contingent on Sunday volume. These lower-cost carriers support overall operations seven days a week, and reduction in CCAs would impact overall cost structure for mail and packages.

~~[Additional information in Appendix D on labor economies associated with package volume loss]~~

7 Parcel Select commercial strategy

Since early 2019, USPS management has been implementing an updated Parcel Select strategy:

- **Part 1. Expanding the product to serve as the “great equalizer” for brick and mortar retailers** as they build their e-commerce business (Walmart, Target).
- **Part 2. Executing a sequence of negotiations with all three >\$1B Parcel Select customers – UPS, FedEx, and Amazon** to secure long-term commitments.
- **Part 3. Building flexible pricing agreements with DHL and Pitney Bowes to give them tools to win competitive business** and build 100% last-mile USPS partnerships.

For all components, USPS is maximizing contribution by pricing to what the market will bear:

- Competitive analysis to surgically price Parcel Select by entry point, time of day, and weight.
- Dimension-weight pricing element.
- Sophisticated ZIP-level pricing to match market elasticities.

7.1 Expanding Parcel Select to large retailers.

As traditional retailers expanded e-commerce businesses, USPS launched a “great equalizer” mission.

⁶ This narrative is reinforced by the significant lobbying efforts that UPS undertakes to challenge existing pricing, with a push to force USPS to allocate more costs to its parcel business and force up prices.

Walmart signed an agreement in December 2019 and became the first major retailer to begin developing a network around USPS Delivery Units. This agreement laid the foundation for USPS to win net-new business – Walmart currently ships 85% of volume with FedEx today. **However, this relationship is at immediate risk if USPS cannot provide certainty to customer.**

- **Walmart account is worth ~\$10M today but has an upwards potential of >\$100M – all of which currently goes to competitors.**
- Walmart has capital plans to build a sort center network to enter packages at the Post Office. *They can only do this with both operational and pricing certainty as significant capital investment will be required by Walmart to execute this strategy to align their network to our network.*
- If Walmart program scales, it will meet the 2-day service expectation of consumers with no membership fee and increase access to e-commerce for low income Americans.
- By leveraging the USPS Parcel Select product, Walmart can now compete with Amazon’s seven day a week delivery offering.

Target has been in ongoing negotiations and solution development work with USPS for over a year. USPS has not secured the business and lost the business to UPS’ competitive bids in late 2019. Target now has plans to pilot a program similar to Walmart by September 2020.

Many retailers are interested in building relationship at USPS destinating sortation plants (one step “up” from the post office). Currently, USPS is cost-disadvantaged due to capacity constraints in these facilities.

- As part of management’s package strategy, network investments would enable USPS to develop a competitive product for a broader customer base including: Staples, Office Depot, and Home Depot.
- The Postal Service is trying to win new business in this mid-network product. However, customers say USPS’ price is not competitive and build solutions with FedEx and UPS instead.

7.2 Executing a sequence of negotiations with UPS, FedEx, and Amazon.

At the beginning of 2019, the Postal Service initiated a reset of the largest Parcel Select customers.

- **UPS** negotiations (concluded in June 2019) created a new relationship with UPS and blueprinted a *new overall approach* to Parcel Select customers:
 - *Growth is a requirement* for discounts and decline results in a reversion to published rates
 - *Rate caps provided* with growth requirements.
 - *Sunday product is available at a premium.*
 - *Commitment to give USPS 100% of UPS Mail Innovations – a \$610M business for USPS (Parcel Select Lightweight).*
- **FedEx** negotiations faced headwinds given plan to in-source volumes. USPS exercised FedEx termination clause in September 2019. Post termination notice, USPS entered into negotiations with the goal of winning Sunday delivery and retaining suburban and rural SmartPost volume:
 - *FedEx requested discounts on Parcel Select Lightweight and discounts in Heavyweight.*
 - *FedEx was unwilling to commit volumes and USPS management concluded negotiations.*
- **Amazon** negotiations were planned to begin in early 2020, with intent of solidifying the growth relationship in alignment with UPS agreement. [NOTE – Deep Dive in Section 8].

7.3 Building flexible pricing agreements with DHL and Pitney Bowes.

DHL and Pitney Bowes are consolidators like UPS, however they do not have last-mile capabilities. They build custom solutions and use USPS for the last mile.

- Both partners indicated new customers could be won if there was an “alternative price” that could be employed at Postal Service management’s discretion.
- Alternative price program lets partners request improved rates to win hard-to-win or at-risk business (for example, USPS and Pitney Bowes are actively collaborating to win BarkBox as a customer – a \$5M opportunity).

8 Opportunity to build a growing partnership with Amazon.

Amazon is USPS’ largest customer. In FY19, it generated \$3.9B in revenue across all business. In Parcel Select, it generated \$2.6B in revenue and \$1.3B in contribution. It generated more contribution than any other customer by almost 2 times.

In early 2020, USPS prepared to initiate Amazon negotiations following the conclusion of FedEx negotiations. There are two foundational components to the ongoing relationship reset:

- Component 1. Guaranteeing contribution certainty for USPS’ existing business in exchange for ~~price increase non-discounted (or published rate) volume price cap agreement on published rates.~~
- Component 2. Building new Amazon business currently going to other carriers and expanding overall relationship.

Component 1. Guaranteeing contribution for USPS

USPS has an opportunity to ~~get volume commitments for multiple years guarantee multiple- effectively locking in~~ years of contribution in exchange for ~~price increase caps on non-discounted volume-establishing price caps for published prices. We get certainty on sustained contribution and Amazon gets certainty that their non-NSA prices will go up no more than a certain percentage each year.~~

~~Management recommends aggressively leveraging Amazon’s most recent request for price increase caps to execute the Parcel Select strategy and establish high-consequence volume commitments.~~

Amazon is looking to engage in negotiations as quickly as possible, to facilitate their own network planning. This is to USPS’s advantage, as it represents a significant departure from how Amazon traditionally operates. The opportunity to create this contribution security is time-limited, and it is critical to move swiftly while USPS has an outsized role in enabling business continuity.

Proposed terms would align, in principle, with UPS agreement.

Exhibit: Potential Terms to Improve Amazon NSA and Secure Contribution Certainty

Term	Opening Ask	Similar NSA Examples	Improvement on current Amazon NSA
Commitment length	3-5 years 1 year termination notice	FedEx and UPS	Maintains commitment length and termination relationship.
Decline Penalty for volume declines	Move all Parcel Select volume to published pricing if growth falls below commitments.	UPS	In the event Amazon is unable to meet their contractual commitments, they would experience a >40% rate increase as prices shifted from discounted rates to published rates.

Commented [CJ-WD1]: Table below: The first two ideas are understandable, I don’t and therefore BOG likely won’t really get the rest of the table. We should either be more high level (We are trading price cap for volume commitments and leave it at that) or more detailed and provide more explanation as to how this works. I vote the former.

Commented [CJ-WD2]: The table in the other attachment to your 2:30 Email is far better worded, edited, etc. Did someone cut the wrong table into this document, or is it possible this is an old document that Jakki circulated this afternoon? I am confused.

Price by ZIP	Align price to relative <u>competitive market price</u> . Provide deepest discounts where competitors' costs are lowest. Maximize contribution by charging the most in regions where competitors <u>are most disadvantaged</u> have a high cost to serve.	UPS	Shifts from a less-specific pricing scheme <u>ea</u> that makes it challenging for USPS to retain business in most dense regions. <u>Ensures lower-density and operationally costly regions are charged appropriate higher rate.</u>
Volume Growth Tiers	Volume growth calculated on rolling 4Q basis.	Growth tiers for UPS	Ensures revenue increase of up to \$3B+ over 3 years
Rapid volume reduction	Volume volatility in a 5-digit ZIP removes discounts.	UPS FedEx (ZIP level)	Incentivizes operational consistency

Component 2. Building new Amazon business.

Since December peak 2019, Amazon has needed additional capacity and entered new volume at USPS' destinating sortation facilities at published rates (no discounts). As they continue to invest in their own fulfillment capabilities, they are looking for a long-term sortation partner beyond temporary "capacity augmentation".

Currently, they see significant opportunity to transfer volumes currently won by other carriers if negotiations can commence. These negotiations are nascent, but represent an opportunity to begin to retake share of the business grow our business. **USPS has fallen from 60% of share to 30% of share today in 3 years.**

What happens if neither component is executed?

Amazon may grow to 70% of the e-commerce market by 2024. Failure to retain or grow this relationship represents a significant opportunity-cost in terms of both retaining and growing contribution.

If USPS cannot guarantee volumes contribution from Amazon in exchange for price certainty, it may will lose a majority of Amazon's volume. Amazon will be forced to in-source or move volume to more predictable partners. **This represents a loss of ~\$1.0B in annual contribution by FY2023.** This business would continue to decline as Amazon scaled alternative solutions until USPS only provided the rural deliveries (<6-7% of volume today).

If Component 2 is not executed, USPS **would lose the opportunity** to retake lost Amazon business (Note: **UPS currently has \$8B of revenue** with Amazon).

9 Request of the Board of Governors to move forward with Parcel Select strategy

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

Any major price increases for USPS customers will result in a limited near-term contribution windfall lasting less than one year 1-2 years at most. Extreme price increases would make initiating "peak operations" profitable for all competitors, and they would quickly absorb volumes at reduced margins, mitigating any near-term windfall contribution. **USPS will ultimately see an annual loss of ~\$3.3B in contribution, and will lose the opportunity to further grow business. Further, the overall package**

Commented [CJ-WD3]: One guarantees volumes, not contribution. This change could made throughout.

Commented [CJ-WD4]: This slow loss of contribution seems at odds with the earlier statements about how fast they can in-source.

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Commented [CJ-WD6]:

Commented [CJ-WD7]: Another issue—we start this discussion of excessive price taking defined as 50% to 400%. Then numerous times in the paper we say what will happen if we take these high price increases. Surely a 50% increase will cause diffent consequences than a 400%, but we don't differentiate.

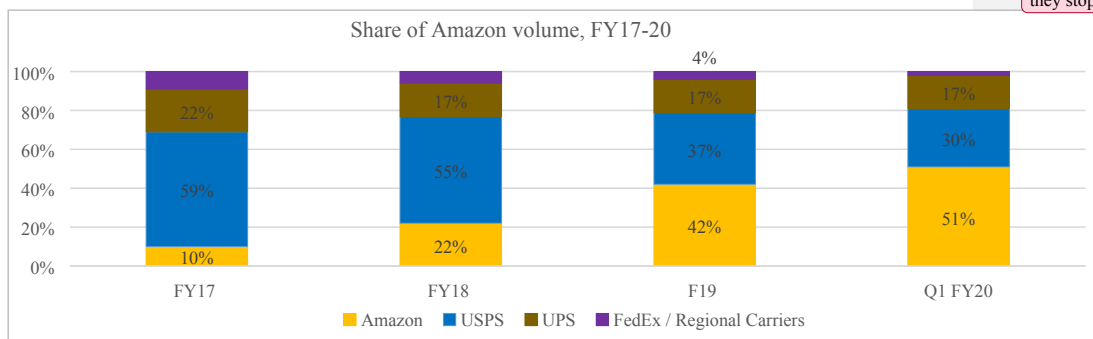
business would be compromised, and USPS would see its deficit grow and its cash position degenerate quicker than projected.

In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to sustain course towards financial sustainability.
- Agreement Authority to sustain current course of the parcel select strategy and proceed with customer negotiations.
- Willingness to call and assure customers that USPS will be a partner to their businesses as they grow packages.
- Provide outreach to CEOs of Walmart, Target and Amazon to provide certainty.

10 Appendix A: Additional information on competitor in-sourcing capabilities

Amazon has been aggressively insourcing volume with Amazon Logistics, sending 2B+ packages in FY19, which primarily cuts into USPS' share:



Commented [CJ-WD8]: Begs the question, why will they stop insourcing? 22% to 51% in two years!

Major USPS last-mile competitors (UPS, FedEx and Amazon Logistics) are **all currently making investments** to increase capacity and network capabilities. While FedEx is not building out capabilities for <11b parcels (or currently taking a large share of Amazon), UPS and AMZL have investments that suggest expanded capacity across both lightweight and heavyweight parcels.

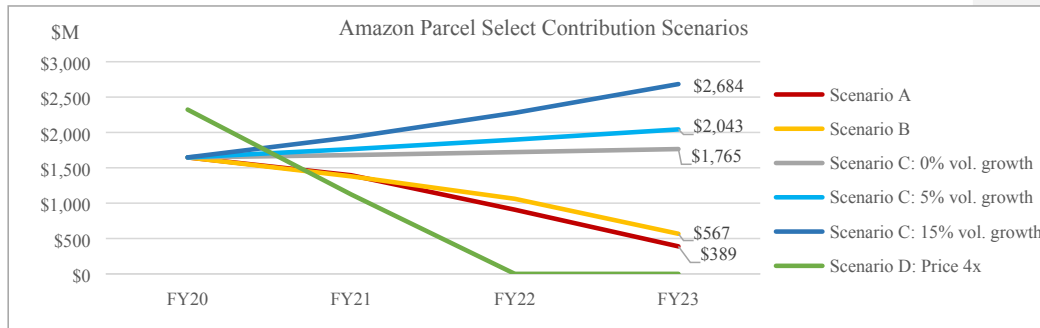
UPS has the capability to absorb a majority of USPS-Amazon volume in the near future with limited incremental investment.

- **Major investments in new and expanded facilities will increase UPS daily capacity by ~3-5M pieces per day in 2020:**
 - 1 new regional super-hub in Harrisburg, PA with ability to process up to 100K packages per hour.
 - 2 new super-hubs in Tacoma, WA & Ontario, CA with ability to process ~50K packages per hour.
 - 3 new automated sortation & distribution centers with ability to process at least ~20K packages per hour.
 - Transition to ~100% sortation automation increases efficiency by 30%.

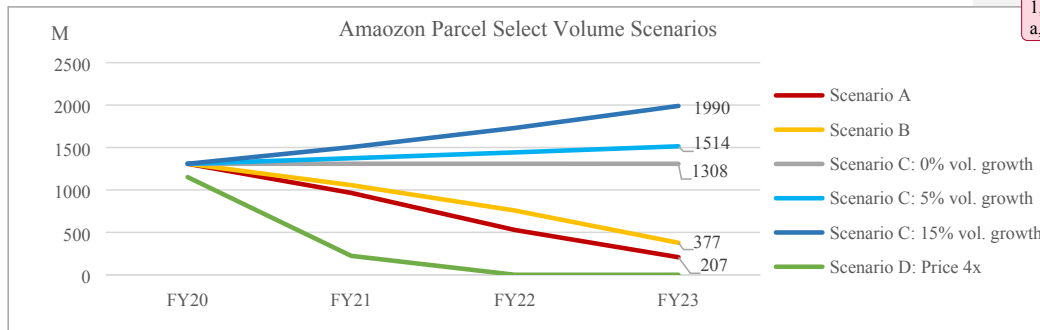
Commented [CJ-WD9]: Would be more impactful if we had tables of numbers in here and elsewhere. Very difficult to understand all the text with numbers in each paragraph. For example, here show our total volumes from AMZ, and subtract out available capacity showing that the available capacity exceeds our current volumes.

- Ability to handle incremental volume in the last mile will require significant expansion of workforce and UPS has the demonstrated capacity to do so (They hired +100K temporary workers employed during peak) and delivery fleet (+25%)

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USPS management has assessed the multi-year contribution impact based on the following go-forward Amazon scenarios:

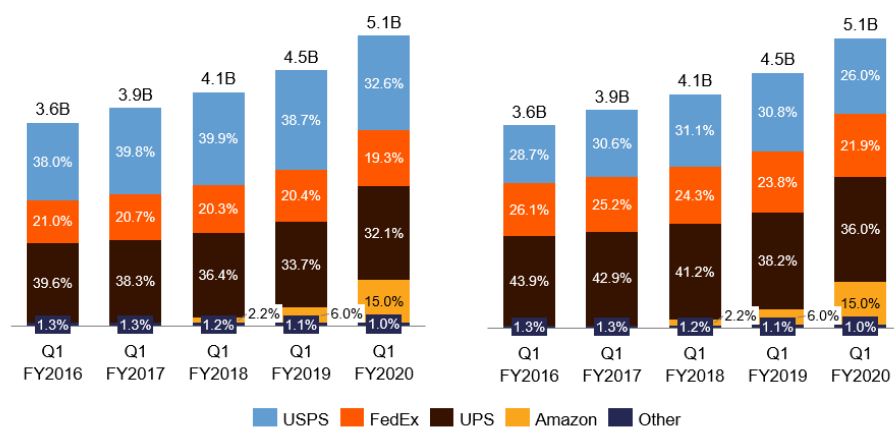
- Contribution harvest strategy through rate increases of ~50% of PSLW while maintaining NSA.
- Steady-state contract status with steady contribution decline and standard rate increases.
- Contractually “locked-in” state to grow contribution.
 - C1: Maintain minimum 0% volume growth (“no decline”) to keep NSA pricing
 - C2: Maintain low 5% volume growth to steal share from competitors
 - C3: Maintain strong 15% volume growth in line with Amazon’s e-commerce growth
- Increase published prices to 4X and terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)

11 Appendix B: Total air and ground parcels, market share⁷

Total air and ground parcels, market share

Delivery View

Origin View



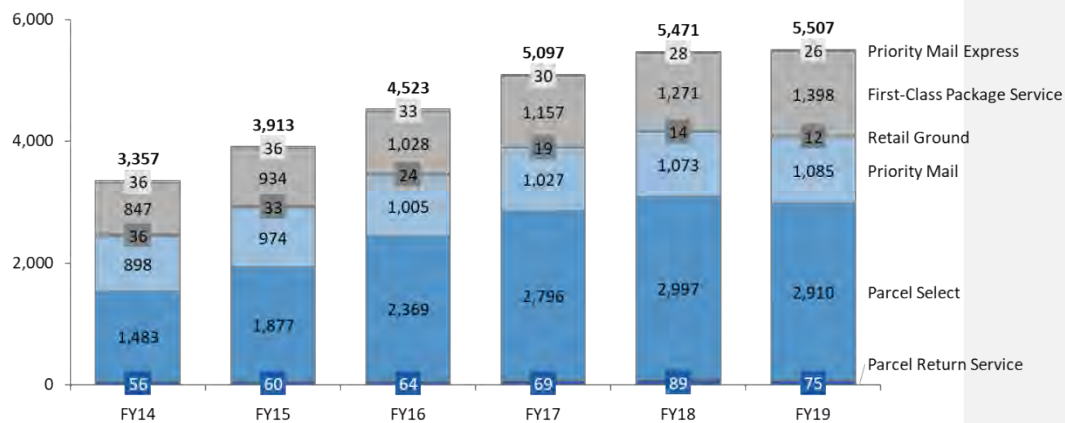
Note: USPS includes Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, Standard Mail Parcels, BPM Parcels, Library Mail and Media Mail.
Source: The Colography Group, Inc. Domestic Quarterly Market Growth And Competitor Share Report

⁷ Colography, for parcels less than 70 pounds. Note: The delivery chart above includes all network and last mile parcels and credits each company based on which company delivers the parcel to final destination. Some of these products may have traversed the networks of these other carriers prior to entry into the Postal Service's network for delivery. For USPS these views include Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, and Standard Mail Parcels. USPS excludes BPM Parcels, Library Mail. For the delivery view, USPS volume includes SurePost and SmartPost volume. The origin view reflects volume that originates with the shipper.

12 Appendix C: Parcel Select Facts and Figures

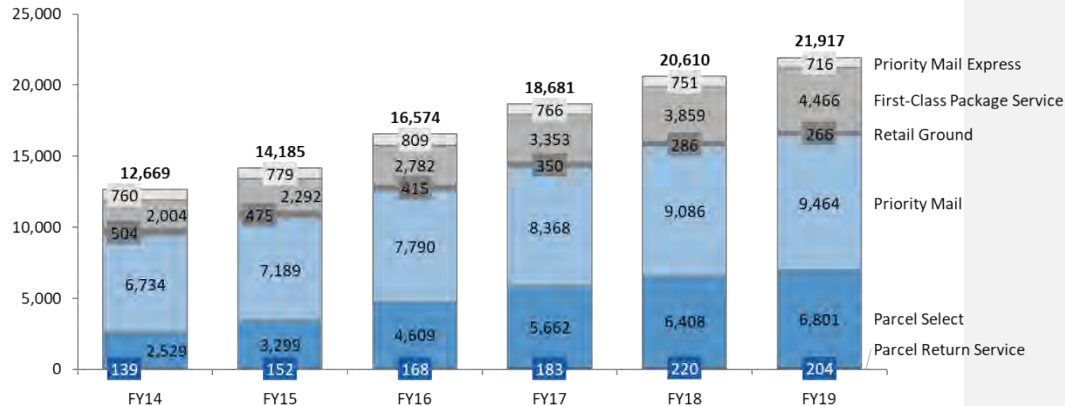
Volume

Packages (millions)



Revenue

\$ (millions)



Additional Comparison of all Top 5 NSAs

A Comparison of Large Parcel Select NSAs

					
Effective date		6/1/2012	1/10/2019	4/3/2019	8/28/2019 (GEO Pricing started 1/26/20)
Duration	10 yrs. (orig. 5)	9 yrs. (orig. 7)	3 yrs.	3 yrs.	3 yrs. (2x 1-yr extensions)
Termination notice	12 months	12 months	30 days	30 days	365 days
Termination date	10/29/2023	5/31/2021 Termination submitted (9/30/2019)	1/31/2022	4/2/2022	12/31/2022
Non-discounted Z/Ps	8,588	23,714	22,419	21,196	33,281
% Non-discounted vol. (1 lb+)	37%	37%	21%	34%	3%
Price cap	Volume based (2.0% to 5.5%)	5% Std, 3.5% Alt (capped at cell-level with banking)	2% (2019) 5% (2020+)	5%	5% or 1% below published (min. of 1%) 4.5% (Lightweight)
Annual price change date	1 October	1 June	Pub. rate change	1 February	Pub. rate change
FY20 Feb YTD (PS+PSLW)					
Volume	581M	181M	105M	33M	293M
Vol. % change to SPLY	4.3%	-18.4%	-5.5%	7.1%	0.1%
Revenue	1,409M	457M	217M	76M	667M
Rev. % change to SPLY	15.5%	-11.6%	5.6%	9.1%	2.0%
2019 price increase	2%	5% Std, 3.5% Alt	2%	N/A	0% (waived)
2020 price increase	2%	2% Std, 2% Alt	2%	2%	2.7%
%DDU of DDU/DSCF	99.7%	89%	90%	85%	87%
% PSLW volume	48%	43%	82%	55%	48%
Current STD 2 lb DDU \$/Pc	\$2.44	\$2.44	\$2.39	\$2.18	B-\$2.40; C-\$2.48; A&D-3.29
Current ALT 2 lb DDU \$/Pc	N/A	\$2.11	T1 - \$2.13 T2 - \$2.02	T1 - \$1.94 T2 - \$1.86	\$2.18

Commented [CJ-WD12]: AMZ 2019 revenue is 1,409M yest it's \$2.6B for AMZ Parcel Select in the body of this memo.

13 Appendix D: Labor Implications

In the event of rapid losses of package volumes triggered by major price increases, the Postal Service would need to remove costs as a result of the lost revenue. These variable costs are directly tied to American jobs. These stable jobs would be compromised at a time of significant economic decline.

- The loss of Parcel Select volume would equate to approximately 55,961,000 bargaining unit work hours.

	<u>Work Hours</u>	<u>Non-Career Equivalent</u>	<u>Non-Career On Rolls</u>	<u>Non-Career Remaining After</u>
Clerks and Mail Handlers	21,543,143	10,858	33,968	23,110
City Carriers	19,945,250	10,058	36,887	26,829
Rural Carriers	13,878,271	6,950	51,695	44,745
Vehicle Service Drivers (APWU)	593,931	299	236	(63)
<u>TOTAL</u>	55,960,954	28,165	122,786	94,621

- The loss of *all* competitive package volume would equate to approximately 169,425,000 work hours, broken down as follows:

	<u>Work Hours</u>	<u>Non-Career Equivalent</u>	<u>Non-Career On Rolls</u>	<u>Non-Career Remaining After</u>
Clerks and Mail Handlers	104,055,997	52,448	33,968	(18,480)
City Carriers	34,555,645	17,426	36,887	19,461
Rural Carriers	25,335,085	12,687	51,695	39,008
Vehicle Service Drivers (APWU)	5,478,257	2,761	236	(2,525)
<u>TOTAL</u>	169,424,984	85,321	122,786	37,465

- Currently, the Postal Service has the ability to lay off its non-career workforce for lack of work, as well as a portion of its career bargaining unit work force depending on the union.
- Notably, the Postal Service's universal service obligation means that a reduction in workload associated with a loss of package volume may not translate to dollar-for-dollar cost savings. The Postal Service will still incur the fixed costs of servicing the nation's delivery points, albeit with reduced revenue per delivery point.
- In some cases (APWU Clerks and Mail Handlers, for example), there are not enough employees (career and non-career) eligible for layoff to capture all of the savings from the reduction in work hours associated with the loss of competitive package volume. The Postal Service would have to

Commented [CJ-WD13]: I would not have all this detail on hours/headcount. I would mention the summary of costs we need to take out in a prominent place in the memo.

wait for excess employees to attrit out (or consider seeking and negotiating a VERA) in order to capture further savings.

- While non-career employees may be let go relatively quickly for lack of work, the union(s) will no doubt challenge any attempt to eliminate a wide swath of the workforce. Furthermore, for those employee crafts (Clerks, Mail Handlers) where it would be necessary to lay off career employees to capture the savings, there are a number of contractual steps the Postal Service must take before implementing a layoff.
- From an operational standpoint, the practicality of eliminating the most flexible component of the Postal Service's workforce would also need to be considered and weighed against potential cost savings. Moreover, the employees who remain on the rolls (i.e., who are protected from layoff) will be the most expensive, most senior employees, so cost per remaining work hour will increase.

For the reasons above, it would not be possible to reduce these costs at a pace that is commensurate with the revenue lost. Therefore, USPS' cash position would be *further* negatively impacted by a radical loss of volumes.

14 Appendix E: Indirect Parcel Select Customers

Customers with >\$1M in indirect Parcel Select in FY19, by consolidator

Across DHL, FedEx, UPS, and Pitney Bowes/Newgistics, 265 distinct customers had >\$1M in indirect Parcel Select spend in FY19, driving \$2.2B in revenue for USPS.

DHL	
Customers	FY19 Revenue
Express Scripts Inc.	\$116.3M
Saddle Creek Logistics Services	\$57.0M
General Motors Corporation	\$21.5M
Vericast	\$18.2M
Unilever United States Inc.	\$14.6M
Number of Additional Customers >\$1M: 33	\$132.2M
Total: 38 Customers	\$360.0M

FedEx	
Customers	FY19 Revenue
US Department of Veterans Affairs	\$136.5M
Publishers Clearing House	\$64.7M
Kohl's Corporation	\$37.2M
US Elogistics Service Corp.	\$29.9M
Kynetic	\$29.9M
Number of Additional Customers >\$1M: 122	\$535.3M
Total: 127 Customers	\$833.5M

UPS	
Customers	FY19 Revenue
Qurate Retail Group	\$143.7M
Macy's Inc.	\$80.5M
GAP Inc.	\$52.7M
DHL	\$47.5M
Kohl's Corporation	\$38.9M
Number of Additional Customers >\$1M: 100	\$466.4M
Total: 105 Customers	\$829.7M

Pitney Bowes/Newgistics	
Customers	FY19 Revenue
L Brands	\$48.7M
Pitney Bowes	\$31.7M
Ebay Inc.	\$29.6M
S.F. Express Corp.	\$13.0M
Starcrest Products of California	\$7.9M
Number of Additional Customers >\$1M: 14	\$30.7M
Total: 19 Customers	\$161.6M

Number of <\$1M Parcel Select customers by industry segment

	DHL		FedEx		UPS		Pitney Bowes/Newgistics	
Industry	Customers	Revenue	Customers	Revenue	Customers	Revenue	Customers	Revenue
Retail Trade	1,728	\$65.9M	2,166	\$53.0M	270	\$14.9M	415	\$7.3M
Wholesale Trade	931	\$22.5M	1,332	\$19.4M	46	\$2.7M	248	\$4M
MSP	192	\$16.8M	182	\$12.7M	23	\$7.7M	44	\$1.7M
Professional, Scientific, and Technical Services	302	\$11.3M	448	\$9.5M	24	\$4.0M	303	\$1.2M
Manufacturing	697	\$10.8M	880	\$8.9M	18	\$3.1M	179	\$4M
Information	133	\$7.5M	171	\$5.8M	13	\$7M	60	\$1M
Transportation and Warehousing	67	\$4.4M	164	\$3.1M	11	\$1.7M	42	\$1M
Health Care and Social Assistance	91	\$3.2M	125	\$2.6M	-	\$1.6M	274	\$3M
Finance and Insurance	65	\$2.8M	66	\$2.0M	1	\$0M	113	\$9M
Arts, Entertainment, and Recreation	62	\$1.9M	98	\$1.7M	-	\$1M	55	\$1.0M
Public Administration	11	\$1.4M	26	\$1.5M	2	\$0M	35	\$1M
Educational Services	43	\$1.2M	64	\$4M	4	\$0M	134	\$0M
Other ⁸	3,473	\$48.3M	5,147	\$40.0M	44	\$16.8M	1,454	\$7.7M
TOTAL	7,795	\$198.3M	10,869	\$160.7M	456	\$53.3M	3,356	\$21.0M

⁸ “Other” category consists of customers in various industries, including: Real Estate, Rental, and Leasing, Agriculture, Forestry, Fishing, and Hunting, Utilities, Management of Companies and Enterprises, Mining, Quarrying, and Oil and Gas Extraction, Accommodation and Food Services, Administrative, Support, and Waste Management/Remediation Services, and Other/Unknown Services where data is incomplete

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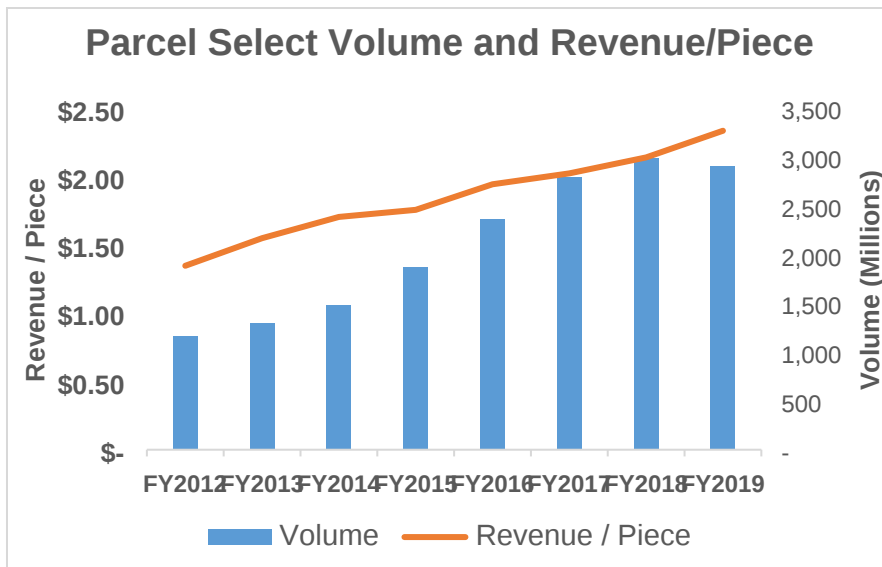
Brief on Amazon-USPS Relationship

Context

During the April 7th White House Coronavirus Task Force Briefing, President Trump made a number of statements about the United States Postal Service and its unprofitability being tied to the relationship with Amazon and other internet companies. This document outlines a response to many of those key statements and provides background on the current customer relationship with Amazon.

Fact-checking Statements

1. **The demise of the Postal Service is “internet companies, [like AMAZON] ... that give their [packages] to the Postal Service”**
 - **While Amazon is the USPS’ largest package customer** (\$3.9B of revenue in FY19), it represents <10% of USPS total annual revenue, and is a high-contribution relationship (>150% cost coverage in its largest product relationship).
 - Additionally, **other marketplace partners (eBay and Etsy) represent high-contribution partnerships** worth >\$1B in revenue.
 - Further, UPS, as a competitor, **has priced its full-network product competitively to compete against USPS to win Amazon business** while also sustaining relatively consistent profit margins year-over-year.
2. **“They lose money every time they deliver a package, for Amazon or internet companies.”**
 - **FY 19 contribution from Amazon was \$1.6B.** Revenue was \$3.9B
 - **USPS derives incremental margin dollars from every parcel**, for every product, for every customer. Package business (both last-mile and full-network) represents a net improvement in profitability for USPS versus a detractor.
 - **USPS net unprofitability is tied more closely to its unfunded governmental mandates that drive down net profitability**
 - Unfunded universal service obligation to deliver to all addresses 6-days / week and to fund operations only through mail and package sales.
 - Expectation to charge equitable prices for all of the United States and to not increase prices relative to the operational cost to serve a highly-urban or highly-rural region.
 - Requirements that no other private company or federal agency is required to meet. For example: pre-funding retirement.
3. **“If they raised prices by a little [...] or a lot, you’d find that the Post Office could make money or break even.”**
 - **USPS had the largest price increases in recent history from 2018-2019 including ~10% price increases for Parcel Select** (product that Amazon, UPS, and FedEx use most heavily). In addition to regular January price increase, USPS introduced an additional charge for **large parcels (DIM-weight) in June 2019. This had significant impact to Amazon effective rates.**
 - Historical relationships with customers have consistently shown that raising prices would only drive them to our competitors. **USPS would see a net contribution loss with a significant share of its package business if prices were to be raised significantly.** USPS competitors could take share in these instances.
 - In the past year, competitors have increasingly insourced the share of B2C volume they deliver themselves. **FedEx has walked away from USPS, indicating Parcel Select prices were no longer economical relative to self-delivery.**



4. **“These are independent Boards, ... appointed by other administrations ... they’re sort of long-term”**
 - The Board of Governors serve 7-year terms, at a maximum of 2 terms. **Additionally, all current members of the Board of Governors (less the Postmaster General and Deputy Postmaster General) were appointed by President Trump with the advice and consent of the US Senate.**
 - The Postal Regulatory Commission is a Federal Agency composed of five Commissioners appointed by the President of the United States with advice and consent of the senate. President Trump appointed 2 of the 5 current serving Commissioners.
5. **“They have to raise prices, but this Postal Commission won’t do it”**
 - The Postal Regulatory Commission regulates Negotiated Service Agreements. In relationship to these agreements, its core objective is to ensure that all contracts with discounted rates are profitable.

Overview of Business with Amazon

Amazon views USPS as a key business partner, relying on USPS to deliver ~30% (1.54B packages) of its total volume in FY19. USPS is competitively positioned in the market to serve Amazon for several reasons: USPS’ ability to flex its internal network to handle large amounts of volume and provide capacity relief, its full 7-day delivery operating model, and its unique advantage of having access to every home and mailbox in the United States. **Amazon has relied on USPS to pioneer innovative shipping solutions**, such as Sunday, Same-Day, and grocery deliveries, which enable Amazon to remain at the forefront of the eCommerce space. **Amazon has continually expressed desire to build off its successful history with USPS and establish a long-term partnership.**

Amazon is USPS’ largest commercial customer at ~\$3.9B rev/yr. Amazon declined in FY19 but volumes are up in FY20. USPS business with Amazon falls under two primary business units: **Amazon Fulfillment Network (AFN) and Merchant Fulfillment Network (MFN)**. With AFN, Amazon picks, packs, and ships orders from its fulfillment centers. Most AFN volume is partial network products (e.g. Parcel Select). MFN refers to sellers receiving orders through Amazon.com, but shipping their products directly from their homes, businesses, or warehouses. Most MFN volume is full network products (e.g. Priority Mail, FCPS).

The majority of revenue and volume from Amazon is through AFN, driven by Parcel Select products:

Current State of USPS Revenue and Contribution from Amazon partnership:

	FY19 Revenue	FY19 Contribution	FY20 YTD Revenue Growth	FY20 YTD Volume Growth
Total	\$3,856M	\$1,600M	12.6%	3.1%
Parcel Select HW	\$1,697B	\$900M	16.2%	3.9%
Parcel Select LW	\$936M	\$450M	19.4%	8.4%
Priority Mail	\$406M	\$145M	29.1%	4.7%
FCPS	\$438M	\$80M	-15.3%	-25.7%
BPM	\$120M	\$10M	-8.9%	-12.2%
Other ¹	\$259M	\$20M	26.4%	-6.8%

Amazon Relationship is at an Inflection Point

Comparing Amazon to other major Parcel Select NSAs, we see that Amazon is not only our largest customer, but also one with strength and growth, not achieved through heavy discounting.

Currently, USPS and Amazon are entering negotiations to expand partnership, introduce increased operational stability, and secure multi-year contribution. This partnership is critical in both near-term and long-term as mail volumes continue to decline, to bolstering the USPS' contribution and revenue position.

Recent developments have put at risk ongoing negotiations and compromises high contribution relationship with Amazon.

In the light of recent developments, Amazon has asked for clarifications on USPS' financial position. Specifically, they asked for information on how the CARE Act stimulus may require USPS to prioritize medical and pharmaceutical deliveries in exchange for funding. Additionally, after the Board of Governor's meeting last week, Amazon inquired about USPS' borrowing resolution and economic viability during the COVID-19 pandemic.

A teleconference was held on April 9, 2020 with Amazon leadership. During this meeting, Amazon stated their concerns about US Postal Service's short and long term pricing and therefore our viability to them as continued shipping partner.

Amazon was particularly concerned about published price uncertainty for the following products:

- 1) Parcel Select LW (48% of Amazon's total Parcel Select volume). **Note: This product is not discounted.**
- 2) Parcel Select HW (Zips not covered in NSA)
- 3) Priority Mail. **Note: new Priority Mail NSA covers ~25% of ZIPS with NSA pricing, and leaves ~75% to published rates.**

Amazon made it very clear that the USPS is alone, globally, among their partners in having this pricing uncertainty. This creates huge risk and make it difficult to plan. Additionally, Amazon is concerned that any stimulus from the Treasury will come with stipulations, causing concern and further risk. To combat this, Amazon is looking for operational certainty on the following:

- What does the USPS look like in the new few weeks, the next few months and the next several years?
- What does a fully functional Postal Service look like, including operating days?

Exhibit: Summary of Amazon revenue by published (non-discounted) vs. NSA revenue

	FY19 Revenue	% of Total Revenue
Non-NSA	\$2,291,853,505	59%
NSA	\$1,565,910,938	41%
Total	\$3,857,764,443	100%

Back-up and additional information Parcel Select NSA is the largest volume and revenue agreement with Amazon. Summary of price changes below.

Date of Price Change Implementation	Price Change % for Published Parcel Select	Summary Reasoning for Price Change
Jan 2014	DDU: 5.1% DSCF: 5.6% DNDC: 5.1% PSLW: 10.1%	Existence of a strong customer base supports the cause for a price increase in order to maximize revenue, enhance profitability, and promote even volume distribution across the network
April 2015	PSHW: 8.0% PSLW: 9.8%	Increase prices in rural areas and cost coverage while balancing increased competition in lightweight class
Jan 2016	PSHW: 4.9% PSLW: 23.5%	Increase PSLW profitability and stay in alignment with FCPS pricing, as they are both underpriced products. Combined machinable/NMO to disregard in pricing. Price increase for contract PSHW greatest in rural areas.
Jan 2017	PSHW: 3.5% PSLW: 8.0%	UPS and FedEx are pulling volume back from PSHW to deliver themselves in concentrated markets. Still a belief that PSLW is underpriced.
Jan 2018	PSHW: 4.9% PSLW: 7.0%	4.9% chosen as fits under 5% increase cap in contracts. More scope to increase PSLW price and still preserves PSLW and FCPS relationship, while taking advantage of robust PSLW growth last year. Belief that despite Amazon and UPS competition, the market can bear this increase.
Jan 2019	PSHW: 9.3% PSLW: 12.3%	Belief that PSLW still underpriced in the market, and matches price increase for FCPS in low zones. PSHW price is increased but most volume is covered under NSAs with price caps, thus increase will not impact significant volume except in undiscounted ZIPs (low delivery density areas). Introducing extension of dimensional weighting to >1 ft ³ packages.
Jun 2019	Introduction of DIM	Introduction of DIM pricing, charging higher weight pricing for oversized and underweight packages requiring non-machinable costing equivalent to heavier weights
Jan 2020	PSHW: 2.5% PSLW: 4.2%	Enhanced last mile capabilities and aggressive pricing of competitors and, diminishes growth so price modest price increases. PSHW price increase in particular is low to protect volume, which is at risk of migration to in-sourcing and self-delivery by major users.

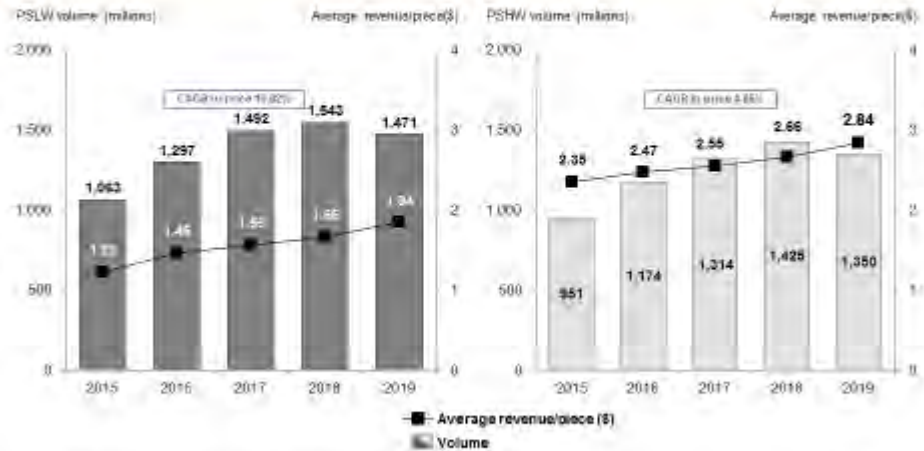
Comparative summary of Largest Parcel Select NSAs

A Comparison of Large Parcel Select NSAs



Effective date		6/1/2012	1/10/2019	4/3/2019	8/28/2019 (GEO Pricing started 1/26/20)
Duration	10 yrs. (orig. 5)	9 yrs. (orig. 7)	3 yrs.	3 yrs.	3 yrs. (2x 1-yr extensions)
Termination notice	12 months	12 months	30 days	30 days	365 days
Termination date	10/29/2023	5/31/2021 Termination submitted (9/30/2019)	1/31/2022	4/2/2022	12/31/2022
Non-discounted ZIPs	8,588	23,714	22,419	21,196	33,281
% Non-discounted vol. (1 lb+)	37%	37%	21%	34%	3%
Price cap	Volume based (2.0% to 5.5%)	5% Std, 3.5% Alt (capped at cell-level with banking)	2% (2019) 5% (2020+)	5%	5% or 1% below published (min. of 1%) 4.5% (Lightweight)
Annual price change date	1 October	1 June	Pub. rate change	1 February	Pub. rate change
FY20 Feb YTD (PS+PSLW)					
Volume	581M	181M	105M	33M	293M
Vol. % change to SPLY	4.3%	-18.4%	-5.5%	7.1%	0.1%
Revenue	1,409M	457M	217M	76M	667M
Rev. % change to SPLY	15.5%	-11.6%	5.6%	9.1%	2.0%
2019 price increase	2%	5% Std, 3.5% Alt	2%	N/A	0% (waived)
2020 price increase	2%	2% Std, 2% Alt	2%	2%	2.7%
%DDU of DDU/DSCF	99.7%	89%	90%	85%	87%
% PSLW volume	48%	43%	82%	55%	48%
Curent STD 2 lb DDU \$/Pc	\$2.44	\$2.44	\$2.39	\$2.18	B-\$2.40; C-\$2.48; A&D-3.29
Curent ALT 2 lb DDU \$/Pc	N/A	\$2.11	T1 - \$2.13 T2 - \$2.02	T1 - \$1.94 T2 - \$1.86	\$2.18

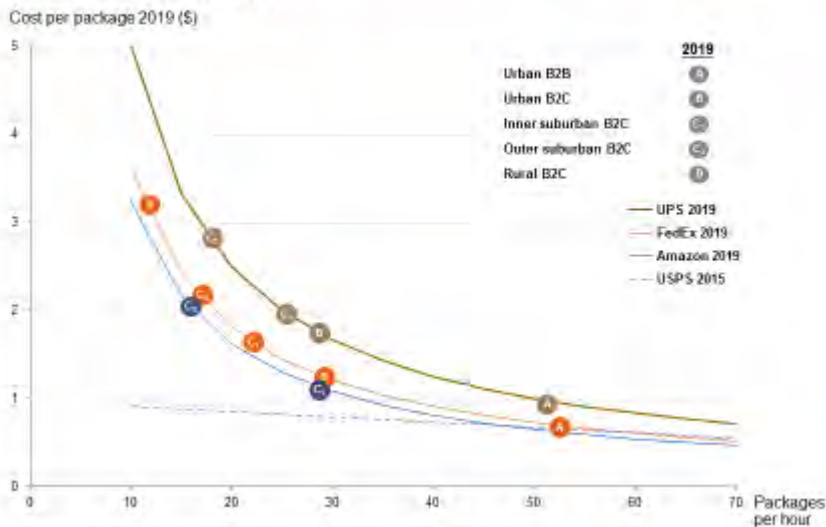
Parcel Select Lightweight and Parcel Select Volume vs. Price, CY



Note: Annual volumes in 2014-2018 are calculated on a calendar year basis, to better reflect the impact of annual price changes, which go into effect in January. 2019 volume data is FY, so the calendar year is incomplete.
Source: CDM PS volume data, FY2013-2019, PSLV/PSHV volume

6

Last mile cost curves



Source: Driver interviews, own observations, expert interviews, USPS internal data, BCG analysis
Note: [2019 volumes/delivery positions on the curve need to be validated]
Note: USPS costs are based on large parcel delivery and have not been updated since 2015

7

4/15/2020

Contents

1. Summary of the PM Amazon successor agreement and key tables of financial benefits for USPS
2. Market opportunity: changes to consumer behavior and competitive dynamics introduced by COVID
3. Competitor sales tactics during the COVID crisis
4. Ongoing Amazon efforts and negotiations timeline

Megan, please note highlights for easier reference.

- This is a successor contract to the existing Priority NSA. Gov Duncan was provided the current NSA for review last week. It was noted that the NSA expires May 1 and successor was being finalized.
- Total annual increased contribution from moving non contiguous to published pricing = **\$25M**.
- Contribution improves on contiguous zips by **\$1.7M** and pricing creates opportunity to win additional volume in Zones 1-4 for additional **\$5-9M** contribution over the life of this NSA.

1. Summary of the Agreement PM Amazon successor agreement

Amazon's Priority Mail Fulfillment proposed Successor Agreement represents a contribution growth opportunity. This NSA will result in higher contribution than the expiring NSA, and higher contribution than a scenario in which no NSA was in place.

Under the successor agreement proposed, **\$26M** of Amazon's ~\$192M Priority Mail Fulfillment business **would be discounted** and the rest would be charged at published rates. This NSA represents <1% of total Amazon business.

This NSA represents an effective price increase from the arrangements in the current NSA that expires on May 1, 2020 while more specifically targeting discounts to retain business and win business that UPS currently wins.

- **USPS increased annual contribution by ~\$25M by shifting 75% of volume (non contiguous) from discounted rates to published rates.**
- **USPS agreement creates multi-year contribution opportunity worth between ~\$5-9M by targeting discounts to high-contribution, high service performance product where UPS has significant share.**

Competitive intelligence

During negotiations, Amazon disclosed that they had 85M pieces of "Priority Mail equivalent" volume in 2019. The Postal Service only receives approximately 20% (16M) of Amazon's "Priority Mail equivalent".

- **The remaining 69M pieces (up to >\$500M revenue) go to competitors - majority to UPS and Delivery Service Providers.**
- **USPS is losing business because Priority Mail does not meet Prime-service standard and price has not historically been competitive for non-Prime rated product.**

Discounts were targeted to individual rate-cells to incentivize favorable volume where USPS also has strong service performance.

Contract Structure

This Priority Mail contract has 2 features to protect USPS interests, grow contribution, and sustain the Amazon relationship:

- **Geo-based pricing:** Pricing is based on charging price required to win the business based on the particular lane.
- **Earned discount model:** Amazon will *earn* all incremental discounts by providing USPS with volume that historically has gone to Amazon's internal network, UPS, or regional carriers. *This is an industry standard aligned to what competitor would do. In instances where volumes decline, discounts also decline.*

Prices were created to **reflect the competitive landscape. At higher prices USPS would cede volume to UPS and lose net contribution.**

Table 4A: Estimated NSA Performance By ZIP Code Classification, FY 2019:

FY 19 Actuals

Product	Estimated Total Volume	Approx. Volume Share	Total Revenue	Total Contribution	Revenue Per Piece	Contribution Per Piece	Cost Coverage	Approx. Discount From CPP
PM (Contiguous ZIPs)	3,968,274	30.0%	\$25,055,999	\$3,268,174	\$6.31	\$0.82	115%	7.0%
PM (High Cost ZIPs)	9,259,306	70.0%	\$59,683,079	\$4,326,384	\$6.46	\$0.47	108%	14.7%
Total for NSA:	13,227,579	100.0%	\$84,739,078	\$7,594,558	\$6.41	\$0.57	110%	12.4%

Table 4B: Projected Change in Revenue & Contribution per Piece (Likely Scenario)

Projected For Contract Year								
Product	Total Volume	Approx. Volume Share	Total Revenue	Total Contribution	Revenue Per Piece	Contribution Per Piece	Cost Coverage	Approx. Discount From CPP
PM (Contiguous ZIPs)	4,060,799	31.8%	\$26,118,600	\$4,921,368	\$6.43	\$1.21	123%	25.1%
PM (High Cost ZIPs CPP- NOT discounted)	8,708,441	68.2%	\$73,325,071	\$27,867,307	\$8.42	\$3.20	161%	0.0%
Total for NSA and CPP	12,769,240	100.0%	\$99,443,672	\$32,788,675	\$7.79	\$2.57	149%	8.0%
Volume Lost (5% High Cost)	458,339							
FY19 Total Volume	13,227,579							

Source: Volume, Revenue, Contribution and Cost Coverage drawn from the 2019 BOG reports, and the forecasts of the Pricing Team.

2. Market opportunity: changes to consumer behavior and competitive dynamics introduced by COVID

The COVID pandemic has already begun, and will continue to, permanently make changes to the e-commerce and broader retail landscape. Online sales are up over 25% according to Bloomberg ^[1] - with outsized growth in online grocery, pharmacy, mass retail and Amazon. Key trends that will likely have long lasting impact beyond COVID:

- Increase in prescriptions by mail - USPS CVS shipping up over 800K / week vs. ~40K / week pre-COVID. USPS consumers are being forced to become more comfortable with home-drug-delivery.
- Conversion of brick and mortar stores to fulfillment centers to accommodate online orders (e.g. Nordstrom predicting online orders to cause 15-20% increase in SFS volumes). This new shipping infrastructure will subsist beyond the crisis.
- Similar to large retailers, SMBs are forced to accelerate infrastructure development to bring services and product online. SMB survivors and winners of COVID will have built deeper e-commerce presences
- E-commerce enablers (e.g., eBay, Shopify, Shippo, Etsy)are taking share of e-commerce market and increasing their role in influencing shipping as they help new e-commerce shippers enter the online market. Adoption of these platforms will persist post-COVID as consumers gain fluency with how to use them to buy and sell goods in new ways.
- Mass retailers Walmart and Target benefitting from slowdowns in Amazon shipping and reduction of Amazon's 2-day inventory (mostly focused on essentials). This has enabled them to expand their customer base (Walmart seeing a surge in orders, increasing density and growing viability of its DDU inject model with USPS).
- Accelerated adoption of online grocery (Transactions increasing ~60%, Instacart hiring 300K workers, significant VC inflows)

This is a moment when the weakening business models (e.g. brick and mortar department store chains) risk failure, the 'strong will get stronger,' and winners for the next decade will emerge. In this time of both crisis and opportunity, companies large and small are looking for a reliable partner they can count on. Just like in a 'peak' period, performance and partnership now can make or break a relationship. We have received over 40 inquiries about USPS financial viability - our customers are looking for engagement and certainty during a time characterized by turbulence and unpredictability.

Our competitors are using this moment to go after new business, and ride the rising tide of volume growth to improve their density and their margins. In a virtuous cycle, these improved margins will fund more aggressive customer acquisition tactics and lower prices. By contrast, if we lose customers during this period, we enter a negative cycle, as we will have less volume and contribution to cover our costs, and will be forced to raise prices. In this context, securing profitable new business is vital.

3. Competitor sales tactics during the COVID crisis

Fedex

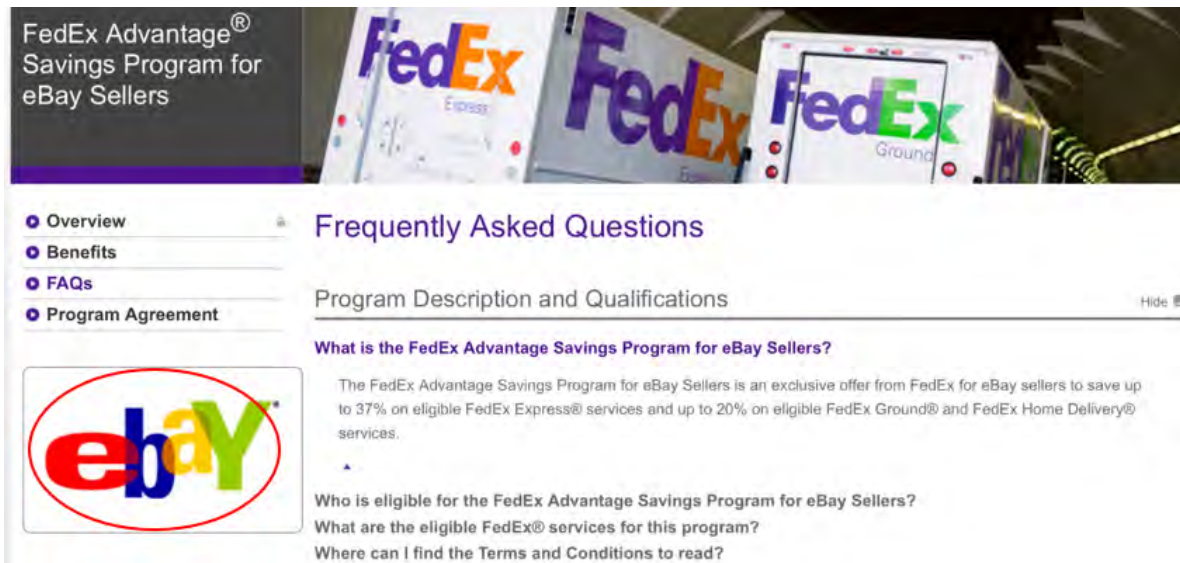
The talking points are verbatim and captured from three FedEx sellers. Last 3 weeks at Monday Sales meeting the main topic is **FedEx Campaign against USPS**. Each FedEx Rep. services/manages approx. 200 customers (as well as prospecting for new ones on a daily basis). They claim this is a "**new**" reason to contact every present & potential customer

FedEx talking points:

- "Everyone knows the USPS has been having **financial difficulties for years**"
- "Now (as with other companies over the years) it is **coming to an end**"
- "It's clear that the **current Administration is not fond of the way the USPS does business**"
- "Now we believe this will be the **end of the USPS as we know it**"
- "The USPS will **NOT** go away, however, it most likely will go thru **a major restructure**"
- "It's more likely to **just continue to do mail**, and **get out of the Package business entirely**"
- "News of this has been **all over the media**, with **NO official response from the USPS**"
- "This should tell you something"
- "Think about it: Do you even know who your USPS account manager is? No! Because that is not their model"
- "The USPS Sells you, but only supplies account management support to very large customers"

^[1] <https://www.bloomberg.com/news/articles/2020-03-31/americans-adopting-e-commerce-faster-than-ever-amid-pandemic>

- **"You do not want to be stuck without a partner to deliver your parcels/packages"**
- **"FedEx can onboard you now (quickly) without service interruption, so you do not have to wait until the last minute"**
- **"Imagine being stuck with filled orders, but without a partner to deliver them"**
- **"You can avoid the rush and change your delivery partner now"**



FedEx Advantage® Savings Program for eBay Sellers

Frequently Asked Questions

Program Description and Qualifications

What is the FedEx Advantage Savings Program for eBay Sellers?

The FedEx Advantage Savings Program for eBay Sellers is an exclusive offer from FedEx for eBay sellers to save up to 37% on eligible FedEx Express® services and up to 20% on eligible FedEx Ground® and FedEx Home Delivery® services.

Who is eligible for the FedEx Advantage Savings Program for eBay Sellers?

What are the eligible FedEx® services for this program?

Where can I find the Terms and Conditions to read?

UPS

UPS questions financials:

"We are getting very pointed questions internally (as well as from our shared customers) about the press of the Postal Service's adverse operational impacts as early as this summer".

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4. Ongoing Amazon efforts & negotiations timeline

In midst of COVID surge, like with other key customers (eBay, Walmart, etc.), USPS engaging frequently with Amazon to:

- Support surging volumes and capture net new business for USPS
- Share mutual operational changes as demand and capacity shift quickly

In parallel, USPS and Amazon are in ongoing conversations to discuss mid-term considerations (next 12-18 months). In particular, Amazon negotiating team is working to analyze two specific questions:

1. How can Amazon's request for rate security in the mid-term be used to secure long-term volume and contribution certainty?
2. What *net new* business does USPS have the opportunity to win away from UPS by extending DSCF rates to Amazon?

Expected timeline for conversations and analyses:

- Amazon negotiating team is preparing to share *general* negotiating stance for these items by April 17th to receive input from leadership
- Objective would be to share updated plan with April S&IC to receive approval to proceed
- Specific economic terms and constraints will be developed by end of April
- Formal negotiations and "opening ask" extended in written-offer by May 8th

Click to visit our [COVID-19 Resource Center & CARES Act Relief Resource Center](#) with the latest updates on business & legal implications related to the coronavirus.

From: Passantino, Stefan (59582)
Sent: Wednesday, April 01, 2020 4:04 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>; Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov>
Cc: Olson, Joseph L (13465) <JLOLSON@michaelbest.com>
Subject: RE: USPS--Background

Following up on this project, our team is putting together the requested analysis and I would like to try to set a time to provide either or both of you with a quick briefing on where we are and where we are headed. Is there a convenient time later this afternoon or tomorrow morning to discuss all of this?

Stefan Passantino

Partner

Practice Group Chair, Government Relations, Political Law & Public Policy

T 202.747.9582 | michaelbest.com

Click to visit our [COVID-19 Resource Center & CARES Act Relief Resource Center](#) with the latest updates on business & legal implications related to the coronavirus.

From: Passantino, Stefan (59582) <spassantino@michaelbest.com>
Sent: Monday, March 30, 2020 7:44 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
Subject: Re: USPS--Background

Thank you. I spoke with Keith. We are good. Hopefully we can get you and Keith a preview of everything on Wednesday and then turn it all over Thursday.

On Mar 30, 2020, at 7:42 PM, Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov> wrote:

Sorry, Stefan, but I have been in meetings since we talked until now. I think Keith called you on my behalf, but in any event I believe we are on the same page. Frankly, I suggested I would call you later largely so as not to put you on the spot concerning when you were going to complete your work.

That said, if you would prefer to talk, I am still in the office at 202-268-5555.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Passantino, Stefan (59582) [<mailto:spassantino@michaelbest.com>]
Sent: Monday, March 30, 2020 5:07 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
Subject: [EXTERNAL] RE: USPS--Background

I just left a message following our call. I can be reached at 202-400-1530 at your convenience.

Stefan Passantino

Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
E spassantino@michaelbest.com
T 202.747.9582 | M 202.400.1530 | F 202.347.1819

<image001.png>

Michael Best & Friedrich LLP

A LexMundi Member

[my bio](#) | [our firm](#) | [vCard](#)

Click to visit our [COVID-19 Resource Center & CARES Act Relief Resource Center](#) with the latest updates on business & legal implications related to the coronavirus.

<image002.gif>

From: Barger/NorthernCrossPartners <jbarger@northerncrosspartners.com>
Sent: Monday, March 30, 2020 3:51 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>; Rick Hohlt <rick@hohlt.com>;
M. -Mike- Duncan Robert <mike@rmduncan.com>; Keith.E.Weidner@usps.gov; Passantino, Stefan (59582)
<spassantino@michaelbest.com>; Olson, Joseph L (13465) <JLOLSON@michaelbest.com>
Subject: USPS--Background

All—

Here is background on USPS:

- Mission Statement (to be adopted 4/01/20);
- Two interesting articles from Wired and NY Times that provide color on critical role the USPS has (and will continue) to play in supporting the American People.

Email Disclaimer

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UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)
(202) 268-2000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees.](#) The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)
(202) 268-2000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. ~~If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ ~~may not~~ have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBf prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBf unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4.				
² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> .				
³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The](#) new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)
(202) 268-2000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees.](#) The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~ Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~ may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.

41-0760000

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

475 L'Enfant Plaza, S.W.

Washington, D.C.

20260

(Address of principal executive offices)

(ZIP Code)

(202) 268-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Not applicable

Trading Symbol(s)
Not applicable

Name of each exchange on which registered
Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. ~~If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

<i>(in millions)</i>	2019	2018	2017	2012 to 2016	Total
PSRHBf prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBf unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees.](#) The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)
(202) 268-2000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBf an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBf by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBf, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBf prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBf obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBf obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is are uncertain, and such uncertainty may will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through AprilMay 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4.				
² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> .				
³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees.](#) The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~ Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~ may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)
(202) 268-2000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

<i>(in millions)</i>	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The](#) new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice
President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)
(202) 268-2000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. ~~If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.~~

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) the provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees.](#) The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W.	
Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)
(202) 268-2000	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBf prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBf unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.				

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees.](#) The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~ Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~ may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)
(202) 268-2000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. ~~If Assuming the Postal Service is able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.~~

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBf prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBf unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees.](#) The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees.](#) The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~ Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~ may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.

41-0760000

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

475 L'Enfant Plaza, S.W.

Washington, D.C.

20260

(Address of principal executive offices)

(ZIP Code)

(202) 268-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Not applicable

Trading Symbol(s)
Not applicable

Name of each exchange on which registered
Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4.				
² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> .				
³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees.](#) The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~ **\$1.9 billion**, which is approximately ~~\$300~~ **\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~ Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~ may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)
(202) 268-2000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) [the](#) provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees.](#) The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~**\$1.9 billion**, which is approximately ~~\$300~~**\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~ Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~ may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in~~ [Additional Comments Received and Updated](#)
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 23~~27~~, 2020 (5.0)(5.2)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W.	
Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)
(202) 268-2000	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>30</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>54</u>
PART II: OTHER INFORMATION	<u>55</u>
Item 1. Legal Proceedings	<u>55</u>
Item 1A. Risk Factors	<u>55</u>
Item 6. Exhibits	<u>55</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633
See accompanying notes to the unaudited financial statements.		

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)
<i>See accompanying notes to the unaudited financial statements.</i>			

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)
<i>See accompanying notes to the unaudited financial statements.</i>			

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,036	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	(14)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, [which and the virus](#) has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If Assuming the Postal Service is able to elects to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020, at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~ may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

~~flat volume between 2009 and 2016, beginning in 2017.~~ Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~ This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~ Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~ business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	\$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020		September 30, 2019	
Related-party assets:				
Receivables and advances ¹	\$	232	\$	25
Operating lease right-of-use assets ²		141		—
Carrying amount of revenue forgone installment receivable ³		476		466
Related-party liabilities:				
Operating lease liabilities ⁴	\$	141	\$	—
Other current liabilities ⁵		61,568		57,518
Long-term debt		11,000		11,000
Other noncurrent liabilities ⁶		18,638		17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

⁴ Amount includes liabilities for operating leases with the GSA.

⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations, as well as payables to other agencies.

⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million ~~respectively, and impairment charges were de minimis, respectively.~~ For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million ~~respectively, and impairment charges were de minimis, respectively.~~ These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES**Collective Bargaining Agreements**

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign-origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting—known as the Extraordinary Congress—to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month

periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation’s increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers’ compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through April~~May~~ 2021. ~~However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections~~[elections, partially offsetting the decrease in Marketing Mail](#).

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

- *First-Class Mail* revenue decrease of \$79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBF unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,375	\$ 6,286	\$ 12,847	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other ⁴	1,032	1,045	1,903	1,968
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,206	14,235	28,524	29,124
Marketing Mail ²	17,040	17,644	37,342	39,687
Shipping and Packages ³	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	73	70	167	161
Total volume	34,013	34,798	71,814	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

² Excludes *Marketing Mail Parcels*.

³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

⁴ Revenue includes *PO Box services*, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.

⁵ Volume includes *Postal Service internal mail* and *free mail provided to certain congressionally mandated groups*.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in [late](#) March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. [However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.](#)

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

\$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, Marketing Mail experienced relatively flat volume. However, Marketing Mail volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, Marketing Mail continued its volume decline through the remainder~~Marketing Mail volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2019~~2018 and the first half~~quarter of 2020, exacerbated by the COVID-19 pandemic.~~2019.~~

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,696	\$ 2,519	\$ 5,674	\$ 5,489
Parcel Services ²	1,774	1,618	3,959	3,724
First-Class Package Services ³	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	\$ 5,821	\$ 5,435	\$ 12,427	\$ 11,895
Shipping and Packages Volume:				
Priority Mail Services ¹	279	273	583	594
Parcel Services ²	723	699	1,630	1,643
First-Class Package Services ³	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	1,484	1,472	3,221	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce [in late March 2020](#) resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce [in late March 2020](#) from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and [grew](#) despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked [our](#) the provision [of the new remuneration system](#) to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The](#) new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The [contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The](#) new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain [incremental](#) risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its [depth and](#) duration ~~remains~~[remain](#) uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. ~~If Assuming we are able to elect to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.~~

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~\$2.0~~ **\$1.9 billion**, which is approximately ~~\$300~~ **\$400 million** less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations including the \$10.0 billion financing available provided by the CARES Act, and through additional defaults, to fund our operations through at least May 2021.~~

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~ Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~ may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$8.0 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~

Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would ~~also~~ appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Dear Editors:

The recent column ("[Phase Out, Don't Bail Out, the Post Office](https://www.wsj.com/articles/phase-out-dont-bail-out-the-post-office-11588719001)") ignores the essential public service function of the United States Postal Service.

The Postal Service is an integral part of the federal government, providing all Americans – in urban and rural areas and every community in between – with universal access to our network and services. Americans rely on the Postal Service to receive mail-in ballots, jury summons, census information and prescription drugs.

The need for the Postal Service is evidenced by the extraordinary demand for postal services. Every day, more than 472 million pieces of mail are processed and delivered by this institution.

At a time when Americans are being urged to stay at home, the vital nature of the Postal Service has never been more apparent. This is why the National Security Council identified the delivery of postal services as being a "critical government service" necessary during times of crisis.

Instead of being phased out, the Postal Service needs to be reformed and strengthened for the future.

Sincerely,
Robert M. (Mike) Duncan
Chair, United States Postal Board of Governors

<https://www.wsj.com/articles/phase-out-dont-bail-out-the-post-office-11588719001>

Phase Out, Don't Bail Out, the Post Office

Nostalgia shouldn't keep alive an agency that is obsolete.

By *Gary MacDougal*

May 5, 2020 6:50 pm ET

A small blessing of the lockdown is that we've been spared the usual task of throwing half or more of the day's mail into the trash. As advertising dries up, the junk simply doesn't get sent.

Meanwhile in Washington, there are calls to bail out the post office. “We cannot allow Donald Trump to use this horrific pandemic as an opportunity to bankrupt and privatize the Postal Service,” said Sen. Bernie Sanders in announcing an April 21 virtual town hall with postal-union leaders. Postmaster General Megan Brennan asked taxpayers for \$75 billion. Mr. Trump declined to support such funds in the last stimulus, which included only a loan. But the president insists the USPS raise prices on packages it delivers for Amazon—never mind that package delivery is an intensely price-competitive business, and [UPS](#), [FedEx](#) and Amazon itself stand ready to take the business if the USPS is no longer the low bidder.

The post office has made some changes in recent years. Its package business is more competitive with UPS and FedEx and it cooperates with them by assuming some “last mile” deliveries in unprofitable remote areas it is required by law to serve. But first-class mail, the USPS’s core business, has been dwindling for years thanks to email and online bill paying. The bottom line: 13 straight years of losses, almost \$9 billion in fiscal 2019.

The responsible course is to set the Postal Service on a careful path to liquidation. This can be done in a way that wisely uses USPS assets, such as the 31,000 post offices, most of which are on valuable property in commercial areas, to wind the business down.

Crucially important would be dealing humanely with the workforce of 600,000—offering early retirement for senior employees and assistance for remaining employees in finding a new job. An experienced outplacement firm could connect employees with new opportunities. In some cases the USPS could pay moving expenses to those who have to relocate to take a new job.

Amazon, FedEx, DHL and UPS would all need to add employees to accommodate the delivery volume now handled by the post office. The government can help with their training. Many would seize the opportunity to advance their careers. Postal-union leaders, junk-mail purveyors and their political allies would complain loudly and keep demanding taxpayer dollars.

The combination of UPS, FedEx, DHL, Amazon and countless local delivery companies would pick up the slack left by the wind-down of the post office. Smaller delivery

companies may find an opportunity to expand to handle last-mile delivery in remote areas. If that isn't enough, Amazon and others could charge more for deliveries to extremely remote locations.

Yes, there is nostalgia. I worked as a temporary Christmas mailman when I was in college, and the post office is one of the few government functions mentioned in (though not mandated by) the Constitution. But then many of us look back fondly at iconic businesses like Kodak and Sears, both now shadows of their former selves. Should the taxpayers have bailed them out, too?

Mr. MacDougal has been a partner of McKinsey & Co., a CEO of Mark Controls Corp. and a director of UPS.



BOARD OF GOVERNORS

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 6, 2020

Contact: David Partenheimer
david.a.partenheimer@usps.gov
202-268-2599

Board of Governors Announces Selection of Louis DeJoy to Serve as Nation's 75th Postmaster General

WASHINGTON – The Board of Governors of the United States Postal Service today announced its unanimous selection of Louis DeJoy to serve as the 75th Postmaster General of the United States and Chief Executive Officer of the world's largest postal organization. DeJoy is an accomplished business executive with more than 35 years of experience. As Chairman and CEO of New Breed Logistics, DeJoy spent decades in collaboration with the U.S. Postal Service, Boeing, Verizon, Disney, United Technologies and other public and private companies to provide supply chain logistics, program management and transportation support. He is expected to begin serving in his new role effective June 15th.

"Louis DeJoy understands the critical public service role of the United States Postal Service, and the urgent need to strengthen it for future generations," said Robert M. (Mike) Duncan, chair of the Board of Governors. "The Board appreciated Louis' depth of knowledge on the important issues facing the Postal Service and his desire to work with all of our stakeholders on preserving and protecting this essential institution."

DeJoy becomes the fifth Postmaster General to join the institution from the private sector since the Postal Service became an independent establishment within the Executive Branch in 1971.

"Having worked closely with the Postal Service for many years, I have a great appreciation for this institution and the dedicated workers who faithfully execute its mission. I look forward to working with the supporters of the Postal Service in Congress and the Administration to ensure the Postal Service remains an integral part of the United States government. Postal workers are the heart and soul of this institution, and I will be honored to work alongside them and their unions. It will be an incredible honor to serve as Postmaster General, and I commit myself to upholding the Postal Service's cherished role in our nation," said Mr. DeJoy.

As Chairman and CEO of New Breed Logistics, Inc., he transformed a small, family owned transportation company with 10 employees into a nationwide provider of highly engineered, technology-driven, contract logistics solutions employing more than 9,000 people. New Breed Logistics was a contractor to the U.S. Postal Service for more than 25 years, supplying the Postal Service with logistics support for multiple processing facilities. The company received Quality Supplier Awards from the Postal Service in 1995, 1996, 1997 and 1998.

In 2014, New Breed merged with XPO Logistics, with DeJoy serving as CEO of XPO Logistics' supply chain business in the Americas before retiring in December 2015 as CEO and joining the XPO Logistics board of directors, where he served until 2018.

DeJoy is a member of the Board of Trustees at Elon University in North Carolina and the Fund for American Studies in Washington, DC. He received his Bachelor of Business Administration from Stetson University. He currently resides in Greensboro, North Carolina with his wife, Dr. Aldona Wos.

DeJoy's appointment comes upon the retirement of Megan Brennan, the nation's 74th Postmaster General, who announced her intent to step down in October 2019. The Board of Governors then began an extensive nationwide search, employing a national executive search firm to conduct the search with additional advisory services from Chelsea Partners. In the ensuing months, the Governors reviewed the records of more than two hundred candidates for the position before narrowing the list to more than fifty candidates to undergo substantial vetting. Subsequently, the Governors interviewed more than a dozen candidates in first round interviews, and invited seven candidates for follow-up interviews. A narrow list of finalists then underwent a final vetting process before the Governors made their decision.

#



BOARD OF GOVERNORS

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 6, 2020

Contact: David Partenheimer
david.a.partenheimer@usps.gov
202-268-2599

Board of Governors Announces Selection of Louis DeJoy to Serve as Nation's 75th Postmaster General

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Republican Outreach Strategy

Purpose: To improve the likelihood of the Board of Governors' legislative requests being included in a COVID-19 package by emphasizing the bipartisan support for the Postal Service and dampening the current partisan news coverage of the Postal Service.

Action: Engage with Republican Senators and Members of Congress that have a history of supporting postal service issues by briefing them on the Postal Service's actions during the COVID-19 crisis, the organization's current financial condition, and the Board's legislative recommendations.

Timeline: These briefings should occur after Chairman Duncan and Secretary Mnuchin have discussed the Board's request that the Postal Service be included in an upcoming coronavirus legislative package. Ideally, the briefings would begin after meaningful progress has been made in the Postal Service's discussions with the Treasury department. The Postal Service's request to be included in the coronavirus relief package will not be honored unless the Secretary and the President support it, and any perceived effort by the Postal Service to enlist Members of Congress to pressure the Administration publicly could harm the chances of success. Even if the Members privately engage, given the media coverage of the last COVID-19 negotiations, it is likely that any discussions with them will be made public and politicized. Further, even our solid friends on Postal Service issues may be reluctant to put a stake in the ground in support of the Postal Service without first obtaining a more clear understanding of the Administration's position on the issues.

Details: Briefings will include what has happened, and what will happen to the Postal Service's finances and operations that could lead to direct impact on service in the Member's state or district. The legislative request will also be discussed, ideally with a positive update on discussions with the Department of Treasury. The intent of briefings will be to inform Members of the Postal Service's vital role during the crisis, but also to ask that they support the legislative package agreement with Treasury. We have heard from our consultants that members to the right of the Administration have raised concerns about the previous COVID-19 response packages, and based on the public statements of several Republican members, we anticipate pushback on the next bill as well. Having the support of key Republican members, even after Treasury has agreed to support our request, should help reduce partisan reaction to postal relief, both by Members of Congress and by the media.

Members:

House of Representatives

Senate

Critical Infrastructure

- The Postal Service provides an essential public service pursuant to statute and Trump Administration policy.
 - As part of the National Continuity Policy (established pursuant to Presidential Directive), "the delivery of postal services to the American Public" is defined by the National Security Council as an essential function that is necessary to ensure the Government provides "critical government services" during an emergency.
 - "Postal and shipping workers" are considered essential critical infrastructure workers, as defined by the Department of Homeland Security.
- As Americans are increasingly subject to shelter-in-place requirements and quarantines, the Postal Service's mandate to bind the Nation together is more vital than ever.
 - We are used to deliver important government information and material (e.g., the White House Coronavirus Task Force mailing, Department of Health and Human Services face coverings, both to all American households), Census materials, ballots, government benefits checks, and packages containing vital necessities, including medicines and goods purchased online.
 - We are also communicating vital health information from the Administration at our retail units, by displaying all of the relevant CDC posters, and by using the digital message boards at our 4,000 largest Post Offices to convey critical information in a more interactive fashion.
 - We have also worked with the CDC to use the banner page on our digital informed delivery tool to convey important instructions from the CDC to our 23 million Informed Delivery subscribers.
- The Governors and Postal Service management are committed to continue providing this critical government service, and being a source of consistency and reliability for the American people throughout this national emergency. Management has established a dedicated COVID-19 leadership team to direct all issues related to our employees, operations, and customers. The Board is meeting regularly to be briefed by management on these efforts and to provide strategic direction.
 - We do not expect significant disruption of the services we provide, though there will be temporary service impacts as we are required to adjust operations to account for contingencies and local conditions.
 - If we need to curtail or adjust operations in a particular facility or area, management will activate our localized continuity of operations plans, just as it does for natural disasters, and we will recover quickly.

- The Postal Service can also play a critical role in the all-of-government response to the pandemic, and we want to help in any way we can. We are participating in the National Response Coordination Center headed by FEMA. We have unique capabilities, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network.
 - By way of example, we have offered our two large training/conference centers to the effort. One, in Potomac, Maryland, has a hotel facility with over 400 rooms, and the other, in Norman, Oklahoma, has over 900 rooms. Both also have catering/dining facilities, as well as ample multi-purpose and conference rooms.

Financial Situation

- There is no doubt that pandemic will have a very negative impact on our financial situation. While the exact impact on volumes and revenue is of course uncertain, we will experience steep declines in mail volume and revenue this year, and likely next year.
- We face a liquidity crisis: our present forecast is that we will run out of money this fiscal year if we cannot borrow the \$10B pursuant to the CARES Act, and that even with that money we will run out of money by March of 2021.
- This dramatic reduction in mail volume in a short period of time due to the pandemic only deepens the significant financial challenges that we are facing.
- We have already taken several steps to address our short term liquidity condition, but they are temporary and not sufficient to address the liquidity crisis.
 - We recently borrowed an additional amount of \$3.4 billion from the FFB under our line of credit, which will be partly repaid in September, and partly repaid in April of next year.
 - We will also delay paying the Social Security tax, as authorized by the CARES Act.

Next Steps

- The Governors' focus is on ensuring the Postal Service's long-term financial sustainability, so that we can provide our critical public services both today, and in the years to come. We recently approved a mission statement to guide our efforts and those of management, and have been hard at work on developing consensus around a long-term financial plan.

- There is now an immediate need to address the liquidity crisis caused by the pandemic.
- We appreciate the inclusion of \$10 billion in additional borrowing authority in the CARES Act, though we understand that you opposed the inclusion of an appropriation agreed to by the Members of Congress, and also insisted that any borrowing be discretionary on the part of Treasury. We would like to understand why you took those positions, and whether you would support additional relief for the Postal Service in the next stimulus bill.
- We also need to know whether we should count on receiving the \$10 billion.
 - Our forecasts show that the \$10 billion will be critical to allowing us to continue operations.
 - We would like Postal Service management and your staff to begin discussions as to the terms and conditions that would apply if we request to borrow those funds.
 - We hope that we could come to an agreement that meets the needs of both parties, and is consistent with the law expeditiously, so that we can have confidence that we will those funds will be available and can be accessed quickly.
- While the \$10 billion is a good start, further action is needed to improve our liquidity, and we want to work with the Administration and Congress on measures to achieve that goal and ensure the continuation of our operations.
- We also want to work with you and the Administration not only to address our short term liquidity needs, but also to position the Postal Service to be financially stable in long-term.
 - Once the current emergency ends, the Postal Service will continue to face the same challenges that existed before: declining mail volumes, a very competitive marketplace, a limited ability to reduce costs, and a compelling need to make long-deferred capital expenditures, including with respect to delivery vehicles.
 - And, we will face these challenges from an even weaker position than before, since the pandemic will erode our volume basis.
 - We need structural reforms to our business model to address these challenges now more than ever, and we believe that we can work together to identify certain changes that can be implemented now.

- Moving forward, the Board will continue its work on a plan to develop consensus on additional, longer-term solutions that will directly address our current structural problems.

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• The Postal Service can also play a critical role in the all-of-government response to the pandemic, and we want to help in any way we can. We are participating in the National Response Coordination Center headed by FEMA. We have unique capabilities, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network.

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• By way of example, we have offered our two large training/conference centers to the effort. One, in Potomac, Maryland, has a hotel facility with over 400 rooms, and the other, in Norman, Oklahoma, has over 900 rooms. Both also have catering/dining facilities, as well as ample multi-purpose and conference rooms.

Financial Situation

• There is no doubt that pandemic will have a very negative impact on our financial situation. While the exact impact is of course uncertain, we will experience steep declines in mail volume and revenue this year, and ~~likely possibly also~~ next year.

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• Our present forecast is that we will run out of money this fiscal year if we cannot borrow the \$10B pursuant to the CARES Act, and that even with that money we will run out of money by March of 2021.

• This dramatic reduction in mail volume in a short period of time due to the pandemic only deepens the significant financial challenges that we are facing. We face a liquidity crisis: we expect to run out of cash at some point either this year or next, depending on how quickly volumes decline and our access to borrowing.

• We have already taken several steps to address our short term liquidity condition, but they are temporary and not sufficient to address the liquidity crisis.

- We recently borrowed an additional amount of \$3.4 billion from the FFB under our line of credit, which will be partly repaid in September, and partly repaid in April of next year.
- We will also delay paying the Social Security tax, as authorized by the CARES Act.

Next Steps

• The Governors' focus is on ensuring the Postal Service's long-term financial sustainability, so that we can provide our critical public services both today, and in the years to come. We recently approved a mission statement to guide our efforts and those of management, and have been hard at work on developing consensus around a long-term financial plan.

- There is now an immediate need to address the liquidity crisis caused by the pandemic.
- We appreciate the inclusion of \$10 billion in additional borrowing authority in the CARES Act, though we understand that you opposed the inclusion of an appropriation agreed to by the Members of Congress, and also insisted that any borrowing be discretionary on the part of Treasury. We would like to understand why you took those positions, and whether you would support additional relief for the Postal Service in the next stimulus bill.
- We also need to know whether we should count on receiving the \$10 billion.
 - Our forecasts show that the \$10 billion will be critical to allowing us to continue operations.
 - We would like Postal Service management and your staff to begin discussions as to the terms and conditions that would apply if we request to borrow those funds.
 - We hope that we could come to an agreement that meets the needs of both parties, and is consistent with the law expeditiously, so that we can have confidence that we will those funds will be available and can be accessed quickly.
- While the \$10 billion is a good start, further action is needed to improve our liquidity, and we want to work with the Administration and Congress on measures to achieve that goal and ensure the continuation of our operations.
- We also want to work with you and the Administration not only to address our short term liquidity needs, but also to position the Postal Service to be financially stable in long-term.
 - Once the current emergency ends, the Postal Service will continue to face the same challenges that existed before: declining mail volumes, a very competitive marketplace, a limited ability to reduce costs, and a compelling need to make long-deferred capital expenditures, including with respect to delivery vehicles.
 - And, we will face these challenges from an even weaker position than before, since the pandemic will erode our volume basis.
 - We need structural reforms to our business model to address these challenges now more than ever, and we believe that we can work together to identify certain changes that can be implemented now.

- Moving forward, the Board will continue its work on a plan to develop consensus on additional, longer-term solutions that will directly address our current structural problems.

Critical Infrastructure

- The Postal Service provides an essential function pursuant to statute and Administration policy.
 - As part of the National Continuity Policy (established pursuant to Presidential Directive), "the delivery of postal services to the American Public" is defined as an essential function that is necessary to ensure the Government provides "critical government services" during an emergency.
 - "Postal and shipping workers" are considered essential critical infrastructure workers, as defined by the Department of Homeland Security.
- As Americans are increasingly subject to shelter-in-place requirements and quarantines, the Postal Service's mandate to bind the Nation together is more vital than ever. We are used to deliver important government information (e.g., the White House Coronavirus Task Force mailing), Census materials, ballots, government benefits checks, and packages containing vital necessities, including medicines and goods purchased online.
- The Governors and Postal Service management are committed to continue providing this critical government service, and being a source of consistency and reliability for the American people throughout this national emergency. Management has established a dedicated COVID-19 leadership team to direct all issues related to our employees, operations, and customers. The Board is meeting regularly to be briefed by management on these efforts and to provide strategic direction.
 - We do not expect significant disruption of the services we provide, though there may be temporary service impacts as we adjust operations to account for contingencies and local conditions. If, for some reason, we need to curtail or adjust operations in a particular facility or area, we will activate our localized continuity of operations plans, just as we do for natural disasters.
- The Postal Service can also play a critical role in the all-of-government response to the pandemic. We are participating in the National Response Coordination Center headed by FEMA. We have unique capabilities, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network.

Financial Situation

- There is no doubt that pandemic will have a significant negative impact on our financial situation. While the exact impact is uncertain, we are likely to experience very significant declines in mail volume and revenue this year, and possibly also next year.

- This dramatic reduction in mail volume only deepens the significant financial challenges that we were already facing, and threatens our ability to continue providing our critical public service.
- We have taken several steps to address our short term liquidity position, but they are not sufficient to ensure that we have enough liquidity.
 - We recently borrowed an additional amount of \$3.4 billion from the FFB under our line of credit, and will also benefit from being able to delay paying the Social Security tax under the CARES Act. These are both only temporary measures.
- Depending on the volume declines that occur, there is a significant risk that we will run out of money to fund operations either this year or next year.
- And, even if we can maintain some level of positive liquidity, we will not be in a position to ensure that we can make the investments necessary to continue providing our services in the manner expected by the American people (e.g. new delivery vehicles), or to be in a position to weather future adverse events.

Next Steps

Financial Impact COVID-19

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April 8, 2020

1

- I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee

Short-Term Outlook – Volume

Index value – Pre-COVID					Index value – Post-COVID (compared to pre-COVID)										Previous baseline indices	
Volume Index	2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	Depth of Impact		Duration of Impact				Level of Return		2022Q1	2022Q2	Q1 2022	Q2 2022
					2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2				
First Class	100	100	100	100	70	60	72	84	80	82	83	83			90	88
Marketing Mail	100	100	100	100	30	30	50	63	68	68	68	68			90	91
Periodicals	100	100	100	100	50	40	50	63	69	69	67	67			90	87
Shipping & Packages	100	100	100	100	95	70	80	89	89	89	100	105			100	106
International	100	100	100	100	30	30	40	50	50	50	70	70			75	79
Other	100	100	100	100	88	88	88	88	76	76	76	76			82	91
Total	100	100	100	100	49	43	60	72	74	74	75	75			90	90

Volume:	2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2
First Class	13,101	12,712	14,318	14,050	9,171	7,627	10,309	11,732	10,481	10,360	11,813	11,591
Marketing Mail	17,673	18,293	20,302	17,581	5,302	5,488	10,151	10,988	12,017	12,439	13,805	11,955
Periodicals	1,183	1,091	1,109	1,082	591	436	555	676	816	753	738	719
Shipping & Packages	1,420	1,451	1,737	1,430	1,349	1,016	1,390	1,273	1,264	1,291	1,737	1,501
International	202	180	240	187	61	54	96	94	101	90	168	131
Other	85	72	94	65	75	64	83	58	65	55	71	50
Total	33,664	33,799	37,801	34,395	16,549	14,685	22,584	24,820	24,744	24,988	28,333	25,948
4 Quarter Rolling Total:				139,659	122,544	103,430	88,212	78,637	86,832	97,136	102,885	104,013

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April 8, 2020

3

- I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee
- II. Flowed those volumes through the financial forecast models to assess the P&L and cash flow impacts

Short-Term P&L and Cash Flow Statement Impacts

FY2020 Actual/Forecast	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
\$-Millions	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY2020 Total
Revenue	\$ 6,205	\$ 6,042	\$ 7,148	\$ 6,089	\$ 5,717	\$ 5,963	\$ 3,796	\$ 3,440	\$ 3,548	\$ 3,533	\$ 3,456	\$ 3,582	\$ 58,519
Controllable Expenses	\$ 6,310	\$ 6,090	\$ 7,382	\$ 6,478	\$ 5,872	\$ 6,073	\$ 6,034	\$ 5,818	\$ 6,130	\$ 6,061	\$ 6,056	\$ 6,028	\$ 74,332
Controllable income (Loss)	\$ (105)	\$ (48)	\$ (235)	\$ (389)	\$ (155)	\$ (110)	\$ (2,237)	\$ (2,378)	\$ (2,582)	\$ (2,528)	\$ (2,601)	\$ (2,446)	\$ (15,813)
Non-Controllable Expenses	\$ 265	\$ 63	\$ 33	\$ 1,188	\$ 1,132	\$ 298	\$ 298	\$ 298	\$ 298	\$ 298	\$ 298	\$ 298	\$ 4,768
Net income (Loss)	\$ (370)	\$ (111)	\$ (267)	\$ (1,577)	\$ (1,287)	\$ (408)	\$ (2,535)	\$ (2,676)	\$ (2,880)	\$ (2,826)	\$ (2,899)	\$ (2,744)	\$ (20,581)

Cash Balance (No changes)	\$ 8,507	\$ 7,670	\$ 8,430	\$ 8,892	\$ 9,148	\$ 9,588	\$ 7,748	\$ 5,282	\$ 3,006	\$ 946	\$ (780)	\$ (2,834)
+Social Security Holiday							7,927	5,640	3,544	1,663	115	(1,759)
+Borrow \$3.4B							11,327	9,040	6,944	5,063	3,515	1,241
+Borrow \$10B Additional							21,327	19,040	16,944	15,063	13,515	11,241
+Default of FERS Normal Cost							21,645	19,676	17,897	16,334	15,104	13,148

FY2021 Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
\$-Millions	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY2021 Total
Revenue	\$ 4,831	\$ 4,659	\$ 5,609	\$ 4,788	\$ 4,347	\$ 4,900	\$ 4,711	\$ 4,268	\$ 4,403	\$ 4,385	\$ 4,288	\$ 4,445	\$ 55,634
Controllable Expenses	\$ 5,980	\$ 5,775	\$ 6,994	\$ 6,137	\$ 5,573	\$ 5,759	\$ 5,720	\$ 5,520	\$ 5,810	\$ 5,744	\$ 5,741	\$ 5,715	\$ 70,468
Controllable income (Loss)	\$ (1,148)	\$ (1,116)	\$ (1,385)	\$ (1,349)	\$ (1,226)	\$ (859)	\$ (1,009)	\$ (1,252)	\$ (1,407)	\$ (1,360)	\$ (1,452)	\$ (1,270)	\$ (14,834)
Non-Controllable Expenses	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 306	\$ 3,677
Net income (Loss)	\$ (1,455)	\$ (1,422)	\$ (1,691)	\$ (1,656)	\$ (1,532)	\$ (1,165)	\$ (1,316)	\$ (1,558)	\$ (1,714)	\$ (1,666)	\$ (1,759)	\$ (1,576)	\$ (18,511)

Cash Balance (No changes)	\$ (5,683)	\$ (6,482)	\$ (7,345)	\$ (8,370)	\$ (9,078)	\$ (9,284)	\$ (10,736)	\$ (11,557)	\$ (12,398)	\$ (13,335)	\$ (13,922)	\$ (14,432)
+Social Security Holiday	(4,438)	(5,066)	(5,757)	(6,782)	(7,490)	(7,697)	(9,148)	(9,969)	(10,810)	(11,747)	(12,334)	(12,844)
+Borrow \$3.4B	(1,438)	(2,066)	(2,757)	(3,782)	(4,490)	(4,697)	(9,148)	(9,969)	(10,810)	(11,747)	(12,334)	(12,844)
+Borrow \$10B Additional	8,562	7,934	7,243	6,218	5,510	5,303	852	31	(810)	(1,747)	(2,334)	(2,844)
+Default of FERS Normal Cost	10,783	10,468	10,090	9,378	8,983	9,090	4,952	4,444	3,916	3,292	3,018	2,821

Note: Average bi-weekly payroll ~\$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

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April 8, 2020

5

Short-Term Strategies to Remain Liquid
 - BOG approved strategies

(\$ in millions)

	Month:	No Changes	 Social Security Holiday - CY2020	 Borrow/repay \$3.4B	Borrow \$10B	Default on FERS
CY 2020	April	7,748	7,927	11,327	21,327	21,645
	May	5,282	5,640	9,040	19,040	19,676
	Jun	3,006	3,544	6,944	16,944	17,897
	Jul	946	1,663	5,063	15,063	16,334
	Aug	(780)	115	3,515	13,515	15,104
	Sep	(2,834)	(1,759)	1,241	11,241	13,148
	Oct	(5,683)	(4,438)	(1,438)	8,562	10,783
	Nov	(6,482)	(5,066)	(2,066)	7,934	10,468
	Dec	(7,345)	(5,757)	(2,757)	7,243	10,090
CY 2021	Jan	(8,370)	(6,782)	(3,782)	6,218	9,378
	Feb	(9,078)	(7,490)	(4,490)	5,510	8,983
	Mar	(9,284)	(7,697)	(4,697)	5,303	9,090
	April	(10,736)	(9,148)	(9,148)	852	4,952
	May	(11,557)	(9,969)	(9,969)	31	4,444
	Jun	(12,398)	(10,810)	(10,810)	(810)	3,916
	Jul	(13,335)	(11,747)	(11,747)	(1,747)	3,292
	Aug	(13,922)	(12,334)	(12,334)	(2,334)	3,018
	Sep	(14,432)	(12,844)	(12,844)	(2,844)	2,821
	Oct	(15,071)	(13,483)	(13,483)	(3,483)	2,499
	Nov	(15,675)	(14,087)	(14,087)	(4,087)	2,212
	Dec	(16,278)	(15,484)	(15,484)	(5,484)	1,131

Note: Average bi-weekly payroll ~\$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

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April 8, 2020

6

- The 10 Year Net Loss is \$54.3B worse than the previous baseline
- The FY2020/FY2021 Net loss is \$22.8B worse than the previous baseline

Previous Baseline - 10 Year IFP Scenario:

\$ & pieces in billions	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Total Volume	138	132	126	122	117	113	108	105	100	97	1,156
Revenue	\$ 71.8	\$ 71.2	\$ 71.2	\$ 71.4	\$ 71.4	\$ 71.6	\$ 71.5	\$ 71.8	\$ 72.3	\$ 72.8	\$ 716.9
Controllable Expenses	75.8	76.3	77.7	79.5	81.2	83.0	84.6	86.6	88.5	90.2	823.2
Non-Controllable Exp	3.6	3.7	3.8	3.9	3.9	4.0	4.1	4.2	4.3	4.5	39.8
Controllable Loss	(4.0)	(5.1)	(6.5)	(8.1)	(9.8)	(11.4)	(13.1)	(14.8)	(16.2)	(17.4)	(106.4)
Net Loss	\$ (7.6)	\$ (8.7)	\$ (10.3)	\$ (12.0)	\$ (13.7)	\$ (15.4)	\$ (17.2)	\$ (18.9)	\$ (20.5)	\$ (21.9)	\$ (146.1)

COVID Impact - 10 Year Scenario

\$ & pieces in billions	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Total Volume	103	97	103	101	99	97	94	93	90	89	966
Revenue	\$ 58.5	\$ 55.6	\$ 60.8	\$ 61.3	\$ 62.1	\$ 63.0	\$ 63.8	\$ 64.9	\$ 66.1	\$ 67.2	\$ 623.4
Controllable Expenses	74.3	70.5	73.0	74.5	76.5	78.6	80.7	82.9	85.2	87.0	783.3
Non-Controllable Exp	4.8	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	40.7
Controllable Loss	(15.8)	(14.8)	(12.2)	(13.2)	(14.4)	(15.6)	(16.9)	(18.0)	(19.1)	(19.9)	(159.9)
Net Loss	\$ (20.6)	\$ (18.5)	\$ (15.9)	\$ (17.0)	\$ (18.3)	\$ (19.6)	\$ (21.0)	\$ (22.2)	\$ (23.3)	\$ (24.3)	\$ (200.6)

- I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee
- II. Flowed those volumes through the financial forecast models to assess the P&L and cash flow impacts
- III. Assessed the business plan initiatives against the new P&L post-COVID

10-Year Business Plan Initiative Impact

All numbers represent 10 year contribution impact
(Dollars in Billions)

	Scenario 3	Scenario 4		Scenario 3	Scenario 4
BASELINE 10 YEAR NET LOSS	(200.6)	(200.6)	Regulatory		
LEGISLATIVE			Price Flexibility		
Medicare Integration			Current PRC proposal CPH+2%, CPH+4% for underwater products	23.2	23.2
Prospective Medicare Integration / Vested Liability	40.8	40.8	Additional price increase on underwater products beyond PRC proposal		5.3
Eliminate RHB normal cost payments if overfunded	10.0	10.0			
Immediate refund of RHB fund surplus	8.0	8.0	USO		
Normal cost payments required due to lower funding level after refund	(3.6)	(3.6)	Aggressive mode of delivery modifications (15.5M to cluster boxes, 4.9M to curbline)		8.5
Employee Benefits			USPS		
Pension benefits payments waived if funding > Federal government	61.4		Infrastructure		
Convert new employees to defined contribution retirement system		1.2	Outsource some operations and consolidate mail processing facilities		8.4
Increase legacy employees contribution to FERS defined benefit		5.3	Reduce additional hours at Post Offices commensurate with workload		1.3
Reform workers' compensation system		4.4	Reduce administrative structure by 5%		1.3
Leave policy adjustment		4.5	Collective Bargaining		
USO			Increase percentage of non-career employees by ~5%		1.0
5 Day delivery frequency with volume trigger and delivery of packages where density supports positive contribution		10.7	Products		
Investing			Digital product opportunities	2.8	2.8
Invest 100% FERS and CSRS in higher yielding securities		11.3	Other product opportunities / Real estate monetization		1.1
Invest 100% of RHB assets in higher yielding securities	3.4	3.4	OTHER		
Pricing			Disynergies/Depreciation/Interest Savings		
Restore half exigent price increase (2.15%)	5.8		Interest savings	17.7	17.7
			Disynergy*		(3.3)
			Depreciation		(1.2)
			TOTAL	(31.2)	(38.7)

*Disynergy between CPH+2% price increase and half exigent price increase not currently modeled

Note: Average bi-weekly payroll ~\$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

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April 8, 2020

9

- I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee
- II. Flowed those volumes through the financial forecast models to assess the P&L and cash flow impacts
- III. Assessed the business plan initiatives against the new P&L post-COVID
- IV. Aligned on a short-term legislative ask with the Strategy & Innovation Committee given the immediate COVID impact on the financials

Short-Term Legislative Relief:

1. \$25B grant to cover COVID losses over the next two year period
2. \$25B modernization grant to ensure USPS can maintain and modernize the infrastructure to support the nation
3. Debt forgiveness of the \$14.4B in outstanding debt
4. Unrestricted borrowing authority up to \$25B

Longer-Term 10-Year Scenario 3 Business Plan Initiatives:

1. Prospective Medicare Integration with vested liability
 - Investment of RHB funds
2. Pension Relief
3. Price Flexibility
4. Product Opportunities

**Impact of short-term legislative relief combined with Scenario 3**

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Base	Net Loss	(20,581)	(18,511)	(15,889)	(17,020)	(18,282)	(19,558)	(20,962)	(22,176)	(23,334)	(24,253)	(200,566)
	Cash without defaults	(10,411)	(29,886)	(46,803)	(64,837)	(83,785)	(103,619)	(124,838)	(147,477)	(170,889)	(194,974)	(194,974)
Stimulus (Social Security holiday and \$3.4B borrowing)	Cash	(6,336)	(28,298)	(47,597)	(64,837)	(83,785)	(103,619)	(124,838)	(147,477)	(170,889)	(194,974)	(194,974)
\$25B Cash infusion	Cash	18,664	(3,298)	(22,597)	(39,837)	(58,785)	(78,619)	(99,838)	(122,477)	(145,889)	(169,974)	(169,974)
\$25B Modernization grant*	Impact	12,500	625	1,250	1,875	2,500	2,500	2,500	2,500	2,500	2,500	31,250
	Cash	31,164	9,827	(8,222)	(23,587)	(40,035)	(57,369)	(76,088)	(96,227)	(117,139)	(138,724)	(138,724)
\$14.4B Debt Forgiveness	Impact (debt due)	400	3,000	1,000	1,000	1,000	700	700	700	700	700	6,100
	Cash	31,564	13,227	(3,822)	(19,187)	(34,635)	(51,969)	(69,988)	(90,127)	(111,039)	(132,624)	(132,624)
Additional Borrowing Authority	Additional borrowing	5,000	5,000	15,000								25,000
	Cash	31,564	18,227	6,178	5,813	(9,635)	(26,969)	(44,988)	(65,127)	(86,039)	(107,624)	(107,624)
Default on Year End Payments**	Impact	7,577	7,877	8,077	8,377	8,677	8,977	9,377	9,677	10,077	10,177	88,870
	Cash	39,141	33,681	29,709	37,721	30,950	22,593	13,951	3,489	(7,346)	(18,754)	(18,754)
With impact of Sc. 3 initiatives**	Impact	8,000	3,022	4,102	6,010	7,183	7,097	9,626	10,741	11,913	12,935	80,630
	Cash	47,141	44,703	44,833	58,856	59,268	58,008	58,991	59,272	60,349	61,876	61,876
Total Debt Balance after all impacts:		-	5,000	10,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Cash Net of Debt after all impacts:		47,141	39,703	34,833	33,856	34,268	33,008	33,991	34,272	35,349	36,876	36,876

* Of the \$25B modernization grant, \$12,500 is assumed to be spent over time on deferred maintenance and sustaining investments within the current capital plan and \$12,500 to be spent immediately on projects that will realize a 20% annual ROI. The \$25B grows to \$31.250B as a result of the ROI on projects.

** The year end payments include RHB Normal Cost, FERS, CSRS, and RHB Amortization payments. If the components of scenario 3 related to Medicare Integration and Pension funding were enacted, these defaults would not be necessary and would be subsumed within the scenario 3 initiative total. The sum of the default on year end payments and scenario 3 initiatives listed above equals the total scenario 3 value of \$169.5B.

Approve S&IC recommendation for immediate relief in Stimulus 4:

1. \$25B grant to cover COVID losses over the next two year period
2. \$25B modernization grant to ensure USPS can maintain and modernize the infrastructure to support the nation
3. Debt forgiveness of the \$14.4B in outstanding debt
4. Unrestricted borrowing authority up to \$25B

Approve the recommendation of the Strategy & Innovation Committee regarding the 10-Year Strategy, which will include the following elements:

1. The Mission Statement approved on 4/1
2. Revised 10-year forecast based on COVID-19 impact
3. Scenario A (a/k/a Scenario 3)
4. The approved Legislative Request
5. As a contingency, Scenario B (a/k/a Scenario 4) in the event that (a) the gap is larger than anticipated, (b) all or part of Scenario A is not implemented, or (c) all or part of the Legislative Request is not fulfilled.



UNITED STATES
POSTAL SERVICE®

APPENDIX

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April 8, 2020

15

Proposal	Explanation	Estimated 10-Yr. Value	Stakeholder Analysis	Tie to Mission Statement
Eliminate the price cap and have the PRC engage in after-the-fact regulatory monitoring of Market Dominant prices set by the Governors.	Would implement via statute the Postal Service's original proposal in the 10-Year Review, which is modeled on the regulatory system in the United Kingdom. It would create a much more flexible pricing system that still enables the PRC to ensure compliance with the law.	>\$5B	Mailing industry, competitors, and PRC would be strongly opposed. Unions would likely be in favor of the substance of the proposal, particularly since we would propose to retain the existing workshare discount rules (a particular concern of APWU).	Indirect
Provide greater flexibility to enter into NSAs for Market-Dominant products, by eliminating the requirement in current law that an NSA provide a "net financial benefit"; this standard has been very hard to meet as an evidentiary matter.	The criteria for Market-Dominant NSAs would be streamlined to facilitate the Postal Service's ability to enter into more such agreements, based on the exercise of its business judgment. The statute would still require that the Postal Service not discriminate among similarly situated customers, and that the NSA not cause unreasonable harm to the marketplace (a standard that the PRC interprets to require that, among other things, an NSA cover its costs).	\$1B-\$5B	Mailing industry would generally support. Unclear if the PRC would oppose. Certain mailer groups that have opposed specific NSAs in the past, such as the newspapers, may be opposed, as may interest groups like the Taxpayers Alliance. Unions could oppose if this facilitates more workshare mail.	Indirect
Eliminate before-the-fact PRC review of Competitive rates, including NSAs. The Commission would engage in after-the-fact review in the Annual Compliance Report and complaint processes.	This would streamline the process for setting Competitive rates, particularly with respect to NSAs.	\$1B-\$5B	Customers would be in favor because this would increase ability to enter into agreements with Postal Service. Competitors would be strongly opposed, and PRC would likely be opposed to reduction in its regulatory authority.	Indirect
Eliminate before-the-fact review by PRC of new postal products, or PRC review of decisions to eliminate products	This proposal would give the Postal Service greater flexibility regarding its portfolio of postal products. The PRC would retain discretion as to how products would be categorized (i.e., either as Market-Dominant or Competitive), and therefore whether to transfer a product from one category to the other.	<\$1B	Mailing industry, competitors, and PRC would likely oppose any diminution of the PRC's regulatory authority.	Indirect
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April 8, 2020				16



Additional Regulatory Reform Proposals

Proposal	Explanation	Estimated 10-Yr. Value	Stakeholder Analysis	Tie to Mission Statement
Provide greater product freedom to offer nonpostal services and government services	This would allow new nonpostal services that are in the public interest and consistent with the Postal Service's mission of binding the Nation together. Those services would be authorized by the Governors, and subsequently regulated by the Commission in the same manner as the other nonpostal services. The language also would expand the Postal Service's authorization to provide government services to state, local, and tribal governments; would specifically authorize the use of "sponsorship agreements"; and would endorse the concept that the Postal Service should be the storefront of the Federal Government.	\$1B-\$5B, with possible but unknown upside depending on profitability of additional services	There has been broad consensus around the state/ local/ tribal government language. The notion of sponsorship agreements may draw opposition from stakeholders concerned about the potential scope of that authority. There would likely be strong opposition to the nonpostal language, such as from the banking industry and aspects of the mailino industry.	Direct
Streamline service change process by either eliminating the PFC advisory opinion process entirely, or making the procedures less burdensome.	This would enable the Postal Service to implement service changes approved by the Board without first seeking an advisory opinion from the PFC. Alternatively, the Postal Service could retain the requirement to seek an advisory opinion, but change the statute to ensure a streamlined PFC process.	<\$1B	Mailing industry, consumer groups, competitors, unions, and PFC would likely strongly oppose the elimination of this process. The alternative would likely also be opposed by these groups.	Indirect
Create additional flexibility for workshare discounts within price cap structure.	This would eliminate the PFC proposal to set a floor for workshare discounts, and give the Postal Service greater flexibility to set workshare discounts above the level of avoided costs.	<\$1B	Mailing industry would support more flexibility to set workshare discounts above costs, but would oppose eliminating the floor. Unions would oppose giving more flexibility to set workshare discounts above cost. PFC would oppose any diminution of authority over pricing system.	Indirect

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April 8, 2020

17

Long-Term P&L and Cash Flow Statement Impacts

Note: Average bi-weekly payroll ~\$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

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April 8, 2020

18

SEC. 2302. DELAY OF PAYMENT OF EMPLOYER PAYROLL TAXES.
(a) IN GENERAL. —

- (1) **TAXES.**—Notwithstanding any other provision of law, the payment for applicable employment taxes for the payroll tax deferral period shall not be due before the applicable date.
- (2) **DEPOSITS.**—Notwithstanding [section 6302](#) of the Internal Revenue Code of 1986, an employer shall be treated as having timely made all deposits of applicable employment taxes that are required to be made (without regard to this section) for such taxes during the payroll tax deferral period if all such deposits are made not later than the applicable date.
- (3) **EXCEPTION.**—This subsection shall not apply to any taxpayer if such taxpayer has had indebtedness forgiven under section 1106 of this Act with respect to a loan under paragraph (36) of section 7(a) of the Small Business Act ([15 U.S.C. 636\(a\)](#)), as added by section 1102 of this Act, or indebtedness forgiven under section 1109 of this Act.

(b) SECA.—

- (1) **IN GENERAL.**—Notwithstanding any other provision of law, the payment for 50 percent of the taxes imposed under [section 1401\(a\)](#) of the Internal Revenue Code of 1986 for the payroll tax deferral period shall not be due before the applicable date.
- (2) **ESTIMATED TAXES.**—For purposes of applying [section 6654](#) of the Internal Revenue Code of 1986 to any taxable year which includes any part of the payroll tax deferral period, 50 percent of the taxes imposed under section 1401(a) of such Code for the payroll tax deferral period shall not be treated as taxes to which such section 6654 applies.

(c) LIABILITY OF THIRD PARTIES. —

- (1) **ACTS TO BE PERFORMED BY AGENTS.**—For purposes of [section 3504](#) of the Internal Revenue Code of 1986, in the case of any person designated pursuant to such section (and any regulations or other guidance issued by the Secretary with respect to such section) to perform acts otherwise required to be performed by an employer under such Code, if such employer directs such person to defer payment of any applicable employment taxes during the payroll tax deferral period under this section, such employer shall be solely liable for the payment of such applicable employment taxes before the applicable date for any wages paid by such person on behalf of such employer during such period.
- (2) **CERTIFIED PROFESSIONAL EMPLOYER ORGANIZATIONS.**—For purposes of section 3511, in the case of a certified professional employer organization (as defined in subsection (a) of [section 2702](#) of the Internal Revenue Code of 1986) that has entered into a service contract described in subsection (e)(2) of such section with a customer, if such customer directs such organization to defer payment of any applicable employment taxes during the payroll tax deferral period under this section, such customer shall, notwithstanding subsections (a) and (c) of section 3511, be solely liable for the payment of such applicable employment taxes before the applicable date for any wages paid by such organization to any work site employee performing services for such customer during such period.

(d) DEFINITIONS. —For purposes of this section—

- (1) **APPLICABLE EMPLOYMENT TAXES.**—The term “applicable employment taxes” means the following:

- (A) The taxes imposed under [section 3111\(a\)](#) of the Internal Revenue Code of 1986.
- (B) So much of the taxes imposed under section 3211(a) of such Code as are attributable to the rate in effect under section 3111(a) of such Code.
- (C) So much of the taxes imposed under section 3221(a) of such Code as are attributable to the rate in effect under section 3111(a) of such Code.

- (2) **PAYROLL TAX DEFERRAL PERIOD.**—The term “payroll tax deferral period” means the period beginning on the date of the enactment of this Act and ending before January 1, 2021.

- (3) **APPLICABLE DATE.**—The term “applicable date” means—

- (A) December 31, 2021, with respect to 50 percent of the amounts to which subsection (a) or (b), as the case may be, apply, and
- (B) December 31, 2022, with respect to the remaining such amounts.

- (4) **SECRETARY.**—The term “Secretary” means the Secretary of the Treasury (or the Secretary's delegate).

- (e) **TRUST FUNDS HELD HARMLESS.** —There are hereby appropriated (out of any money in the Treasury not otherwise appropriated) for each fiscal year to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act ([42 U.S.C. 401](#)) and the Social Security Equivalent Benefit Account established under section 15A(a) of the Railroad Retirement Act of 1974 ([45 U.S.C. 231n-1\(a\)](#)) an amount equal to the reduction in the transfers to such fund for such fiscal year by reason of this section. Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had such amendments not been enacted.

- (f) **REGULATORY AUTHORITY.** —The Secretary shall issue such regulations or other guidance as necessary to carry out the purposes of this section, including rules for the administration and enforcement of subsection (c).

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20215

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20215

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20210

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20210

April 30, 2020

Dear Congressional Leaders:

The undersigned companies, trade associations and consumer advocacy organizations believe it is imperative to save the United States Postal Service. We thank you all for your leadership as the nation confronts this pandemic, and urge you to provide enough funding to enable USPS to survive and serve its customers, the American people, during this exceptionally trying time.

We, along with the postal-reliant industry that generates \$1.6 trillion in sales and employs 7.3 million workers, have long supported a self-sufficient Postal Service. But no business entity can withstand a 50% or more externally-imposed drop in business and revenues, as USPS projects due to COVID-19, and long survive. That is why emergency funding must be provided now.

The American people have been reminded during this pandemic of just how fundamental to American life the Postal Service still is. USPS is delivering prescriptions, household and business staples, groceries, Personal Protective Equipment, greeting cards and personal correspondence to bridge social distancing, Paycheck Protection Program, Social Security and tax refund checks, CDC advice cards on keeping oneself and family safe, and newspapers and magazines still vital to informing the American people. It is enabling a new wave of businesses along with the e-commerce sector to survive the pandemic through remote order and fulfillment. Postal Service delivery is essential. And it is of particularly acute need in rural areas of the country, where there are no alternatives, and often not even broadband. USPS is a lifeline there and elsewhere throughout the country during these challenging times.

As to how much is needed, we defer to the experts, the bipartisan Postal Service Board of Governors appointed by the President, and our leaders in Congress. While substantial sums are needed, they amount to a small part of the emergency funds Congress has provided and will continue to provide, including to sustain small businesses, their employees and the economy. The Postal Service is the backbone of businesses large and small in America, and must endure.

The American people, 91% of whom approve of USPS¹, often raise a commotion if a single Post Office is to be closed. Closing the entire system or imposing a major reduction in service during this time of need would magnify that reaction substantially.

¹ Pew Research Center, *Survey of the Public's Views on Federal Agencies* (April 9, 2020). <https://www.people-press.org/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/>

We again strongly urge you to save the Postal Service and preserve a fundamental lifeline to millions of Americans.

Thank you.

Sincerely,

Washington, D.C.

Coalition for a 21st Century Postal Service	Washington	D.C.
American Catalog Mailers Assn.	Washington	D.C.
American Property Casual Insurance Assn.	Washington	D.C.
Consumer Action	Washington	D.C.
Greeting Card Association	Washington	D.C.
National Consumers League	Washington	D.C.
National Postal Policy Council	Washington	D.C.
National Retail Federation	Washington	D.C.
Retail Industry Leaders Assn.	Washington	D.C.
Small Business Legislative Council	Washington	D.C.
The Insurance Coalition	Washington	D.C.
The Package Coalition	Washington	D.C.
The Pharmaceutical Care Management Assn.	Washington	D.C.

Alaska

Mushing Magazine	Nome	AK
The Nome Nugget	Nome	AK

Alabama

Clarke County Democrat	Grove Hill	AL
Greenville Advocate	Greenville	AL
Selma Times-Journal	Selma	AL
The Arab Tribune	Arab	AL
The Clayton Record	Clayton	AL
The Cherokee Post-Herald	Centre	AL
The Elba Clipper	Elba	AL
The Florala News	Florala	AL
The Greenville Standard	Greenville	AL
The Lowndes Signal	Fort Deposit	AL
The Luverne Journal	Luverne	AL
The Monroe Journal	Monroeville	AL
The Northport Gazette	Northport	AL
The Outlook	Alexander City	AL
The Tallassee Tribune	Tallassee	AL
The Tuskegee News	Tuskegee	AL
The West Alabama Gazette	Millport	AL
The Wetumpka Herald	Wetumpka	AL
Wilcox Progressive Era	Camden	AL

Arizona

Clippin' the River	Bullhead City	AZ
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Colorado River Real Estate Magazine
Entertainer
Mohave Valley Daily News
Runbeck Election Services, Inc.
The Bullhead City Booster
The Laughlin Times
The Wickenburg Sun
Western States Printing Alliance
Wickenburg Shopper News

Bullhead City AZ
Bullhead City AZ
Bullhead City AZ
Phoenix AZ
Bullhead City AZ
Bullhead City AZ
Wickenburg AZ
Queen Creek AZ
Wickenburg AZ

Arkansas

Arkansas Mailing Services
Arkansas Press Association
Dayspring Cards
Harrison Daily Times
Johnson County Graphic
Newton County Times

N. Little Rock AR
Little Rock AR
Siloam Springs AR
Harrison AR
Clarksville AR
Jasper AR

California

Auburn Direct
Auburn Journal
Big Bear Grizzly
Brentwood Press
California News Publishers Association
Chino Champion
CohereOne
Colfax Record
Desert Entertainer
Desert Mobile Home News
eBay Inc.
Folsom Lake Entertainer
Granite Bay View
Grizzly Weekender
Gustine Press-Standard
Hi-Desert Star
Idyllwild Town Crier
India West
Lincoln News Messenger
Major Mailers Assn.
Mountain News
Mountain Shopper
Needles Desert Star (1987)*
Nevada & Placer County Entertainer
Ojai Valley News
PacSun, LLC
Patterson Irrigator
PLD Group
Point Reyes Light
Press Banner
Printing Industries Assn. of San Diego, Inc.

Auburn CA
Auburn CA
Big Bear Lake CA
Brentwood CA
Sacramento CA
Chino CA
San Rafael CA
Colfax CA
Yucca Valley CA
Yucca Valley CA
San Jose CA
Folsom CA
Roseville CA
Big Bear Lake CA
Newman CA
Yucca Valley CA
Idyllwild CA
San Leandro CA
Lincoln CA
El Dorado Hills CA
Lake Arrowhead CA
Lake Arrowhead CA
Needles CA
Auburn CA
Ojai CA
Anaheim CA
Patterson CA
Thousand Palms CA
Inverness CA
Scotts Valley CA
San Diego CA

Printing Industries Assn., Inc. of Southern California	Los Angeles	CA
Shippo	San Francisco	CA
Sky of Blue Cards	Menlo Park	CA
Smith & Noble	Corona	CA
Specialty Equipment Marketing Assn.	Diamond Bar	CA
The Ark	Tiburon	CA
The Desert Trail	Twentynine Palms	CA
The Folsom Telegraph	Roseville	CA
The Loomis News	Roseville	CA
The Malibu Times	Malibu	CA
The Placer Herald	Roseville	CA
The Press-Tribune	Roseville	CA
The San Fernando Valley Sun/el Sol Newspapers	San Fernando	CA
The Shafter Press	Shafter	CA
Title Nine	Emeryville	CA
Tracy Press	Tracy	CA
Very Napa Valley	Sonoma	CA
Visual Media Alliance	San Francisco	CA
Wine Country This Month - Central Coast	Sonoma	CA
Wine Country This Week	Sonoma	CA

Colorado

Blue Mountain Arts	Boulder	CO
Brighton Standard Blade, The	Brighton	CO
Canyon Courier	Evergreen	CO
Clear Creek Courant	Idaho Springs	CO
Commerce City Sentinel-Express	Brighton	CO
CSG Systems International	Denver	CO
Fort Lupton Press	Brighton	CO
Herald Democrat	Leadville	CO
Holyoke Enterprise, The	Holyoke	CO
Leanin' Tree	Boulder	CO
National Assn. of Presort Mailers	Broomfield	CO
Park Co. Republican & Fairplay Blume	Bailey	CO
Path2Response, LLC	Louisville	CO
Rio Blanco Herald Times	Meeker	CO
Robbin Rawlings Designs, Inc.	Boulder	CO
The Chaffee County Times	Buena Vista	CO
The Mountain Mail	Salida	CO
The Pagosa Springs SUN	Pagosa Springs	CO
The Yuma Pioneer	Yuma	CO

Connecticut

BlueCrest, Inc.	Danbury	CT
Colorblends Wholesale Flowerbulbs	Bridgeport	CT
Corporate Mailing Services, LLC	Shelton	CT
New Britain Herald	New Britain	CT
Pitney Bowes Inc.	Stamford	CT
Quadient	Milford	CT
The Bristol Press	Bristol	CT

The Chronicle
Trumbull Printing, LLC
Wasco Tribune

Willimantic CT
Trumbull CT
Wasco CT

Delaware

Cape Gazette
Greater Dover Extra
Smyrna Extra
Sussex Post
The Chronicle

Lewes DE
Dover DE
Smyrna DE
Seaford DE
Milford DE

Florida

Access Mail Processing Services, Inc..
Cedar Key Beacon
Chiefland Citizen
Citrus County Chronicle
Consolidated Mailing Services
Direct Mail Impressions
Florida Graphics Alliance
Florida Mail & Print
Florida Media Association
Florida Press Association
Gadsden County Times, The
Heritage Florida Jewish News
Kessler Creative
Key West Citizen and Free Press
Lake City Reporter
Mail, Print & Packaging Solutions, Inc.
Nona Connect
Nonahood News
North Jax Monthly
Perry News Herald
Print Reach, Inc.
Publishers' Auxiliary
Riverland News
South Marion Citizen
St. Augustine Observer
Sumter County Times
Taco Times
TC Delivers Mail Solutions & Savings
Textile Care Allied Trades Assn.
The West Volusia Beacon
Valpak
Wakulla News, The
Westside Journal
Williston Pioneer Sun-News
W.S. Badcock Corporation

Clearwater FL
Chiefland FL
Chiefland FL
Crystal River FL
Tampa FL
Boca Raton FL
Orlando FL
Ft. Myers FL
Ocala FL
Tallahassee FL
Quincy FL
Orlando FL
Jacksonville FL
Key West FL
Lake City FL
Lutz FL
Orlando FL
Orlando FL
Jacksonville FL
Perry FL
Jacksonville Beach FL
Pensacola FL
Dunnellon FL
Dunnellon FL
St. Augustine FL
Bushnell FL
Perry FL
Jacksonville FL
Wesley Chapel FL
DeLand FL
St. Petersburg FL
Crawfordville FL
Callahan FL
Williston FL
Mulberry FL

Georgia

Banks County News

Jefferson GA

Barrow News-Journal
 Charlton County Herald
 Datamatx
 Early County News
 Envelopes & Forms, Inc./SureBill
 Fayette County News
 Jackson Herald, The
 Madison County Journal, The
 Mature Living in the South
 Mature Living in the Southeast
 Monroe County Reporter
 North Georgia News
 Printing & Imaging Association of Georgia
 The Advance
 The Atlanta Voice
 The Baxley News-Banner
 The Lincoln Journal
 The Newnan Times-Herald
 The News Observer
 The News-Reporter
 The Post-Searchlight
 The Press-Sentinel
 The Telfair Enterprise
 Times-Courier
 Towns County Herald
 TSYS Inc.
 Waycross Journal-Herald

Winder GA
 Folkston GA
 Atlanta GA
 Blakely GA
 Duluth GA
 Fayetteville GA
 Jefferson GA
 Jefferson GA
 Baxley GA
 Baxley GA
 Forsyth GA
 Blairsville GA
 Smyrna GA
 Vidalia GA
 Atlanta GA
 Baxley GA
 Lincolnnton GA
 Newnan GA
 Blue Ridge GA
 Washington GA
 Bainbridge GA
 Jesup GA
 McRae-Helena GA
 Ellijay GA
 Hiawassee GA
 Columbus GA
 Waycross GA

Hawaii

Lahaina News

Maui HI

Idaho

American Mailing Products, Inc.
 Clearwater Tribune
 The Arco Advertiser
 The Challis Messenger
 Weekly Mailer

Meridian ID
 Orofino ID
 Arco ID
 Challis ID
 Burley ID

Illinois

Bal-Tech, Inc. (dba Starship Modeler)
 Barco Products
 Bunker Hill Gazette- News
 Carmi Chronicle
 Carroll County Mirror-Democrat
 Design Toscano
 Fluence Automation, LLC
 Franklin County Gazette
 Gazette-Democrat, The
 Hardin County Independent
 InnerWorkings

Lake Villa IL
 Batavia IL
 Bunker Hill IL
 Carmi IL
 Mt. Carroll IL
 Elk Grove Village IL
 Arlington Heights IL
 Benton IL
 Anna IL
 Elizabethtown IL
 Chicago IL

Journal-News, The
 KirbyBuilt Products
 K-Log
 Leader-Union, The
 Madison County Chronicle
 McLeansboro Gazette
 Midland Paper Packaging and Supplies
 Mt. Olive Herald, The
 Navigator and Journal Register, The
 North American Assn of Food Equipment Mfrs
 Olney Gazette
 OSM Worldwide
 Quicksilver Mailing Services
 Raymond News, The
 Republic-Times Group, LLC
 R.R. Donnelley
 Southwestern Journal News, The
 The Carroll County Review
 The Galena Gazette
 The Prairie News
 The Sidell Reporter
 The Vienna Times
 The Weekly Post
 The Woodstock Independent
 TreeTop Products
 Unison
 Vienna Times, The
 Weekly Press, The

Hillsboro IL
 Batavia IL
 Zion IL
 Vandalia IL
 Worden IL
 McLeansboro IL
 Wheeling IL
 Mount Olive IL
 Albion IL
 Chicago IL
 Olney IL
 Glendale Heights IL
 Springfield IL
 Raymond IL
 Waterloo IL
 Chicago IL
 Brighton IL
 Thomson IL
 Galena IL
 Toulon IL
 Sidell IL
 Vienna IL
 Elmwood IL
 Woodstock IL
 Batavia IL
 Chicago IL
 Vienna IL
 Pinckneyville IL

Indiana

Carroll County Comet
 Crothersville Times
 Data Mail, Inc.
 Engineering Innovation, Inc.
 Ferdinand News
 Indiana Minority Business Magazine
 Journal Review
 LaGrange News
 LaGrange Standard
 LSC Communications
 Middlebury Independent
 Montpelier Weekly
 Mount Vernon Democrat
 Nat'l Assn of Mutual Insurance Companies
 North Vernon Plain Dealer
 Online Data
 Paper of Montgomery County
 Parke County Sentinel
 Perry County News
 Spencer County Journal-Democrat, The
 Sullivan Daily Times

Delphi IN
 Crothersville IN
 Evansville IN
 Lafayette IN
 Ferdinand IN
 Indianapolis IN
 Crawfordsville IN
 LaGrange IN
 LaGrange IN
 Indianapolis IN
 Middlebury IN
 Montpelier IN
 Mount Vernon IN
 Indianapolis IN
 North Vernon IN
 South Bend IN
 Crawfordsville IN
 Rockville IN
 Tell City IN
 Rockport IN
 Sullivan IN

The Daily Clintonian	Clinton	IN
The Goshen News	Goshen	IN
The Mail Group	Lafayette	IN
The Mail-Journal	Syracuse	IN
The North Vernon Sun	North Vernon	IN
The Osgood Journal	Versailles	IN
The Press-Dispatch	Petersburg	IN
The Versailles Republican	Versailles	IN
The Vincennes Sun-Commercial	Vincennes	IN
Western Wayne News	Cambridge City	IN
Whitewater Publications	Brookville	IN

Iowa

Ackley World Journal	Ackley	IA
Algona Upper Des Moines, The	Algona	IA
Bedford Times-Press	Bedford	IA
Belmond Independent	Belmond	IA
Bloomfield Democrat	Bloomfield	IA
Charles City Press	Charles City	IA
Coon Rapids Enterprise	Coon Rapids	IA
Cresco Times Plain Dealer	Cresco	IA
Dayton Leader Newspaper	Dayton	IA
Denver Forum	Denver	IA
Doon Press	Doon	IA
Dysart Reporter	Dysart	IA
Edgewood Reminder	Edgewood	IA
Hartley Sentinel-Everly/Royal News	Hartley	IA
Humboldt Independent	Humboldt	IA
Iowa Falls Times-Citizen	Iowa Falls	IA
Jesup Citizen Herald	Jesup	IA
Knowles Publishing Corp.	Carroll	IA
Kossuth County Advance	Algona	IA
Mail Communications Grp, LLC/MCG Parent, LLC	Des Moines	IA
Mail Services, LLC	Urbandale	IA
Mapleton Press	Mapleton	IA
Missouri Valley Times-News	Missouri Valley	IA
Mount Ayr Record News	Mount Ayr	IA
New Century Press	Rock Rapids	IA
Nora Springs Rockford Register	Rockford	IA
North Scott Press	Eldridge	IA
North Warren Town & County News	Norwalk	IA
Northern Sun Print	Gladbrook	IA
Opinion-Tribune	Glenwood	IA
Red Oak Express, The	Red Oak	IA
Reinbeck Courier	Reinbeck	IA
Strategic America	West Des Moines	IA
Tama County Shopper	Tama	IA
Tama News-Herald	Tama	IA
Telegraph Herald	Dubuque	IA
The Akron Hometown	Akron	IA
The Anita Tribune Co., Inc.	Anita	IA

The Carlisle Citizen
 The Charles City Press
 The Columbus Gazette
 The Daily Iowan
 The Gowrie News
 The Manilla Times
 The Observer
 The Ocheyedan Press-Melvin News
 The Seymour Herald
 The Sun News
 The Times Republican
 The Tipton Conservative
 Times-Republican
 Toledo Chronicle
 T-R Plus
 Traer Star-Clipper
 West Branch Times
 West Liberty Index
 Wilton-Durant Advocate News
 Woolverton

Carlisle	IA
Charles City	IA
Columbus Junction	IA
Iowa City	IA
Gowrie	IA
Manilla	IA
Westside	IA
Ocheyedan	IA
Seymour	IA
Lowden	IA
Corydon	IA
Tipton	IA
Marshalltown	IA
Toledo	IA
Marshalltown	IA
Traer	IA
West Branch	IA
West Liberty	IA
Wilton	IA
Des Moines	IA

Kansas

Coffeyville Journal
 Colby Free Press
 Ellsworth County Independent-Reporter
 Eudora Times
 Good News Press
 Independence Daily Reporter
 Kansas Press Association
 Labette Avenue
 Lineage
 Mail Works
 Marquette Tribune
 Montgomery County Chronicle
 Mulvane News
 Prairie Star
 Rawlins County Square Deal
 Rose Hill Reporter
 The Anthony Republican
 The Cedar Vale Lookout
 The Cowley Courier Traveler
 The Eureka Herald
 The Goodland Star-News
 The Holton Recorder
 The Marysville Advocate
 The Monitor Journal
 The Norton Telegram
 The Oberlin Herald
 The Saint Francis Herald & Bird City Times
 The Wabaunsee County Signal-Enterprise
 Universal Engraving, Inc.

Coffeyville	KS
Colby	KS
Ellsworth	KS
Eudora	KS
Caney	KS
Independence	KS
Topeka	KS
Oswego	KS
Lenexa	KS
Kansas City	KS
Marquette	KS
Caney	KS
Mulvane	KS
Sedan	KS
Atwood	KS
Rose Hill	KS
Anthony	KS
Cedar Vale	KS
Arkansas City	KS
Eureka	KS
Goodland	KS
Holton	KS
Marysville	KS
Little River	KS
Norton	KS
Oberlin	KS
Saint Francis	KS
Alma	KS
Overland Park	KS

Kentucky

Anderson News, The
 Casey County News, The
 Central Kentucky News-Journal
 ElToro.com
 Georgetown News-Graphic
 Henry County Local
 Kentucky New Era
 Kentucky Standard, The
 LaRue County Herald News, The
 Lebanon Enterprise, The
 News-Enterprise
 Oldham Era, The
 Pioneer News, The
 Record, The
 Record-Herald
 Sentinel-News, The
 Spencer Magnet, The
 Springfield Sun, The
 The Cadiz Record
 The Cynthiana Democrat
 The Eagle Post
 The Grant County News
 The Harrison Shopper
 The Licking Valley Courier
 The News-Democrat
 The News-Herald
 The River City Trading Post
 The State Journal
 The Trimble Banner
 Troublesome Creek Times
 Vtility.com

Lawrenceburg KY
 Liberty KY
 Campbellsville KY
 Louisville KY
 Georgetown KY
 Eminence KY
 Hopkinsville KY
 Bardstown KY
 Hodgenville KY
 Lebanon KY
 Elizabethtown KY
 La Grange KY
 Shepherdsville KY
 Leitchfield KY
 Greensburg KY
 Shelbyville KY
 Taylorsville KY
 Springfield KY
 Cadiz KY
 Cynthiana KY
 Oak Grove KY
 Williamstown KY
 Cynthiana KY
 West Liberty KY
 Carrollton KY
 Owenton KY
 Carrollton KY
 Frankfort KY
 Bedford KY
 Hindman KY
 Louisville KY

Louisiana

American Press
 Bogalusa Daily News
 Bossier Press Tribune
 Cameron Parish Pilot
 Catahoula News Booster
 Central Speaks Newspaper
 DeQuincy News
 DMS Mail Management, Inc.
 Jennings Daily News
 LaPlace L'Observateur
 Ruston Daily Leader
 Southwest Daily News
 The Avoyelles Journal
 The Bienville Democrat
 The Bunkie Record

Lake Charles LA
 Bogalusa LA
 Bossier City LA
 Cameron LA
 Jonesville LA
 Central LA
 DeQuincy LA
 Baton Rouge LA
 Jennings LA
 LaPlace LA
 Ruston LA
 Sulphur LA
 Avoyelles LA
 Arcadia LA
 Bunkie LA

The Louisiana Weekly
The Marksville News

New Orleans LA
Marksville LA

Maine

Calyx Flowers, Inc.
Cuddledown
Ellsworth American
J.S. McCarthy
Mount Desert Islander
Snowman Group

Yarmouth ME
Yarmouth ME
Ellsworth ME
Augusta ME
Bar Harbor ME
Hermon ME

Maryland

Country Casual Teak
Healthy Directions
Ocean City Digest
Ocean City Today
Pet Industry Distributors Association
Printing and Graphics Association MidAtlantic
Tire Industry Association
USAE Weekly Newspaper

Gaithersburg MD
Bethesda MD
Ocean City MD
Ocean City MD
Abingdon MD
Columbia MD
Bowie MD
Bethesda MD

Massachusetts

Christianbook, LLC
Coldwater Creek
Daily Times Chronicle
Healy List Marketing
Integrated Systems Associates, Inc.
Legacy Publishing Group
Potpourri Group, Inc.
Printing Industries of New England
The Manchester Cricket
Trainer's Warehouse
Window Book, Inc.

Peabody MA
Hingham MA
Woburn MA
Beverly MA
Swansea MA
Clinton MA
North Billerica MA
Southborough MA
Manchester-by-the-Sea MA
Natick MA
Cambridge MA

Michigan

Alcona County Review
Ann Arbor Observer
Assn. for Mail Electronic Enhancement
Battle Creek Shopper News
Baudville Brands
Bronner's Christmas Wonderland
Cadillac News
Clare County Cleaver
Clarkston News
Community Papers of Michigan
Detroit Legal News
Extend Your Reach
Great American Media Services
Grosse Pointe News
Hastings Banner

Harrisville MI
Ann Arbor MI
Newaygo MI
Battle Creek MI
Grand Rapids MI
Frankenmuth MI
Cadillac MI
Harrison MI
Clarkston MI
Pottersville MI
Detroit MI
Lansing MI
Sparta MI
Grosse Pointe MI
Hastings MI

Hastings Reminder
 Houghton Lake Resorter
 Kent Communications, Inc.
 Koeze Company
 Lake Orion Review
 Lakewood News
 Leelanau Enterprise
 Lett Direct, Inc.
 Lowell Buyers Guide
 Lowell Ledger
 Mail Room Service Center, Inc.
 Maple Valley News
 Marshall/Chronicle
 Oxford Leader
 Save on Everything, LLC
 TGI Direct, Inc.
 The Citizen
 The Climax Crescent Newspaper
 The Clinton Local
 The Independent
 The Pinconning Journal
 The Record
 The Saginaw News
 The Tecumseh Herald
 The Yale Expositor

Hastings	MI
Houghton Lake	MI
Grand Rapids	MI
Grand Rapids	MI
Lake Orion	MI
Hastings	MI
Lake Leelanau	MI
Williamsburg	MI
Lowell	MI
Lowell	MI
Saginaw	MI
Hastings	MI
Marshall	MI
Oxford	MI
Troy	MI
Flint	MI
Ortonville	MI
Climax	MI
Clinton	MI
Dundee	MI
Pinconning	MI
Washington	MI
Saginaw	MI
Tecumseh	MI
Yale	MI

Minnesota

Belle Plaine Herald
 Benton County News
 Bloodwood Forum
 Cardsource
 Citizen Publishing Co., Inc
 Clara City Herald
 Clifton Larson Allen
 Comfrey Times
 Country Acres
 Crosby-Ironton Courier, Inc.
 Dairy Star
 Eden Valley-Watkins Voice
 Ely Echo
 Exponent, TheEast
 Fergus Falls Daily Journal
 Floodwood Forum
 Graphic Finishing
 Hanska Herald
 Hermantown Star
 IdealPrinters
 Inkjet Insight, LLC
 Jackson County Pilot
 Japs-Olson
 Lafayette Nicollet Ledger

Belle Plaine	MN
Foley	MN
Proctor	MN
Minneapolis	MN
Windom	MN
Clara City	MN
Minneapolis	MN
Comfrey	MN
Sauk Centre	MN
Crosby	MN
Sauk Centre	MN
Eden Valley	MN
Ely	MN
Grand Forks	MN
Fergus Falls	MN
Floodwood	MN
Minneapolis	MN
Madelia	MN
Hermantown	MN
St. Paul	MN
Minneapolis	MN
Jackson	MN
St. Louis Park	MN
Lafayette	MN

Madelia Times-Messenger
 Meyers Printing
 Minnesota Newspaper Association
 Minnesota Women's Press
 Nahan Printing
 National Checking
 New Babbitt Weekly News
 Northeaster
 Northern Light Region, The
 On-Trac International
 Page 1 Publications, Inc.
 Paynesville Press
 Pelican Press
 Pope County Tribune
 Printing Industry Midwest
 Proctor Journal
 Proprint
 Pure Gold
 Rock County Star Herald
 Sartell-St. Stephen Newsleader
 Saturation Mailers Coalition
 Sauk Centre Herald
 Sauk Rapids Herald
 Spicer - Lakes Area Review
 St. Joseph Newsleader
 St. Paul Voice
 Standard Dynamics
 Star Publications, LLC
 Star Shopper
 The Appleton Press
 The Battle Lake Review
 The Kerkhoven Banner
 The Middle River Honker
 The Observer
 The Star Post
 Timberjay
 Tracy Area Headlight Herald
 Valley News
 Wheaton Gazette

Mississippi

Emmerich Newspapers
 Jacobs Properties
 The Charleston Sun-Sentinel
 The Franklin Advocate
 The Star-Herald
 The Wayne County News

Missouri

Advertiser-Courier

Madelia	MN
Minneapolis	MN
Minneapolis	MN
Minneapolis	MN
St. Cloud	MN
Minneapolis	MN
Babbitt	MN
Minneapolis	MN
Baudette	MN
Brighton	MN
East Grand Forks	MN
Paynesville	MN
Pelican Rapids	MN
Glenwood	MN
Minneapolis	MN
Proctor	MN
Duluth	MN
Madelia	MN
Luverne	MN
St. Joseph	MN
Minneapolis	MN
Sauk Centre	MN
Sauk Rapids	MN
New London	MN
St. Joseph	MN
St. Paul	MN
Minneapolis	MN
Sauk Centre	MN
Sauk Centre	MN
Appleton	MN
Battle Lake	MN
Kerkhoven	MN
Middle River	MN
Belgrade	MN
Albany	MN
Tower	MN
Tracy	MN
Browns Valley	MN
Wheaton	MN

Jackson	MS
Brookhaven	MS
Charleston	MS
Meadville	MS
Kosciusko	MS
Waynesboro	MS

Hermann	MO
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Arnold-Imperial Leader
 Bowling Green Times
 Buffalo Reflex
 Cabool Enterprise
 Centralia Fireside Guard
 Christian County Headliner-News
 Elsberry Democrat
 Eureka Leader
 Excelsior Springs Standard
 Gasconade County Republican
 Hallmark
 Hathaway & Lane Direct, LLC
 Houston Herald
 Jefferson County Leader
 Lake Gazette, The
 Lincoln County Journal
 Louisiana Press-Journal
 Maginating
 Maries County Advocate
 Marshfield Mail, The
 MCH Strategic Data
 Midwest Mailing Service
 Montgomery Standard
 Newstime
 Nixa Xpress
 Ozark County Times
 Ozark Mailing Service
 Peruvian Connection, LLC
 Phelps County Focus
 Presort, Inc.
 Print Media Association
 Sage Information Services
 Sedalia Democrat, The
 Stockton Cedar County Republican
 The Labor Tribune
 The Laclede County Record
 The Mansfield Mirror
 The Mountain Grove News Journal
 The Richmond News
 The Salem News
 Town and Country Leader
 Troy Free Press
 Unterrified Democrat
 US Toy Company
 Vandalia Leader, The
 Warren County Record
 Washington Missourian
 West Plains Daily Quill
 West Side Leader, The

Festus MO
 Bowling Green MO
 Buffalo MO
 Cabool MO
 Centralia MO
 Ozark MO
 Elsberry MO
 Festus MO
 Excelsior Springs MO
 Owensville MO
 Kansas City MO
 O'Fallon MO
 Houston MO
 Festus MO
 Monroe City MO
 Troy MO
 Louisiana MO
 Kirkwood MO
 Vienna MO
 Marshfield MO
 Sweet Springs MO
 Columbia MO
 Montgomery City MO
 Lake Saint Louis MO
 Nixa MO
 Gainesville MO
 Springfield MO
 Kansas City MO
 Rolla MO
 St. Louis MO
 Chesterfield MO
 Jefferson City MO
 Sedalia MO
 Stockton MO
 St. Louis MO
 Lebanon MO
 Mansfield MO
 Mountain Grove MO
 Richmond MO
 Salem MO
 Excelsior Springs MO
 Troy MO
 Linn MO
 Grandview MO
 Vandalia MO
 Warrenton MO
 Washington MO
 West Plains MO
 Festus MO

Montana

Cut Bank Pioneer Press
 Daniels County Leader
 Glacier Reporter
 Mailing Technical Services, Inc.
 Shelby Promoter
 The Laurel Outlook
 The Valerian
 Tobacco Valley News

Cut Bank MT
 Scobey MT
 Browning MT
 Billings MT
 Shelby MT
 Laurel MT
 Valier MT
 Eureka MT

Nebraska

Ainsworth Star-Journal
 Albion News
 Barnhart Press
 Blair Pilot-Tribune
 Business Farmer
 CapStone Technologies, LLC
 Cedar County News
 Citizen
 Crete News
 Douglas County Post-Gazette
 Friend Sentinel, The
 Grant County News
 Grant Tribune-Sentinel, The
 Gretna Guide and News
 Hastings Tribune
 Hooker County Tribune
 Humphrey Democrat
 Imperial Republican, The
 Lyons Mirror-Sun
 McPherson County News
 Milford Times
 Nebraska Press Association
 North Bend Eagle
 Oakland Independent
 Petersburg Press
 Pierce County Leader
 Seward County Independent
 Springview Herald
 St. Edward Advance
 Summerland Advocate-Messenger
 The Arnold Sentinel
 The Clay County News
 The Elgin Review
 The Stapleton Enterprise
 The Voice News
 The Voice of Western Nebraska
 Thomas County Herald
 Valentine Midland News
 Washington County Enterprise
 Wauneta Breeze
 Wilber Republican, The

Ainsworth NE
 Albion NE
 Omaha NE
 Blair NE
 Scottsbluff NE
 Lincoln NE
 Hartington NE
 Arlington NE
 Crete NE
 Elkhorn NE
 Friend NE
 Hyannis NE
 Grant NE
 Gretna NE
 Hastings NE
 Mullen NE
 Humphrey NE
 Imperial NE
 Lyons NE
 Tryon NE
 Milford NE
 Lincoln NE
 North Bend NE
 Oakland NE
 Petersburg NE
 Pierce NE
 Seward NE
 Springview NE
 St Edward NE
 Clearwater NE
 Arnold NE
 Sutton NE
 Elgin NE
 Stapleton NE
 Hickman NE
 Morrill NE
 Thedford NE
 Valentine NE
 Blair NE
 Wauneta NE
 Wilber NE

Nevada

Battle Mountain Bugle
 Gardnerville Record Courier
 Humboldt Sun
 Lahontan Valley News
 Las Vegas Review Journal
 Lovelock Review Miner
 Moapa Valley Progress
 Nevada Appeal
 Nevada Press Association
 Nevada Rancher
 Northern Nevada Business Weekly

Battle Mountain NV
 Gardnerville NV
 Winnemucca NV
 Fallon NV
 Las Vegas NV
 Lovelock NV
 Overton NV
 Carson City NV
 Carson City NV
 Winnemucca NV
 Reno NV

New Hampshire

Eastern Marketing Services
 InterTown Record
 Littleton Coin Company, Inc.
 Valley News

Portsmouth NH
 North Sutton NH
 Littleton NH
 West Lebanon NH

New Jersey

A Smyth Co.
 Community News Service
 Edmund Optics
 Maljon LLC
 OSG Billing
 Page Three Consulting
 The Advertiser-News
 The Sentinel of Gloucester County
 The Sparta Independent
 The Township Journal
 The West Milford Messenger
 West Essex Tribune

Haddon Township NJ
 Lawrence NJ
 Barrington NJ
 Flanders NJ
 Ridgefield Park NJ
 Haddonfield NJ
 Vernon NJ
 Malaga NJ
 Sparta NJ
 Newton NJ
 West Milford NJ
 Livingston NJ

New Mexico

Cibola Citizen
 Hobbs News Sun
 Las Vegas Optic
 Los Alamos Monitor

Grants NM
 Hobbs NM
 Las Vegas NM
 Los Alamos NM

New York

Adirondack Daily Enterprise
 All Island Media Inc.
 Bee Group Newspapers
 Belardi Wong, ALC, LLC
 Charleston Gardens
 Chelsea Clinton News
 Chelsea News
 Cross Country Computer
 FPH Communications

Saranac Lake NY
 Edgewood NY
 Buffalo NY
 New York City NY
 New York City NY
 New York City NY
 New York City NY
 New York City NY
 East Islip NY
 New York City NY

Great Arrow Graphics	Buffalo	NY
Genesee Valley Publications	Avon	NY
Lake Placid News	Saranac Lake	NY
Lindenmeyr Central (Member of Central Nat'l Gottesman, Inc.) Purchase		NY
MeritDirect	Rye Brook	NY
Mid-Hudson Times	Newburgh	NY
New York Press Association	Albany	NY
Northern Safety & Industrial	Utica	NY
Our Town	New York City	NY
Our Town Downtown	New York City	NY
Patient Press Greeting Cards	Rochester	NY
Printing Industries Alliance	Amherst	NY
Publishers Clearing House	Jericho	NY
Ray Slyper Associates	New York City	NY
Southern Ulster Times	Milton	NY
The Altamont Enterprise & Albany County Post	Altamont	NY
The Chronicle	Goshen	NY
The Freeman's Journal	Cooperstown	NY
The Highlands Current	Cold Spring	NY
The Photo News	Monroe	NY
The Warwick Advertiser	Warwick	NY
Uncommon Goods	Brooklyn	NY
Wallkill Valley Times	Walden	NY
Westsider	New York City	NY
West Side Spirit	New York City	NY

North Carolina

Bowe Systec	Raleigh	NC
Brunswick Beacon, The	Shallotte	NC
Carteret County News-Times	Morehead City	NC
Cherokee Scout	Murphy	NC
Clay County Progress	Hayesville	NC
eVanguard Solutions, Inc (dba MailXstream)	Wilmington	NC
Fresh Angle Communications	Holden Beach	NC
National Wholesale, Inc.	Lexington	NC
Scottish Gourmet USA, LLC	Greensboro	NC
Stokes News	King	NC
The Graham Star	Robbinsville	NC
The Mount Airy News	Mount Airy	NC
The News Reporter	Whiteville	NC
The Printing Industry of the Carolinas, Inc.	Charlotte	NC
The Tribune	Elkin	NC
Yadkin Ripple	Yadkinville	NC

North Dakota

Adams County Record	Hettinger	ND
Ashley Tribune	Ashley	ND
Beulah Beacon	Beulah	ND
Billings County Pioneer	Medora	ND
Bottineau Courant	Bottineau	ND

Carson Press
 Center Republican
 Central McLean News Journal
 Emmons County Record
 Enderlin Independent
 Golden Valley Beach News
 Grant County News
 Hazen Star, The
 Kulm Messenger
 Lamoure Chronicle
 Larimore Leader/Tribune
 Litchville Bulletin
 McClusky Gazette
 McKenzie County Farmer
 McLean County Independent
 Mountrail County Record
 Napoleon Homestead
 New Town News
 North Dakota Newspaper Association
 Presort Plus
 Recreation Supply Company
 The Forum of Fargo-Moorhead
 The Herald
 The Jamestown Sun
 The Journal
 The Walsh County Record
 Tioga Tribune
 Tri-County News
 Valley News & Views
 Washburn Leader-News
 Wishek Star

Elgin	ND
Washburn	ND
Underwood	ND
Linton	ND
Enderlin	ND
Beach	ND
Elgin	ND
Hazen	ND
Kulm	ND
Lamoure	ND
Larimore	ND
Litchville	ND
McClusky	ND
Watford City	ND
Garrison	ND
New Town	ND
Napoleon	ND
New Town	ND
Bismarck	ND
Bismarck	ND
Bismarck	ND
Fargo	ND
New England	ND
Jamestown	ND
Crosby	ND
Grafton	ND
Tioga	ND
Gackle	ND
Drayton	ND
Washburn	ND
Wishek	ND

Ohio

American Greetings
 Archbold Buckeye
 Bluestone Perennials
 Chagrin Valley Times
 Farm and Dairy
 Farmland News
 Gardens Alive!
 Geauga Times Courier
 Graphic Media Alliance
 Mail Automation, Inc.
 Midwest Direct
 Millers Print and Mail, Inc.
 Nationwide Insurance
 Ohio News Media Association
 Solon Times
 Sporty's/Sportsman's Market, Inc.
 Summit Racing Equipment
 The Crestline Advocate

Cleveland	OH
Archbold	OH
Madison	OH
Chagrin Falls	OH
Salem	OH
Archbold	OH
Tipp City	OH
Chardon	OH
Westerville	OH
Baltimore	OH
Cleveland	OH
Akron	OH
Columbus	OH
Columbus	OH
Solon	OH
Batavia	OH
Tallmadge	OH
Crestline	OH

The Good News
 The Progressor-Times/Mohawk Leader
 Town Money Saver
 Up With Paper
 Vermilion Photojournal
 Westlife

Middlefield OH
 Carey OH
 Lucas OH
 Mason OH
 Vermilion OH
 Westlake OH

Oklahoma

Beckham County Record
 Blanchard News
 Bristow News
 Buffalo Weekly News
 Cheyenne Star
 Clinton Daily News
 Cordell Beacon
 Country Connection News
 Cushing Citizen
 Drumright Gusher
 Eastern Times Register, The
 Elk City News
 Eufaula Indian Journal, The
 Garvin County News Star
 Geary Star
 Harper County Leader
 Henryetta Free-Lance
 Hinton Record
 Johnston County Sentinel
 Kiowa County Democrat
 Lincoln County News
 Madill Record
 McIntosh County Democrat
 Okarche Warrior
 Okmulgee Times
 Piedmont Gazette
 Ponca City News, The
 Presort First Class
 Sequoyah County Times
 Southwest Ledger
 Stilwell Democrat Journal
 Stroud American
 Tahlequah Daily Press
 Target Marketing Print and Mail Solutions
 The Apache News
 The Comanche Times
 The Examiner
 The Fairfax Chief
 The Hooker Advance
 The Newcastle Pacer
 The Newkirk Herald Journal
 The Purcell Register
 The Walters Herald

Sayre OK
 Blanchard OK
 Bristow OK
 Buffalo OK
 Cheyenne OK
 Clinton OK
 Cordell OK
 Eakly OK
 Cushing OK
 Drumright OK
 Vian OK
 Elk City OK
 Eufaula OK
 Maysville OK
 Geary OK
 Laverne OK
 Henryetta OK
 Hinton OK
 Tishomingo OK
 Snyder OK
 Chandler OK
 Madill OK
 Eufaula OK
 Okarche OK
 Okmulgee OK
 Piedmont OK
 Ponca City OK
 Oklahoma City OK
 Sallisaw OK
 Lawton OK
 Stilwell OK
 Stroud OK
 Tahlequah OK
 Broken Arrow OK
 Apache OK
 Comanche OK
 Hugo OK
 Fairfax OK
 Hooker OK
 Newcastle OK
 Newkirk OK
 Purcell OK
 Walters OK

The Wynnewood Gazette
 Tonkawa News, The
 Tri-County Herald
 Vian Tenkiller News
 Vici Vision
 Walters Herald
 Watonga Republican
 Weatherford Daily News
 Wylie Communications, Inc.
 Yukon Progress

Wynnewood OK
 Tonkawa OK
 Meeker OK
 Vian OK
 Vici OK
 Walters OK
 Watonga OK
 Weatherford OK
 Oologah OK
 Yukon OK

Oregon

Baker City Herald
 Blue Mountain Eagle
 Boundaryless Enterprises, LLC
 Burns Times-Herald
 Capital Press
 Columbia Gorge News
 East Oregonian
 Hermiston Herald
 Hood River News
 Keizertimes
 La Grande Observer
 Lake County Examiner
 Mailbox Merchants
 News-Register
 Pacific Printing Industries Association
 Redmond Spokesman
 Seaside Signal
 Signature Graphics
 The Astorian
 The Bulletin
 The Chronicle
 The Dalles Chronicle
 TOO Magazine
 Wallowa County Chieftain
 White Salmon Enterprise

Baker City OR
 John Day OR
 Medford OR
 Burns OR
 Salem OR
 Columbia River Gorge OR
 Pendleton OR
 Hermiston OR
 Hood River OR
 Keizer OR
 La Grande OR
 Lakeview OR
 Portland OR
 McMinnville OR
 Portland OR
 Redmond OR
 Seaside OR
 Portland OR
 Astoria OR
 Bend OR
 Creswell OR
 Dalles OR
 Pendleton OR
 Enterprise OR
 White Salmon OR

Pennsylvania

Asendia
 Crayola
 Graphic Arts Association
 Philadelphia Gay News
 Printing Industries of America
 The New Republic
 The Pike County Courier
 The Savings Guide
 The Spirit

Folcraft PA
 Easton PA
 Trevoise PA
 Philadelphia PA
 Warrendale PA
 Meyersdale PA
 Milford PA
 Mechanicsburg PA
 Glenolden PA

Rhode Island

Calypso Cards
Cathedral Corporation
The Block Island Times

Providence RI
Lincoln RI
Block Island RI

South Carolina

Carolina Gateway
Domtar
Island News
Lancaster News, The
Lexington County Chronicle & The Dispatch-News
News & Reporter, The
Pageland Progressive-Journal
The Catholic Miscellany
The Gaffney Ledger
The Twin-City News
The Voice of Blythewood & Fairfield County

Lancaster SC
Fort Mill SC
Beaufort SC
Lancaster SC
Lexington SC
Chester SC
Pageland SC
Charleston SC
Gaffney SC
Batesburg SC
Blythewood SC

South Dakota

Clear Lake Courier
Custer County Chronicle
Dakota Dunes/North Sioux City Times
Highmore Herald
Hill City Prevailer New
Lakota Times
Prairie Pioneer
Qualified Presort Service, LLC
Sisseton Courier
South Dakota Newspaper Association
Southern Union County Leader Courier
Times-Advocate
True Dakotan
Winner Advocate

Clear Lake SD
Custer SD
North Sioux City SD
Highmore SD
Hill City SD
Martin SD
Pollock SD
Sioux Falls SD
Sisseton SD
Brookings SD
Elk Point SD
Gregory SD
Wessington Springs SD
Winner SD

Tennessee

Action Mail Presort, Inc.
Carroll County News Leader
Citizen Tribune
Elk Valley Times, The
Exchange media Group
Grundy County Herald
Herald Chronicle, The
International Paper
LaFollette Press
Manchester Times
Moore County News, The
Morgan County News
Printing Industry Association of the South, Inc.
Roane County News
The Paris Post-Intelligencer
The Standard Banner

Chattanooga TN
Huntingdon TN
Morristown TN
Fayetteville TN
Fayetteville TN
Tracy City TN
Winchester TN
Memphis TN
La Follette TN
Manchester TN
Lynchburg TN
Wartburg TN
Nashville TN
Kingston TN
Paris TN
Jefferson City TN

Tulahoma News

Tulahoma

TN

Texas

Ad Pages Solutions
 Alpine Avalanche
 Aransas Pass Progress
 Atlanta Citizens Journal
 Bay City Tribune
 Big Bend Sentinel
 Big Sandy-Hawkins Journal
 Blanco County News
 Brady Standard-Herald
 Breckenridge American
 Brenham Banner
 Burnet Bulletin
 Carrizo Springs Javelin
 Centerville News
 Cleburne Times Review
 Clifton Record
 Coleman Chronicle and Democrat Voice
 Copperas Cove Leader-Press
 Dalhart Texan
 Direct Merchandising, Inc.
 Double Mountain Chronicle
 Dripping Springs Century News
 Dublin Citizen
 El Campo Leader-News
 Ennis News
 Fairfield Recorder
 Focus Daily News
 Fort Stockton Pioneer
 Fredericksburg Standard-Radio Post
 Frio-Nueces Current
 Gainesville Daily Register
 Gatesville Messenger
 Gladewater Mirror
 Gonzales Inquirer
 Great American Business Products
 Groesbeck Journal
 Half Price Books
 Hays Free Press
 Herald-Banner
 Hill Country News
 Horseshoe Bay
 Ingleside Index
 Jacksboro Herald-Gazette
 Jackson County Herald-Tribune
 J.C. Penney Corporation, Inc.
 Johnson City Record-Courier
 Journal-Spectator
 Kaufman Herald

Plano TX
 Alpine TX
 Aransas Pass TX
 Atlanta TX
 Bay City TX
 Marfa TX
 Big Sandy TX
 Blanco TX
 Brady TX
 Breckenridge TX
 Brenham TX
 Burnet TX
 Carrizo Springs TX
 Centerville TX
 Cleburne TX
 Clifton TX
 Coleman TX
 Copperas Cove TX
 Dalhart TX
 Carrollton TX
 Rotan TX
 Dripping Springs TX
 Dublin TX
 El Campo TX
 Ennis TX
 Fairfield TX
 DeSoto TX
 Fort Stockton TX
 Fredericksburg TX
 Pearsall TX
 Gainesville TX
 Gatesville TX
 Gladewater TX
 Gonzales TX
 Houston TX
 Groesbeck TX
 Dallas TX
 Kyle TX
 Greenville TX
 Cedar Park TX
 Horseshoe Bay TX
 Aransas Pass TX
 Jacksboro TX
 Edna TX
 Plano TX
 Johnson City TX
 Wharton TX
 Kaufman TX

Lamb County Leader-News	Littlefield	TX
Lindale News & Times	Lindale	TX
Lindsay Letter	Lindsay	TX
Llano News, The	Llano	TX
Madisonville Meteor	Madisonville	TX
Mail Presort	Fort Worth	TX
Mason County News	Mason	TX
Mineral Wells Index	Mineral Wells	TX
Mount Pleasant Tribune	Mount Pleasant	TX
Mount Vernon Optic-Herald	Mount Vernon	TX
Muenster Enterprise	Muenster	TX
Murphy Monitor	Murphy	TX
Nocona News	Nocona	TX
Orange Leader	Orange	TX
Ozona Stockman	Ozona	TX
Palacios Beacon	Palacios	TX
Panhandle Presort Services, Ltd.	Amarillo	TX
Park Cities People	Dallas	TX
Plains Presort Services, LLC	Lubbock	TX
Pleasanton Express	Pleasanton	TX
Polk County Enterprise	Livingston	TX
Port Aransas South Jetty Newspaper	Port Aransas	TX
Port Arthur Daily News	Port Arthur	TX
Port Isabel/South Padre Press	Port Isabel	TX
Presidio International	Marfa	TX
Presort EMS	Frisco	TX
Preston Hollow People	Dallas	TX
Printing & Imaging Assn. of MidAmerica	Dallas	TX
Printing Industries of the Gulf Coast, Inc.	Houston	TX
Promotional Products International	Irving	TX
Rockwall Herald Banner	Rockwall	TX
Royal Alliances	Irving	TX
Royse City Herald Banner	Royse City	TX
San Benito News	San Benito	TX
San Marcos Daily Record	San Marcos	TX
San Saba News	San Saba	TX
Sealy News	Sealy	TX
Seguin Gazette	Seguin	TX
Sergeant Bluff Advocate	Sergeant Bluff	TX
Steel Country Bee	Daingerfield	TX
Teague Chronicle	Teague	TX
Texas Jewish Post	Dallas-Fort Worth	TX
The Alvin Sun & Advertiser	Alvin	TX
The Banner Press Newspaper	Columbus	TX
The Baytown Sun	Baytown	TX
The Big Lake Wildcat	Big Lake	TX
The Bowie News	Bowie	TX
The Cameron Herald	Cameron	TX
The Canadian Record	Canadian	TX
The Castro County News	Dimmitt	TX
The Clarendon Enterprise	Clarendon	TX

The Community News
 The Cuero Record
 The Daily Sentinel
 The Devil's River News
 The Eldorado Success
 The Farmersville Times
 The Fayette County Record
 The Fort Bend Herald
 The Galveston County Daily News
 The Graham Leader
 The Hansford County Reporter-Statesman
 The Henderson News
 The Highlander
 The Katy Times
 The Liberty Hill Independent
 The Light and Champion
 The Lufkin Daily News
 The Marlin Democrat
 The Marshall News Messenger
 The Meridian Tribune
 The Mexia News
 The Normangee Star
 The Panola Watchman
 The Paris News
 The Picayune
 The Pittsburg Gazette
 The Port Lavaca Wave
 The Princeton Herald
 The Rockport Pilot
 The Rosebud News
 The Sachse News
 The Snyder News
 The Thorndale Champion
 The Whitewright Sun
 The Wylie News
 Uvalde Leader-News
 VariVerge, LLC
 Vernon Record
 Wallis News-Review
 Weatherford Democrat
 White Oak Independent
 Whitesboro News-Record
 Wimberley View
 Wise County Messenger
 Yorktown-News View

Aledo TX
 Cuero TX
 Nacogdoches TX
 Sonora TX
 Eldorado TX
 Farnesville TX
 La Grange TX
 Rosenberg TX
 Galveston TX
 Graham TX
 Spearman TX
 Henderson TX
 Marble Falls TX
 Katy TX
 Liberty Hill TX
 Center TX
 Lufkin TX
 Marlin TX
 Marshall TX
 Meridian TX
 Mexia TX
 Normangee TX
 Carthage TX
 Paris TX
 Marble Falls TX
 Pittsburg TX
 Port Lavaca TX
 Princeton TX
 Rockport TX
 Rosebud TX
 Sachse TX
 Snyder TX
 Thorndale TX
 Whitewright TX
 Wylie TX
 Uvalde TX
 Dallas TX
 Vernon TX
 Wallis TX
 Weatherford TX
 White Oak TX
 Whitesboro TX
 Wimberley TX
 Decatur TX
 Yorktown TX

Utah

Basin Nickel Ads
 Beaver County Journal
 Chronicle Progress
 Cottonwood Heights Journal

Vernal UT
 Beaver UT
 Delta UT
 Cottonwood Heights UT

Davis Clipper
 Draper Journal
 ETV News
 Herriman Journal
 Holladay Journal
 Intermountain Catholic
 International Bridge Inc.
 Midvale Journal
 Millcreek Journal
 Murray Journal
 Olive & Cocoa, LLC
 Presort Essentials
 Riverton Journal
 Sandy Journal
 South Jordan Journal
 South Salt Lake Journal
 Southern Utah News
 Sugar House Journal
 Taylorsville Journal
 The Intermountain Commercial Record
 and the Salt Lake Times
 The Pyramid
 The Reaper Extra
 The Richfield Reaper
 The Times-Independent
 The Wayne & Garfield County Insider
 Uintah Basin
 Utah Press Association
 Vernal Express
 West Jordan Journal
 West Valley City Journal

Vermont

Colchester Sun
 Essex Reporter
 International Coins & Currency
 Lane Press
 Milton Independent
 News & Citizen
 Saint Albans Messenger
 Shelburne News
 Shine Strategy, LLC
 South Burlington Other Paper
 Stowe Reporter
 The Citizen
 The Valley Reporter
 The Vermont Teddy Bear Company, Inc.
 The White River Valley Herald
 Vermont Country Store
 Vermont Press Association

Bountiful	UT
Draper	UT
Price	UT
Herriman	UT
Holladay	UT
Salt Lake City	UT
Provo	UT
Midvale	UT
Millcreek	UT
Murray	UT
Salt Lake City	UT
Salt Lake City	UT
Riverton	UT
Sandy	UT
South Jordan	UT
Salt Lake City	UT
Kanab	UT
Salt Lake City	UT
Taylorsville	UT
Salt Lake City	UT
Mt. Pleasant	UT
Richfield	UT
Richfield	UT
Moab	UT
Escalante	UT
Roosevelt	UT
West Jordan	UT
Vernal	UT
West Jordan	UT
West Valley City	UT

Colchester	VT
Colchester	VT
Montpelier	VT
South Burlington	VT
Milton	VT
Morrisville	VT
Saint Albans	VT
Shelburne	VT
Manchester Center	VT
South Burlington	VT
Stowe	VT
Charlotte	VT
Waitsfield	VT
Shelburne	VT
Randolph	VT
Manchester Center	VT
Colchester	VT

Virginia

AICC, The Independent Packaging Assn.	Alexandria	VA
Alexander & Company, LLC	Williamsburg	VA
American Subcontractors Assn.	Alexandria	VA
Association for Postal Commerce (Postcom)	Alexandria	VA
Assurety Consulting, Inc.	Sterling	VA
Bedford Bulletin	Bedford	VA
BMS Direct	Lynchburg	VA
Carroll News	Hillsville	VA
Central Virginian, The	Louisa	VA
Declaration, The	Galax	VA
Gazette, The	Galax	VA
Gloucester-Mathews Gazette-Journal	Gloucester	VA
International Mailers Advisory Group	Arlington	VA
News Media Alliance	Arlington	VA
Northern Neck News	Warsaw	VA
Northumberland Echo	Heathsville	VA
Parcel Shippers Assn.	Alexandria	VA
Petroleum Marketers Assn. of America	Arlington	VA
Rappahannock Record	Kilmarnock	VA
Southside Sentinel	Urbanna	VA
The CEP Group	Arlington	VA
The News-Gazette	Lexington	VA
The Recorder	Monterey	VA
The Southwest Times	Pulaski	VA
Westmoreland News	Warsaw	VA
Worth, Higgins & Associates, Inc.	Norfolk	VA

Washington

Amazon	Seattle	WA
Chinook Observer	Long Beach	WA
ComputerGear	Woodinville	WA
Eddie Bauer, LLC	Bellevue	WA
Ferndale Record	Ferndale	WA
Lynden Tribune	Lynden	WA
Northern Kittitas County Tribune	Cle Elum	WA
Sendle	Seattle	WA
Sun Precautions	Seattle	WA
Thrift Books Global, LLC	Seattle	WA

West Virginia

The Morgan Messenger	Berkeley Springs	WV
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Wisconsin

4Imprint	Oshkosh	WI
Arandell Corporation	Menomonee Falls	WI
Campbellsport News	Campbellsport	WI
Courier Sentinel	Cornell	WI
Dodge County Pionier	Mayville	WI

Elmwood Sun-Argus
 Great Lakes Graphics Association
 Kewaskum Statesman
 L&M Mail and Courier
 MadMen3, LLC
 National Business Furniture
 North Woods Trader
 Nueske's Applewood Smoked Meats
 Ozaukee Press
 Quad, Inc.
 Record Review
 Silver Star Brands
 Star Journal
 Star News
 The Democrat Tribune
 The Dodgeville Chronicle
 The Pecatonica Valley River
 The Plymouth Review
 The Sheboygan Falls News
 The Sounder
 The Star News
 The Three Lakes News
 The Woodville Leader
 Tomahawk Leader
 Tribune Phonograph
 Tribune Record Gleaner
 Vilas County News-Review
 Walsworth/Ripon
 Waupaca County Post-East
 Waupaca County Post-West
 Wisconsin Community Papers

Spring Valley	WI
Pewaukee	WI
Campbellsport	WI
Eau Claire	WI
DeForest	WI
Milwaukee	WI
Eagle River	WI
Wittenberg	WI
Port Washington	WI
Sussex	WI
Edgar	WI
Oshkosh	WI
Rhineland	WI
Medford	WI
Mineral Point	WI
Dodgeville	WI
Argyle	WI
Plymouth	WI
Sheboygan Falls	WI
Random Lake	WI
Medford	WI
Three Lakes	WI
Woodville	WI
Tomahawk	WI
Abbottsford	WI
Loyal	WI
Eagle River	WI
Ripon	WI
Waupaca	WI
Waupaca	WI
Fond du Lac	WI

Wyoming

Bridger Valley Pioneer
 Cheyenne Minuteman
 Cody Enterprise
 Douglas Budget
 Gillette News-Record
 Glenrock Independent
 Guernsey Gazette
 Jackson Hole News & Guide
 Kemmerer Gazette
 Lingle Guide
 Lusk Herald
 Moorcroft Leader
 Pinedale Roundup
 Pirate Ship
 Platte County Record-Times
 Powell Tribune
 Sublette Examiner
 Sundance Times

Lyman	WY
Cheyenne	WY
Cody	WY
Douglas	WY
Gillette	WY
Glenrock	WY
Guernsey	WY
Jackson	WY
Kemmerer	WY
Lingle	WY
Lusk	WY
Moorcroft	WY
Pinedale	WY
Jackson	WY
Wheatland	WY
Powell	WY
Pinedale	WY
Sundance	WY

Thermopolis Independent Record
Torrington Telegram
Uinta County Herald
Wyoming Livestock Roundup
Wyoming Pioneer

Thermopolis	WY
Torrington	WY
Evanston	WY
Casper	WY
Hulett	WY

cc: The Honorable Carolyn Maloney
The Honorable Jim Jordan
The Honorable Ron Johnson
The Honorable Gary Peters

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20215

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20215

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20210

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20210

April 30, 2020

Dear Congressional Leaders:

The undersigned companies, trade associations and consumer advocacy organizations believe it is imperative to save the United States Postal Service. We thank you all for your leadership as the nation confronts this pandemic, and urge you to provide enough funding to enable USPS to survive and serve its customers, the American people, during this exceptionally trying time.

We, along with the postal-reliant industry that generates \$1.6 trillion in sales and employs 7.3 million workers, have long supported a self-sufficient Postal Service. But no business entity can withstand a 50% or more externally-imposed drop in business and revenues, as USPS projects due to COVID-19, and long survive. That is why emergency funding must be provided now.

The American people have been reminded during this pandemic of just how fundamental to American life the Postal Service still is. USPS is delivering prescriptions, household and business staples, groceries, Personal Protective Equipment, greeting cards and personal correspondence to bridge social distancing, Paycheck Protection Program, Social Security and tax refund checks, CDC advice cards on keeping oneself and family safe, and newspapers and magazines still vital to informing the American people. It is enabling a new wave of businesses along with the e-commerce sector to survive the pandemic through remote order and fulfillment. Postal Service delivery is essential. And it is of particularly acute need in rural areas of the country, where there are no alternatives, and often not even broadband. USPS is a lifeline there and elsewhere throughout the country during these challenging times.

As to how much is needed, we defer to the experts, the bipartisan Postal Service Board of Governors appointed by the President, and our leaders in Congress. While substantial sums are needed, they amount to a small part of the emergency funds Congress has provided and will continue to provide, including to sustain small businesses, their employees and the economy. The Postal Service is the backbone of businesses large and small in America, and must endure.

The American people, 91% of whom approve of USPS¹, often raise a commotion if a single Post Office is to be closed. Closing the entire system or imposing a major reduction in service during this time of need would magnify that reaction substantially.

¹ Pew Research Center, *Survey of the Public's Views on Federal Agencies* (April 9, 2020). <https://www.people-press.org/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/>

We again strongly urge you to save the Postal Service and preserve a fundamental lifeline to millions of Americans.

Thank you.

Sincerely,

Washington, D.C.

Coalition for a 21st Century Postal Service	Washington	D.C.
American Catalog Mailers Assn.	Washington	D.C.
American Property Casual Insurance Assn.	Washington	D.C.
Consumer Action	Washington	D.C.
Greeting Card Association	Washington	D.C.
National Consumers League	Washington	D.C.
National Postal Policy Council	Washington	D.C.
National Retail Federation	Washington	D.C.
Retail Industry Leaders Assn.	Washington	D.C.
Small Business Legislative Council	Washington	D.C.
The Insurance Coalition	Washington	D.C.
The Package Coalition	Washington	D.C.
The Pharmaceutical Care Management Assn.	Washington	D.C.

Alaska

Mushing Magazine	Nome	AK
The Nome Nugget	Nome	AK

Alabama

Clarke County Democrat	Grove Hill	AL
Greenville Advocate	Greenville	AL
Selma Times-Journal	Selma	AL
The Arab Tribune	Arab	AL
The Clayton Record	Clayton	AL
The Cherokee Post-Herald	Centre	AL
The Elba Clipper	Elba	AL
The Florala News	Florala	AL
The Greenville Standard	Greenville	AL
The Lowndes Signal	Fort Deposit	AL
The Luverne Journal	Luverne	AL
The Monroe Journal	Monroeville	AL
The Northport Gazette	Northport	AL
The Outlook	Alexander City	AL
The Tallassee Tribune	Tallassee	AL
The Tuskegee News	Tuskegee	AL
The West Alabama Gazette	Millport	AL
The Wetumpka Herald	Wetumpka	AL
Wilcox Progressive Era	Camden	AL

Arizona

Clippin' the River	Bullhead City	AZ
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Colorado River Real Estate Magazine
 Entertainer
 Mohave Valley Daily News
 Runbeck Election Services, Inc.
 The Bullhead City Booster
 The Laughlin Times
 The Wickenburg Sun
 Western States Printing Alliance
 Wickenburg Shopper News

Bullhead City AZ
 Bullhead City AZ
 Bullhead City AZ
 Phoenix AZ
 Bullhead City AZ
 Bullhead City AZ
 Wickenburg AZ
 Queen Creek AZ
 Wickenburg AZ

Arkansas

Arkansas Mailing Services
 Arkansas Press Association
 Dayspring Cards
 Harrison Daily Times
 Johnson County Graphic
 Newton County Times

N. Little Rock AR
 Little Rock AR
 Siloam Springs AR
 Harrison AR
 Clarksville AR
 Jasper AR

California

Auburn Direct
 Auburn Journal
 Big Bear Grizzly
 Brentwood Press
 California News Publishers Association
 Chino Champion
 CohereOne
 Colfax Record
 Desert Entertainer
 Desert Mobile Home News
 eBay Inc.
 Folsom Lake Entertainer
 Granite Bay View
 Grizzly Weekender
 Gustine Press-Standard
 Hi-Desert Star
 Idyllwild Town Crier
 India West
 Lincoln News Messenger
 Major Mailers Assn.
 Mountain News
 Mountain Shopper
 Needles Desert Star (1987)*
 Nevada & Placer County Entertainer
 Ojai Valley News
 PacSun, LLC
 Patterson Irrigator
 PLD Group
 Point Reyes Light
 Press Banner
 Printing Industries Assn. of San Diego, Inc.

Auburn CA
 Auburn CA
 Big Bear Lake CA
 Brentwood CA
 Sacramento CA
 Chino CA
 San Rafael CA
 Colfax CA
 Yucca Valley CA
 Yucca Valley CA
 San Jose CA
 Folsom CA
 Roseville CA
 Big Bear Lake CA
 Newman CA
 Yucca Valley CA
 Idyllwild CA
 San Leandro CA
 Lincoln CA
 El Dorado Hills CA
 Lake Arrowhead CA
 Lake Arrowhead CA
 Needles CA
 Auburn CA
 Ojai CA
 Anaheim CA
 Patterson CA
 Thousand Palms CA
 Inverness CA
 Scotts Valley CA
 San Diego CA

Printing Industries Assn., Inc. of Southern California	Los Angeles	CA
Shippo	San Francisco	CA
Sky of Blue Cards	Menlo Park	CA
Smith & Noble	Corona	CA
Specialty Equipment Marketing Assn.	Diamond Bar	CA
The Ark	Tiburon	CA
The Desert Trail	Twentynine Palms	CA
The Folsom Telegraph	Roseville	CA
The Loomis News	Roseville	CA
The Malibu Times	Malibu	CA
The Placer Herald	Roseville	CA
The Press-Tribune	Roseville	CA
The San Fernando Valley Sun/el Sol Newspapers	San Fernando	CA
The Shafter Press	Shafter	CA
Title Nine	Emeryville	CA
Tracy Press	Tracy	CA
Very Napa Valley	Sonoma	CA
Visual Media Alliance	San Francisco	CA
Wine Country This Month - Central Coast	Sonoma	CA
Wine Country This Week	Sonoma	CA

Colorado

Blue Mountain Arts	Boulder	CO
Brighton Standard Blade, The	Brighton	CO
Canyon Courier	Evergreen	CO
Clear Creek Courant	Idaho Springs	CO
Commerce City Sentinel-Express	Brighton	CO
CSG Systems International	Denver	CO
Fort Lupton Press	Brighton	CO
Herald Democrat	Leadville	CO
Holyoke Enterprise, The	Holyoke	CO
Leanin' Tree	Boulder	CO
National Assn. of Presort Mailers	Broomfield	CO
Park Co. Republican & Fairplay Blume	Bailey	CO
Path2Response, LLC	Louisville	CO
Rio Blanco Herald Times	Meeker	CO
Robbin Rawlings Designs, Inc.	Boulder	CO
The Chaffee County Times	Buena Vista	CO
The Mountain Mail	Salida	CO
The Pagosa Springs SUN	Pagosa Springs	CO
The Yuma Pioneer	Yuma	CO

Connecticut

BlueCrest, Inc.	Danbury	CT
Colorblends Wholesale Flowerbulbs	Bridgeport	CT
Corporate Mailing Services, LLC	Shelton	CT
New Britain Herald	New Britain	CT
Pitney Bowes Inc.	Stamford	CT
Quadient	Milford	CT
The Bristol Press	Bristol	CT

The Chronicle
Trumbull Printing, LLC
Wasco Tribune

Willimantic CT
Trumbull CT
Wasco CT

Delaware

Cape Gazette
Greater Dover Extra
Smyrna Extra
Sussex Post
The Chronicle

Lewes DE
Dover DE
Smyrna DE
Seaford DE
Milford DE

Florida

Access Mail Processing Services, Inc..
Cedar Key Beacon
Chiefland Citizen
Citrus County Chronicle
Consolidated Mailing Services
Direct Mail Impressions
Florida Graphics Alliance
Florida Mail & Print
Florida Media Association
Florida Press Association
Gadsden County Times, The
Heritage Florida Jewish News
Kessler Creative
Key West Citizen and Free Press
Lake City Reporter
Mail, Print & Packaging Solutions, Inc.
Nona Connect
Nonahood News
North Jax Monthly
Perry News Herald
Print Reach, Inc.
Publishers' Auxiliary
Riverland News
South Marion Citizen
St. Augustine Observer
Sumter County Times
Taco Times
TC Delivers Mail Solutions & Savings
Textile Care Allied Trades Assn.
The West Volusia Beacon
Valpak
Wakulla News, The
Westside Journal
Williston Pioneer Sun-News
W.S. Badcock Corporation

Clearwater FL
Chiefland FL
Chiefland FL
Crystal River FL
Tampa FL
Boca Raton FL
Orlando FL
Ft. Myers FL
Ocala FL
Tallahassee FL
Quincy FL
Orlando FL
Jacksonville FL
Key West FL
Lake City FL
Lutz FL
Orlando FL
Orlando FL
Jacksonville FL
Perry FL
Jacksonville Beach FL
Pensacola FL
Dunnellon FL
Dunnellon FL
St. Augustine FL
Bushnell FL
Perry FL
Jacksonville FL
Wesley Chapel FL
DeLand FL
St. Petersburg FL
Crawfordville FL
Callahan FL
Williston FL
Mulberry FL

Georgia

Banks County News

Jefferson GA

Barrow News-Journal
 Charlton County Herald
 Datamatx
 Early County News
 Envelopes & Forms, Inc./SureBill
 Fayette County News
 Jackson Herald, The
 Madison County Journal, The
 Mature Living in the South
 Mature Living in the Southeast
 Monroe County Reporter
 North Georgia News
 Printing & Imaging Association of Georgia
 The Advance
 The Atlanta Voice
 The Baxley News-Banner
 The Lincoln Journal
 The Newnan Times-Herald
 The News Observer
 The News-Reporter
 The Post-Searchlight
 The Press-Sentinel
 The Telfair Enterprise
 Times-Courier
 Towns County Herald
 TSYS Inc.
 Waycross Journal-Herald

Winder GA
 Folkston GA
 Atlanta GA
 Blakely GA
 Duluth GA
 Fayetteville GA
 Jefferson GA
 Jefferson GA
 Baxley GA
 Baxley GA
 Forsyth GA
 Blairsville GA
 Smyrna GA
 Vidalia GA
 Atlanta GA
 Baxley GA
 Lincolnnton GA
 Newnan GA
 Blue Ridge GA
 Washington GA
 Bainbridge GA
 Jesup GA
 McRae-Helena GA
 Ellijay GA
 Hiawassee GA
 Columbus GA
 Waycross GA

Hawaii

Lahaina News

Maui HI

Idaho

American Mailing Products, Inc.
 Clearwater Tribune
 The Arco Advertiser
 The Challis Messenger
 Weekly Mailer

Meridian ID
 Orofino ID
 Arco ID
 Challis ID
 Burley ID

Illinois

Bal-Tech, Inc. (dba Starship Modeler)
 Barco Products
 Bunker Hill Gazette- News
 Carmi Chronicle
 Carroll County Mirror-Democrat
 Design Toscano
 Fluence Automation, LLC
 Franklin County Gazette
 Gazette-Democrat, The
 Hardin County Independent
 InnerWorkings

Lake Villa IL
 Batavia IL
 Bunker Hill IL
 Carmi IL
 Mt. Carroll IL
 Elk Grove Village IL
 Arlington Heights IL
 Benton IL
 Anna IL
 Elizabethtown IL
 Chicago IL

Journal-News, The
 KirbyBuilt Products
 K-Log
 Leader-Union, The
 Madison County Chronicle
 McLeansboro Gazette
 Midland Paper Packaging and Supplies
 Mt. Olive Herald, The
 Navigator and Journal Register, The
 North American Assn of Food Equipment Mfrs
 Olney Gazette
 OSM Worldwide
 Quicksilver Mailing Services
 Raymond News, The
 Republic-Times Group, LLC
 R.R. Donnelley
 Southwestern Journal News, The
 The Carroll County Review
 The Galena Gazette
 The Prairie News
 The Sidell Reporter
 The Vienna Times
 The Weekly Post
 The Woodstock Independent
 TreeTop Products
 Unison
 Vienna Times, The
 Weekly Press, The

Hillsboro IL
 Batavia IL
 Zion IL
 Vandalia IL
 Worden IL
 McLeansboro IL
 Wheeling IL
 Mount Olive IL
 Albion IL
 Chicago IL
 Olney IL
 Glendale Heights IL
 Springfield IL
 Raymond IL
 Waterloo IL
 Chicago IL
 Brighton IL
 Thomson IL
 Galena IL
 Toulon IL
 Sidell IL
 Vienna IL
 Elmwood IL
 Woodstock IL
 Batavia IL
 Chicago IL
 Vienna IL
 Pinckneyville IL

Indiana

Carroll County Comet
 Crothersville Times
 Data Mail, Inc.
 Engineering Innovation, Inc.
 Ferdinand News
 Indiana Minority Business Magazine
 Journal Review
 LaGrange News
 LaGrange Standard
 LSC Communications
 Middlebury Independent
 Montpelier Weekly
 Mount Vernon Democrat
 Nat'l Assn of Mutual Insurance Companies
 North Vernon Plain Dealer
 Online Data
 Paper of Montgomery County
 Parke County Sentinel
 Perry County News
 Spencer County Journal-Democrat, The
 Sullivan Daily Times

Delphi IN
 Crothersville IN
 Evansville IN
 Lafayette IN
 Ferdinand IN
 Indianapolis IN
 Crawfordsville IN
 LaGrange IN
 LaGrange IN
 Indianapolis IN
 Middlebury IN
 Montpelier IN
 Mount Vernon IN
 Indianapolis IN
 North Vernon IN
 South Bend IN
 Crawfordsville IN
 Rockville IN
 Tell City IN
 Rockport IN
 Sullivan IN

The Daily Clintonian	Clinton	IN
The Goshen News	Goshen	IN
The Mail Group	Lafayette	IN
The Mail-Journal	Syracuse	IN
The North Vernon Sun	North Vernon	IN
The Osgood Journal	Versailles	IN
The Press-Dispatch	Petersburg	IN
The Versailles Republican	Versailles	IN
The Vincennes Sun-Commercial	Vincennes	IN
Western Wayne News	Cambridge City	IN
Whitewater Publications	Brookville	IN

Iowa

Ackley World Journal	Ackley	IA
Algona Upper Des Moines, The	Algona	IA
Bedford Times-Press	Bedford	IA
Belmond Independent	Belmond	IA
Bloomfield Democrat	Bloomfield	IA
Charles City Press	Charles City	IA
Coon Rapids Enterprise	Coon Rapids	IA
Cresco Times Plain Dealer	Cresco	IA
Dayton Leader Newspaper	Dayton	IA
Denver Forum	Denver	IA
Doon Press	Doon	IA
Dysart Reporter	Dysart	IA
Edgewood Reminder	Edgewood	IA
Hartley Sentinel-Everly/Royal News	Hartley	IA
Humboldt Independent	Humboldt	IA
Iowa Falls Times-Citizen	Iowa Falls	IA
Jesup Citizen Herald	Jesup	IA
Knowles Publishing Corp.	Carroll	IA
Kossuth County Advance	Algona	IA
Mail Communications Grp, LLC/MCG Parent, LLC	Des Moines	IA
Mail Services, LLC	Urbandale	IA
Mapleton Press	Mapleton	IA
Missouri Valley Times-News	Missouri Valley	IA
Mount Ayr Record News	Mount Ayr	IA
New Century Press	Rock Rapids	IA
Nora Springs Rockford Register	Rockford	IA
North Scott Press	Eldridge	IA
North Warren Town & County News	Norwalk	IA
Northern Sun Print	Gladbrook	IA
Opinion-Tribune	Glenwood	IA
Red Oak Express, The	Red Oak	IA
Reinbeck Courier	Reinbeck	IA
Strategic America	West Des Moines	IA
Tama County Shopper	Tama	IA
Tama News-Herald	Tama	IA
Telegraph Herald	Dubuque	IA
The Akron Hometown	Akron	IA
The Anita Tribune Co., Inc.	Anita	IA

The Carlisle Citizen
 The Charles City Press
 The Columbus Gazette
 The Daily Iowan
 The Gowrie News
 The Manilla Times
 The Observer
 The Ocheyedan Press-Melvin News
 The Seymour Herald
 The Sun News
 The Times Republican
 The Tipton Conservative
 Times-Republican
 Toledo Chronicle
 T-R Plus
 Traer Star-Clipper
 West Branch Times
 West Liberty Index
 Wilton-Durant Advocate News
 Woolverton

Carlisle	IA
Charles City	IA
Columbus Junction	IA
Iowa City	IA
Gowrie	IA
Manilla	IA
Westside	IA
Ocheyedan	IA
Seymour	IA
Lowden	IA
Corydon	IA
Tipton	IA
Marshalltown	IA
Toledo	IA
Marshalltown	IA
Traer	IA
West Branch	IA
West Liberty	IA
Wilton	IA
Des Moines	IA

Kansas

Coffeyville Journal
 Colby Free Press
 Ellsworth County Independent-Reporter
 Eudora Times
 Good News Press
 Independence Daily Reporter
 Kansas Press Association
 Labette Avenue
 Lineage
 Mail Works
 Marquette Tribune
 Montgomery County Chronicle
 Mulvane News
 Prairie Star
 Rawlins County Square Deal
 Rose Hill Reporter
 The Anthony Republican
 The Cedar Vale Lookout
 The Cowley Courier Traveler
 The Eureka Herald
 The Goodland Star-News
 The Holton Recorder
 The Marysville Advocate
 The Monitor Journal
 The Norton Telegram
 The Oberlin Herald
 The Saint Francis Herald & Bird City Times
 The Wabaunsee County Signal-Enterprise
 Universal Engraving, Inc.

Coffeyville	KS
Colby	KS
Ellsworth	KS
Eudora	KS
Caney	KS
Independence	KS
Topeka	KS
Oswego	KS
Lenexa	KS
Kansas City	KS
Marquette	KS
Caney	KS
Mulvane	KS
Sedan	KS
Atwood	KS
Rose Hill	KS
Anthony	KS
Cedar Vale	KS
Arkansas City	KS
Eureka	KS
Goodland	KS
Holton	KS
Marysville	KS
Little River	KS
Norton	KS
Oberlin	KS
Saint Francis	KS
Alma	KS
Overland Park	KS

Kentucky

Anderson News, The
 Casey County News, The
 Central Kentucky News-Journal
 ElToro.com
 Georgetown News-Graphic
 Henry County Local
 Kentucky New Era
 Kentucky Standard, The
 LaRue County Herald News, The
 Lebanon Enterprise, The
 News-Enterprise
 Oldham Era, The
 Pioneer News, The
 Record, The
 Record-Herald
 Sentinel-News, The
 Spencer Magnet, The
 Springfield Sun, The
 The Cadiz Record
 The Cynthiana Democrat
 The Eagle Post
 The Grant County News
 The Harrison Shopper
 The Licking Valley Courier
 The News-Democrat
 The News-Herald
 The River City Trading Post
 The State Journal
 The Trimble Banner
 Troublesome Creek Times
 Vtility.com

Lawrenceburg KY
 Liberty KY
 Campbellsville KY
 Louisville KY
 Georgetown KY
 Eminence KY
 Hopkinsville KY
 Bardstown KY
 Hodgenville KY
 Lebanon KY
 Elizabethtown KY
 La Grange KY
 Shepherdsville KY
 Leitchfield KY
 Greensburg KY
 Shelbyville KY
 Taylorsville KY
 Springfield KY
 Cadiz KY
 Cynthiana KY
 Oak Grove KY
 Williamstown KY
 Cynthiana KY
 West Liberty KY
 Carrollton KY
 Owenton KY
 Carrollton KY
 Frankfort KY
 Bedford KY
 Hindman KY
 Louisville KY

Louisiana

American Press
 Bogalusa Daily News
 Bossier Press Tribune
 Cameron Parish Pilot
 Catahoula News Booster
 Central Speaks Newspaper
 DeQuincy News
 DMS Mail Management, Inc.
 Jennings Daily News
 LaPlace L'Observateur
 Ruston Daily Leader
 Southwest Daily News
 The Avoyelles Journal
 The Bienville Democrat
 The Bunkie Record

Lake Charles LA
 Bogalusa LA
 Bossier City LA
 Cameron LA
 Jonesville LA
 Central LA
 DeQuincy LA
 Baton Rouge LA
 Jennings LA
 LaPlace LA
 Ruston LA
 Sulphur LA
 Avoyelles LA
 Arcadia LA
 Bunkie LA

The Louisiana Weekly
The Marksville News

New Orleans LA
Marksville LA

Maine

Calyx Flowers, Inc.
Cuddledown
Ellsworth American
J.S. McCarthy
Mount Desert Islander
Snowman Group

Yarmouth ME
Yarmouth ME
Ellsworth ME
Augusta ME
Bar Harbor ME
Hermon ME

Maryland

Country Casual Teak
Healthy Directions
Ocean City Digest
Ocean City Today
Pet Industry Distributors Association
Printing and Graphics Association MidAtlantic
Tire Industry Association
USAE Weekly Newspaper

Gaithersburg MD
Bethesda MD
Ocean City MD
Ocean City MD
Abingdon MD
Columbia MD
Bowie MD
Bethesda MD

Massachusetts

Christianbook, LLC
Coldwater Creek
Daily Times Chronicle
Healy List Marketing
Integrated Systems Associates, Inc.
Legacy Publishing Group
Potpourri Group, Inc.
Printing Industries of New England
The Manchester Cricket
Trainer's Warehouse
Window Book, Inc.

Peabody MA
Hingham MA
Woburn MA
Beverly MA
Swansea MA
Clinton MA
North Billerica MA
Southborough MA
Manchester-by-the-Sea MA
Natick MA
Cambridge MA

Michigan

Alcona County Review
Ann Arbor Observer
Assn. for Mail Electronic Enhancement
Battle Creek Shopper News
Baudville Brands
Bronner's Christmas Wonderland
Cadillac News
Clare County Cleaver
Clarkston News
Community Papers of Michigan
Detroit Legal News
Extend Your Reach
Great American Media Services
Grosse Pointe News
Hastings Banner

Harrisville MI
Ann Arbor MI
Newaygo MI
Battle Creek MI
Grand Rapids MI
Frankenmuth MI
Cadillac MI
Harrison MI
Clarkston MI
Pottersville MI
Detroit MI
Lansing MI
Sparta MI
Grosse Pointe MI
Hastings MI

Hastings Reminder
 Houghton Lake Resorter
 Kent Communications, Inc.
 Koeze Company
 Lake Orion Review
 Lakewood News
 Leelanau Enterprise
 Lett Direct, Inc.
 Lowell Buyers Guide
 Lowell Ledger
 Mail Room Service Center, Inc.
 Maple Valley News
 Marshall/Chronicle
 Oxford Leader
 Save on Everything, LLC
 TGI Direct, Inc.
 The Citizen
 The Climax Crescent Newspaper
 The Clinton Local
 The Independent
 The Pinconning Journal
 The Record
 The Saginaw News
 The Tecumseh Herald
 The Yale Expositor

Hastings MI
 Houghton Lake MI
 Grand Rapids MI
 Grand Rapids MI
 Lake Orion MI
 Hastings MI
 Lake Leelanau MI
 Williamsburg MI
 Lowell MI
 Lowell MI
 Saginaw MI
 Hastings MI
 Marshall MI
 Oxford MI
 Troy MI
 Flint MI
 Ortonville MI
 Climax MI
 Clinton MI
 Dundee MI
 Pinconning MI
 Washington MI
 Saginaw MI
 Tecumseh MI
 Yale MI

Minnesota

Belle Plaine Herald
 Benton County News
 Bloodwood Forum
 Cardsource
 Citizen Publishing Co., Inc
 Clara City Herald
 Clifton Larson Allen
 Comfrey Times
 Country Acres
 Crosby-Ironton Courier, Inc.
 Dairy Star
 Eden Valley-Watkins Voice
 Ely Echo
 Exponent, TheEast
 Fergus Falls Daily Journal
 Floodwood Forum
 Graphic Finishing
 Hanska Herald
 Hermantown Star
 IdealPrinters
 Inkjet Insight, LLC
 Jackson County Pilot
 Japs-Olson
 Lafayette Nicollet Ledger

Belle Plaine MN
 Foley MN
 Proctor MN
 Minneapolis MN
 Windom MN
 Clara City MN
 Minneapolis MN
 Comfrey MN
 Sauk Centre MN
 Crosby MN
 Sauk Centre MN
 Eden Valley MN
 Ely MN
 Grand Forks MN
 Fergus Falls MN
 Floodwood MN
 Minneapolis MN
 Madelia MN
 Hermantown MN
 St. Paul MN
 Minneapolis MN
 Jackson MN
 St. Louis Park MN
 Lafayette MN

Madelia Times-Messenger
 Meyers Printing
 Minnesota Newspaper Association
 Minnesota Women's Press
 Nahan Printing
 National Checking
 New Babbitt Weekly News
 Northeaster
 Northern Light Region, The
 On-Trac International
 Page 1 Publications, Inc.
 Paynesville Press
 Pelican Press
 Pope County Tribune
 Printing Industry Midwest
 Proctor Journal
 Proprint
 Pure Gold
 Rock County Star Herald
 Sartell-St. Stephen Newsleader
 Saturation Mailers Coalition
 Sauk Centre Herald
 Sauk Rapids Herald
 Spicer - Lakes Area Review
 St. Joseph Newsleader
 St. Paul Voice
 Standard Dynamics
 Star Publications, LLC
 Star Shopper
 The Appleton Press
 The Battle Lake Review
 The Kerkhoven Banner
 The Middle River Honker
 The Observer
 The Star Post
 Timberjay
 Tracy Area Headlight Herald
 Valley News
 Wheaton Gazette

Mississippi

Emmerich Newspapers
 Jacobs Properties
 The Charleston Sun-Sentinel
 The Franklin Advocate
 The Star-Herald
 The Wayne County News

Missouri

Advertiser-Courier

Madelia	MN
Minneapolis	MN
Minneapolis	MN
Minneapolis	MN
St. Cloud	MN
Minneapolis	MN
Babbitt	MN
Minneapolis	MN
Baudette	MN
Brighton	MN
East Grand Forks	MN
Paynesville	MN
Pelican Rapids	MN
Glenwood	MN
Minneapolis	MN
Proctor	MN
Duluth	MN
Madelia	MN
Luverne	MN
St. Joseph	MN
Minneapolis	MN
Sauk Centre	MN
Sauk Rapids	MN
New London	MN
St. Joseph	MN
St. Paul	MN
Minneapolis	MN
Sauk Centre	MN
Sauk Centre	MN
Appleton	MN
Battle Lake	MN
Kerkhoven	MN
Middle River	MN
Belgrade	MN
Albany	MN
Tower	MN
Tracy	MN
Browns Valley	MN
Wheaton	MN

Jackson	MS
Brookhaven	MS
Charleston	MS
Meadville	MS
Kosciusko	MS
Waynesboro	MS

Hermann	MO
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Arnold-Imperial Leader
 Bowling Green Times
 Buffalo Reflex
 Cabool Enterprise
 Centralia Fireside Guard
 Christian County Headliner-News
 Elsberry Democrat
 Eureka Leader
 Excelsior Springs Standard
 Gasconade County Republican
 Hallmark
 Hathaway & Lane Direct, LLC
 Houston Herald
 Jefferson County Leader
 Lake Gazette, The
 Lincoln County Journal
 Louisiana Press-Journal
 Maginating
 Maries County Advocate
 Marshfield Mail, The
 MCH Strategic Data
 Midwest Mailing Service
 Montgomery Standard
 Newstime
 Nixa Xpress
 Ozark County Times
 Ozark Mailing Service
 Peruvian Connection, LLC
 Phelps County Focus
 Presort, Inc.
 Print Media Association
 Sage Information Services
 Sedalia Democrat, The
 Stockton Cedar County Republican
 The Labor Tribune
 The Laclede County Record
 The Mansfield Mirror
 The Mountain Grove News Journal
 The Richmond News
 The Salem News
 Town and Country Leader
 Troy Free Press
 Unterrified Democrat
 US Toy Company
 Vandalia Leader, The
 Warren County Record
 Washington Missourian
 West Plains Daily Quill
 West Side Leader, The

Festus MO
 Bowling Green MO
 Buffalo MO
 Cabool MO
 Centralia MO
 Ozark MO
 Elsberry MO
 Festus MO
 Excelsior Springs MO
 Owensville MO
 Kansas City MO
 O'Fallon MO
 Houston MO
 Festus MO
 Monroe City MO
 Troy MO
 Louisiana MO
 Kirkwood MO
 Vienna MO
 Marshfield MO
 Sweet Springs MO
 Columbia MO
 Montgomery City MO
 Lake Saint Louis MO
 Nixa MO
 Gainesville MO
 Springfield MO
 Kansas City MO
 Rolla MO
 St. Louis MO
 Chesterfield MO
 Jefferson City MO
 Sedalia MO
 Stockton MO
 St. Louis MO
 Lebanon MO
 Mansfield MO
 Mountain Grove MO
 Richmond MO
 Salem MO
 Excelsior Springs MO
 Troy MO
 Linn MO
 Grandview MO
 Vandalia MO
 Warrenton MO
 Washington MO
 West Plains MO
 Festus MO

Montana

Cut Bank Pioneer Press
 Daniels County Leader
 Glacier Reporter
 Mailing Technical Services, Inc.
 Shelby Promoter
 The Laurel Outlook
 The Valerian
 Tobacco Valley News

Cut Bank MT
 Scobey MT
 Browning MT
 Billings MT
 Shelby MT
 Laurel MT
 Valier MT
 Eureka MT

Nebraska

Ainsworth Star-Journal
 Albion News
 Barnhart Press
 Blair Pilot-Tribune
 Business Farmer
 CapStone Technologies, LLC
 Cedar County News
 Citizen
 Crete News
 Douglas County Post-Gazette
 Friend Sentinel, The
 Grant County News
 Grant Tribune-Sentinel, The
 Gretna Guide and News
 Hastings Tribune
 Hooker County Tribune
 Humphrey Democrat
 Imperial Republican, The
 Lyons Mirror-Sun
 McPherson County News
 Milford Times
 Nebraska Press Association
 North Bend Eagle
 Oakland Independent
 Petersburg Press
 Pierce County Leader
 Seward County Independent
 Springview Herald
 St. Edward Advance
 Summerland Advocate-Messenger
 The Arnold Sentinel
 The Clay County News
 The Elgin Review
 The Stapleton Enterprise
 The Voice News
 The Voice of Western Nebraska
 Thomas County Herald
 Valentine Midland News
 Washington County Enterprise
 Wauneta Breeze
 Wilber Republican, The

Ainsworth NE
 Albion NE
 Omaha NE
 Blair NE
 Scottsbluff NE
 Lincoln NE
 Hartington NE
 Arlington NE
 Crete NE
 Elkhorn NE
 Friend NE
 Hyannis NE
 Grant NE
 Gretna NE
 Hastings NE
 Mullen NE
 Humphrey NE
 Imperial NE
 Lyons NE
 Tryon NE
 Milford NE
 Lincoln NE
 North Bend NE
 Oakland NE
 Petersburg NE
 Pierce NE
 Seward NE
 Springview NE
 St Edward NE
 Clearwater NE
 Arnold NE
 Sutton NE
 Elgin NE
 Stapleton NE
 Hickman NE
 Morrill NE
 Thedford NE
 Valentine NE
 Blair NE
 Wauneta NE
 Wilber NE

Nevada

Battle Mountain Bugle
 Gardnerville Record Courier
 Humboldt Sun
 Lahontan Valley News
 Las Vegas Review Journal
 Lovelock Review Miner
 Moapa Valley Progress
 Nevada Appeal
 Nevada Press Association
 Nevada Rancher
 Northern Nevada Business Weekly

Battle Mountain NV
 Gardnerville NV
 Winnemucca NV
 Fallon NV
 Las Vegas NV
 Lovelock NV
 Overton NV
 Carson City NV
 Carson City NV
 Winnemucca NV
 Reno NV

New Hampshire

Eastern Marketing Services
 InterTown Record
 Littleton Coin Company, Inc.
 Valley News

Portsmouth NH
 North Sutton NH
 Littleton NH
 West Lebanon NH

New Jersey

A Smyth Co.
 Community News Service
 Edmund Optics
 Maljon LLC
 OSG Billing
 Page Three Consulting
 The Advertiser-News
 The Sentinel of Gloucester County
 The Sparta Independent
 The Township Journal
 The West Milford Messenger
 West Essex Tribune

Haddon Township NJ
 Lawrence NJ
 Barrington NJ
 Flanders NJ
 Ridgefield Park NJ
 Haddonfield NJ
 Vernon NJ
 Malaga NJ
 Sparta NJ
 Newton NJ
 West Milford NJ
 Livingston NJ

New Mexico

Cibola Citizen
 Hobbs News Sun
 Las Vegas Optic
 Los Alamos Monitor

Grants NM
 Hobbs NM
 Las Vegas NM
 Los Alamos NM

New York

Adirondack Daily Enterprise
 All Island Media Inc.
 Bee Group Newspapers
 Belardi Wong, ALC, LLC
 Charleston Gardens
 Chelsea Clinton News
 Chelsea News
 Cross Country Computer
 FPH Communications

Saranac Lake NY
 Edgewood NY
 Buffalo NY
 New York City NY
 New York City NY
 New York City NY
 New York City NY
 New York City NY
 East Islip NY
 New York City NY

Great Arrow Graphics	Buffalo	NY
Genesee Valley Publications	Avon	NY
Lake Placid News	Saranac Lake	NY
Lindenmeyr Central (Member of Central Nat'l Gottesman, Inc.) Purchase		NY
MeritDirect	Rye Brook	NY
Mid-Hudson Times	Newburgh	NY
New York Press Association	Albany	NY
Northern Safety & Industrial	Utica	NY
Our Town	New York City	NY
Our Town Downtown	New York City	NY
Patient Press Greeting Cards	Rochester	NY
Printing Industries Alliance	Amherst	NY
Publishers Clearing House	Jericho	NY
Ray Slyper Associates	New York City	NY
Southern Ulster Times	Milton	NY
The Altamont Enterprise & Albany County Post	Altamont	NY
The Chronicle	Goshen	NY
The Freeman's Journal	Cooperstown	NY
The Highlands Current	Cold Spring	NY
The Photo News	Monroe	NY
The Warwick Advertiser	Warwick	NY
Uncommon Goods	Brooklyn	NY
Wallkill Valley Times	Walden	NY
Westsider	New York City	NY
West Side Spirit	New York City	NY

North Carolina

Bowe Systec	Raleigh	NC
Brunswick Beacon, The	Shallotte	NC
Carteret County News-Times	Morehead City	NC
Cherokee Scout	Murphy	NC
Clay County Progress	Hayesville	NC
eVanguard Solutions, Inc (dba MailXstream)	Wilmington	NC
Fresh Angle Communications	Holden Beach	NC
National Wholesale, Inc.	Lexington	NC
Scottish Gourmet USA, LLC	Greensboro	NC
Stokes News	King	NC
The Graham Star	Robbinsville	NC
The Mount Airy News	Mount Airy	NC
The News Reporter	Whiteville	NC
The Printing Industry of the Carolinas, Inc.	Charlotte	NC
The Tribune	Elkin	NC
Yadkin Ripple	Yadkinville	NC

North Dakota

Adams County Record	Hettinger	ND
Ashley Tribune	Ashley	ND
Beulah Beacon	Beulah	ND
Billings County Pioneer	Medora	ND
Bottineau Courant	Bottineau	ND

Carson Press
 Center Republican
 Central McLean News Journal
 Emmons County Record
 Enderlin Independent
 Golden Valley Beach News
 Grant County News
 Hazen Star, The
 Kulm Messenger
 Lamoure Chronicle
 Larimore Leader/Tribune
 Litchville Bulletin
 McClusky Gazette
 McKenzie County Farmer
 McLean County Independent
 Mountrail County Record
 Napoleon Homestead
 New Town News
 North Dakota Newspaper Association
 Presort Plus
 Recreation Supply Company
 The Forum of Fargo-Moorhead
 The Herald
 The Jamestown Sun
 The Journal
 The Walsh County Record
 Tioga Tribune
 Tri-County News
 Valley News & Views
 Washburn Leader-News
 Wishek Star

Elgin	ND
Washburn	ND
Underwood	ND
Linton	ND
Enderlin	ND
Beach	ND
Elgin	ND
Hazen	ND
Kulm	ND
Lamoure	ND
Larimore	ND
Litchville	ND
McClusky	ND
Watford City	ND
Garrison	ND
New Town	ND
Napoleon	ND
New Town	ND
Bismarck	ND
Bismarck	ND
Bismarck	ND
Fargo	ND
New England	ND
Jamestown	ND
Crosby	ND
Grafton	ND
Tioga	ND
Gackle	ND
Drayton	ND
Washburn	ND
Wishek	ND

Ohio

American Greetings
 Archbold Buckeye
 Bluestone Perennials
 Chagrin Valley Times
 Farm and Dairy
 Farmland News
 Gardens Alive!
 Geauga Times Courier
 Graphic Media Alliance
 Mail Automation, Inc.
 Midwest Direct
 Millers Print and Mail, Inc.
 Nationwide Insurance
 Ohio News Media Association
 Solon Times
 Sporty's/Sportsman's Market, Inc.
 Summit Racing Equipment
 The Crestline Advocate

Cleveland	OH
Archbold	OH
Madison	OH
Chagrin Falls	OH
Salem	OH
Archbold	OH
Tipp City	OH
Chardon	OH
Westerville	OH
Baltimore	OH
Cleveland	OH
Akron	OH
Columbus	OH
Columbus	OH
Solon	OH
Batavia	OH
Tallmadge	OH
Crestline	OH

The Good News
 The Progressor-Times/Mohawk Leader
 Town Money Saver
 Up With Paper
 Vermilion Photojournal
 Westlife

Middlefield OH
 Carey OH
 Lucas OH
 Mason OH
 Vermilion OH
 Westlake OH

Oklahoma

Beckham County Record
 Blanchard News
 Bristow News
 Buffalo Weekly News
 Cheyenne Star
 Clinton Daily News
 Cordell Beacon
 Country Connection News
 Cushing Citizen
 Drumright Gusher
 Eastern Times Register, The
 Elk City News
 Eufaula Indian Journal, The
 Garvin County News Star
 Geary Star
 Harper County Leader
 Henryetta Free-Lance
 Hinton Record
 Johnston County Sentinel
 Kiowa County Democrat
 Lincoln County News
 Madill Record
 McIntosh County Democrat
 Okarche Warrior
 Okmulgee Times
 Piedmont Gazette
 Ponca City News, The
 Presort First Class
 Sequoyah County Times
 Southwest Ledger
 Stilwell Democrat Journal
 Stroud American
 Tahlequah Daily Press
 Target Marketing Print and Mail Solutions
 The Apache News
 The Comanche Times
 The Examiner
 The Fairfax Chief
 The Hooker Advance
 The Newcastle Pacer
 The Newkirk Herald Journal
 The Purcell Register
 The Walters Herald

Sayre OK
 Blanchard OK
 Bristow OK
 Buffalo OK
 Cheyenne OK
 Clinton OK
 Cordell OK
 Eakly OK
 Cushing OK
 Drumright OK
 Vian OK
 Elk City OK
 Eufaula OK
 Maysville OK
 Geary OK
 Laverne OK
 Henryetta OK
 Hinton OK
 Tishomingo OK
 Snyder OK
 Chandler OK
 Madill OK
 Eufaula OK
 Okarche OK
 Okmulgee OK
 Piedmont OK
 Ponca City OK
 Oklahoma City OK
 Sallisaw OK
 Lawton OK
 Stilwell OK
 Stroud OK
 Tahlequah OK
 Broken Arrow OK
 Apache OK
 Comanche OK
 Hugo OK
 Fairfax OK
 Hooker OK
 Newcastle OK
 Newkirk OK
 Purcell OK
 Walters OK

The Wynnewood Gazette
 Tonkawa News, The
 Tri-County Herald
 Vian Tenkiller News
 Vici Vision
 Walters Herald
 Watonga Republican
 Weatherford Daily News
 Wylie Communications, Inc.
 Yukon Progress

Wynnewood OK
 Tonkawa OK
 Meeker OK
 Vian OK
 Vici OK
 Walters OK
 Watonga OK
 Weatherford OK
 Oologah OK
 Yukon OK

Oregon

Baker City Herald
 Blue Mountain Eagle
 Boundaryless Enterprises, LLC
 Burns Times-Herald
 Capital Press
 Columbia Gorge News
 East Oregonian
 Hermiston Herald
 Hood River News
 Keizertimes
 La Grande Observer
 Lake County Examiner
 Mailbox Merchants
 News-Register
 Pacific Printing Industries Association
 Redmond Spokesman
 Seaside Signal
 Signature Graphics
 The Astorian
 The Bulletin
 The Chronicle
 The Dalles Chronicle
 TOO Magazine
 Wallowa County Chieftain
 White Salmon Enterprise

Baker City OR
 John Day OR
 Medford OR
 Burns OR
 Salem OR
 Columbia River Gorge OR
 Pendleton OR
 Hermiston OR
 Hood River OR
 Keizer OR
 La Grande OR
 Lakeview OR
 Portland OR
 McMinnville OR
 Portland OR
 Redmond OR
 Seaside OR
 Portland OR
 Astoria OR
 Bend OR
 Creswell OR
 Dalles OR
 Pendleton OR
 Enterprise OR
 White Salmon OR

Pennsylvania

Asendia
 Crayola
 Graphic Arts Association
 Philadelphia Gay News
 Printing Industries of America
 The New Republic
 The Pike County Courier
 The Savings Guide
 The Spirit

Folcraft PA
 Easton PA
 Trevoise PA
 Philadelphia PA
 Warrendale PA
 Meyersdale PA
 Milford PA
 Mechanicsburg PA
 Glenolden PA

Rhode Island

Calypso Cards
Cathedral Corporation
The Block Island Times

Providence RI
Lincoln RI
Block Island RI

South Carolina

Carolina Gateway
Domtar
Island News
Lancaster News, The
Lexington County Chronicle & The Dispatch-News
News & Reporter, The
Pageland Progressive-Journal
The Catholic Miscellany
The Gaffney Ledger
The Twin-City News
The Voice of Blythewood & Fairfield County

Lancaster SC
Fort Mill SC
Beaufort SC
Lancaster SC
Lexington SC
Chester SC
Pageland SC
Charleston SC
Gaffney SC
Batesburg SC
Blythewood SC

South Dakota

Clear Lake Courier
Custer County Chronicle
Dakota Dunes/North Sioux City Times
Highmore Herald
Hill City Prevailer New
Lakota Times
Prairie Pioneer
Qualified Presort Service, LLC
Sisseton Courier
South Dakota Newspaper Association
Southern Union County Leader Courier
Times-Advocate
True Dakotan
Winner Advocate

Clear Lake SD
Custer SD
North Sioux City SD
Highmore SD
Hill City SD
Martin SD
Pollock SD
Sioux Falls SD
Sisseton SD
Brookings SD
Elk Point SD
Gregory SD
Wessington Springs SD
Winner SD

Tennessee

Action Mail Presort, Inc.
Carroll County News Leader
Citizen Tribune
Elk Valley Times, The
Exchange media Group
Grundy County Herald
Herald Chronicle, The
International Paper
LaFollette Press
Manchester Times
Moore County News, The
Morgan County News
Printing Industry Association of the South, Inc.
Roane County News
The Paris Post-Intelligencer
The Standard Banner

Chattanooga TN
Huntingdon TN
Morristown TN
Fayetteville TN
Fayetteville TN
Tracy City TN
Winchester TN
Memphis TN
La Follette TN
Manchester TN
Lynchburg TN
Wartburg TN
Nashville TN
Kingston TN
Paris TN
Jefferson City TN

Tulahoma News

Tulahoma

TN

Texas

Ad Pages Solutions
 Alpine Avalanche
 Aransas Pass Progress
 Atlanta Citizens Journal
 Bay City Tribune
 Big Bend Sentinel
 Big Sandy-Hawkins Journal
 Blanco County News
 Brady Standard-Herald
 Breckenridge American
 Brenham Banner
 Burnet Bulletin
 Carrizo Springs Javelin
 Centerville News
 Cleburne Times Review
 Clifton Record
 Coleman Chronicle and Democrat Voice
 Copperas Cove Leader-Press
 Dalhart Texan
 Direct Merchandising, Inc.
 Double Mountain Chronicle
 Dripping Springs Century News
 Dublin Citizen
 El Campo Leader-News
 Ennis News
 Fairfield Recorder
 Focus Daily News
 Fort Stockton Pioneer
 Fredericksburg Standard-Radio Post
 Frio-Nueces Current
 Gainesville Daily Register
 Gatesville Messenger
 Gladewater Mirror
 Gonzales Inquirer
 Great American Business Products
 Groesbeck Journal
 Half Price Books
 Hays Free Press
 Herald-Banner
 Hill Country News
 Horseshoe Bay
 Ingleside Index
 Jacksboro Herald-Gazette
 Jackson County Herald-Tribune
 J.C. Penney Corporation, Inc.
 Johnson City Record-Courier
 Journal-Spectator
 Kaufman Herald

Plano TX
 Alpine TX
 Aransas Pass TX
 Atlanta TX
 Bay City TX
 Marfa TX
 Big Sandy TX
 Blanco TX
 Brady TX
 Breckenridge TX
 Brenham TX
 Burnet TX
 Carrizo Springs TX
 Centerville TX
 Cleburne TX
 Clifton TX
 Coleman TX
 Copperas Cove TX
 Dalhart TX
 Carrollton TX
 Rotan TX
 Dripping Springs TX
 Dublin TX
 El Campo TX
 Ennis TX
 Fairfield TX
 DeSoto TX
 Fort Stockton TX
 Fredericksburg TX
 Pearsall TX
 Gainesville TX
 Gatesville TX
 Gladewater TX
 Gonzales TX
 Houston TX
 Groesbeck TX
 Dallas TX
 Kyle TX
 Greenville TX
 Cedar Park TX
 Horseshoe Bay TX
 Aransas Pass TX
 Jacksboro TX
 Edna TX
 Plano TX
 Johnson City TX
 Wharton TX
 Kaufman TX

Lamb County Leader-News	Littlefield	TX
Lindale News & Times	Lindale	TX
Lindsay Letter	Lindsay	TX
Llano News, The	Llano	TX
Madisonville Meteor	Madisonville	TX
Mail Presort	Fort Worth	TX
Mason County News	Mason	TX
Mineral Wells Index	Mineral Wells	TX
Mount Pleasant Tribune	Mount Pleasant	TX
Mount Vernon Optic-Herald	Mount Vernon	TX
Muenster Enterprise	Muenster	TX
Murphy Monitor	Murphy	TX
Nocona News	Nocona	TX
Orange Leader	Orange	TX
Ozona Stockman	Ozona	TX
Palacios Beacon	Palacios	TX
Panhandle Presort Services, Ltd.	Amarillo	TX
Park Cities People	Dallas	TX
Plains Presort Services, LLC	Lubbock	TX
Pleasanton Express	Pleasanton	TX
Polk County Enterprise	Livingston	TX
Port Aransas South Jetty Newspaper	Port Aransas	TX
Port Arthur Daily News	Port Arthur	TX
Port Isabel/South Padre Press	Port Isabel	TX
Presidio International	Marfa	TX
Presort EMS	Frisco	TX
Preston Hollow People	Dallas	TX
Printing & Imaging Assn. of MidAmerica	Dallas	TX
Printing Industries of the Gulf Coast, Inc.	Houston	TX
Promotional Products International	Irving	TX
Rockwall Herald Banner	Rockwall	TX
Royal Alliances	Irving	TX
Royse City Herald Banner	Royse City	TX
San Benito News	San Benito	TX
San Marcos Daily Record	San Marcos	TX
San Saba News	San Saba	TX
Sealy News	Sealy	TX
Seguin Gazette	Seguin	TX
Sergeant Bluff Advocate	Sergeant Bluff	TX
Steel Country Bee	Daingerfield	TX
Teague Chronicle	Teague	TX
Texas Jewish Post	Dallas-Fort Worth	TX
The Alvin Sun & Advertiser	Alvin	TX
The Banner Press Newspaper	Columbus	TX
The Baytown Sun	Baytown	TX
The Big Lake Wildcat	Big Lake	TX
The Bowie News	Bowie	TX
The Cameron Herald	Cameron	TX
The Canadian Record	Canadian	TX
The Castro County News	Dimmitt	TX
The Clarendon Enterprise	Clarendon	TX

The Community News	Aledo	TX
The Cuero Record	Cuero	TX
The Daily Sentinel	Nacogdoches	TX
The Devil's River News	Sonora	TX
The Eldorado Success	Eldorado	TX
The Farmersville Times	Farmesville	TX
The Fayette County Record	La Grange	TX
The Fort Bend Herald	Rosenberg	TX
The Galveston County Daily News	Galveston	TX
The Graham Leader	Graham	TX
The Hansford County Reporter-Statesman	Spearman	TX
The Henderson News	Henderson	TX
The Highlander	Marble Falls	TX
The Katy Times	Katy	TX
The Liberty Hill Independent	Liberty Hill	TX
The Light and Champion	Center	TX
The Lufkin Daily News	Lufkin	TX
The Marlin Democrat	Marlin	TX
The Marshall News Messenger	Marshall	TX
The Meridian Tribune	Meridian	TX
The Mexia News	Mexia	TX
The Normangee Star	Normangee	TX
The Panola Watchman	Carthage	TX
The Paris News	Paris	TX
The Picayune	Marble Falls	TX
The Pittsburg Gazette	Pittsburg	TX
The Port Lavaca Wave	Port Lavaca	TX
The Princeton Herald	Princeton	TX
The Rockport Pilot	Rockport	TX
The Rosebud News	Rosebud	TX
The Sachse News	Sachse	TX
The Snyder News	Snyder	TX
The Thorndale Champion	Thorndale	TX
The Whitewright Sun	Whitewright	TX
The Wylie News	Wylie	TX
Uvalde Leader-News	Uvalde	TX
VariVerge, LLC	Dallas	TX
Vernon Record	Vernon	TX
Wallis News-Review	Wallis	TX
Weatherford Democrat	Weatherford	TX
White Oak Independent	White Oak	TX
Whitesboro News-Record	Whitesboro	TX
Wimberley View	Wimberley	TX
Wise County Messenger	Decatur	TX
Yorktown-News View	Yorktown	TX
 Utah		
Basin Nickel Ads	Vernal	UT
Beaver County Journal	Beaver	UT
Chronicle Progress	Delta	UT
Cottonwood Heights Journal	Cottonwood Heights	UT

Davis Clipper
 Draper Journal
 ETV News
 Herriman Journal
 Holladay Journal
 Intermountain Catholic
 International Bridge Inc.
 Midvale Journal
 Millcreek Journal
 Murray Journal
 Olive & Cocoa, LLC
 Presort Essentials
 Riverton Journal
 Sandy Journal
 South Jordan Journal
 South Salt Lake Journal
 Southern Utah News
 Sugar House Journal
 Taylorsville Journal
 The Intermountain Commercial Record
 and the Salt Lake Times
 The Pyramid
 The Reaper Extra
 The Richfield Reaper
 The Times-Independent
 The Wayne & Garfield County Insider
 Uintah Basin
 Utah Press Association
 Vernal Express
 West Jordan Journal
 West Valley City Journal

Vermont

Colchester Sun
 Essex Reporter
 International Coins & Currency
 Lane Press
 Milton Independent
 News & Citizen
 Saint Albans Messenger
 Shelburne News
 Shine Strategy, LLC
 South Burlington Other Paper
 Stowe Reporter
 The Citizen
 The Valley Reporter
 The Vermont Teddy Bear Company, Inc.
 The White River Valley Herald
 Vermont Country Store
 Vermont Press Association

Bountiful	UT
Draper	UT
Price	UT
Herriman	UT
Holladay	UT
Salt Lake City	UT
Provo	UT
Midvale	UT
Millcreek	UT
Murray	UT
Salt Lake City	UT
Salt Lake City	UT
Riverton	UT
Sandy	UT
South Jordan	UT
Salt Lake City	UT
Kanab	UT
Salt Lake City	UT
Taylorsville	UT
Salt Lake City	UT
Mt. Pleasant	UT
Richfield	UT
Richfield	UT
Moab	UT
Escalante	UT
Roosevelt	UT
West Jordan	UT
Vernal	UT
West Jordan	UT
West Valley City	UT

Colchester	VT
Colchester	VT
Montpelier	VT
South Burlington	VT
Milton	VT
Morrisville	VT
Saint Albans	VT
Shelburne	VT
Manchester Center	VT
South Burlington	VT
Stowe	VT
Charlotte	VT
Waitsfield	VT
Shelburne	VT
Randolph	VT
Manchester Center	VT
Colchester	VT

Virginia

AICC, The Independent Packaging Assn.	Alexandria	VA
Alexander & Company, LLC	Williamsburg	VA
American Subcontractors Assn.	Alexandria	VA
Association for Postal Commerce (Postcom)	Alexandria	VA
Assurety Consulting, Inc.	Sterling	VA
Bedford Bulletin	Bedford	VA
BMS Direct	Lynchburg	VA
Carroll News	Hillsville	VA
Central Virginian, The	Louisa	VA
Declaration, The	Galax	VA
Gazette, The	Galax	VA
Gloucester-Mathews Gazette-Journal	Gloucester	VA
International Mailers Advisory Group	Arlington	VA
News Media Alliance	Arlington	VA
Northern Neck News	Warsaw	VA
Northumberland Echo	Heathsville	VA
Parcel Shippers Assn.	Alexandria	VA
Petroleum Marketers Assn. of America	Arlington	VA
Rappahannock Record	Kilmarnock	VA
Southside Sentinel	Urbanna	VA
The CEP Group	Arlington	VA
The News-Gazette	Lexington	VA
The Recorder	Monterey	VA
The Southwest Times	Pulaski	VA
Westmoreland News	Warsaw	VA
Worth, Higgins & Associates, Inc.	Norfolk	VA

Washington

Amazon	Seattle	WA
Chinook Observer	Long Beach	WA
ComputerGear	Woodinville	WA
Eddie Bauer, LLC	Bellevue	WA
Ferndale Record	Ferndale	WA
Lynden Tribune	Lynden	WA
Northern Kittitas County Tribune	Cle Elum	WA
Sendle	Seattle	WA
Sun Precautions	Seattle	WA
Thrift Books Global, LLC	Seattle	WA

West Virginia

The Morgan Messenger	Berkeley Springs	WV
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Wisconsin

4Imprint	Oshkosh	WI
Arandell Corporation	Menomonee Falls	WI
Campbellsport News	Campbellsport	WI
Courier Sentinel	Cornell	WI
Dodge County Pionier	Mayville	WI

Elmwood Sun-Argus
 Great Lakes Graphics Association
 Kewaskum Statesman
 L&M Mail and Courier
 MadMen3, LLC
 National Business Furniture
 North Woods Trader
 Nueske's Applewood Smoked Meats
 Ozaukee Press
 Quad, Inc.
 Record Review
 Silver Star Brands
 Star Journal
 Star News
 The Democrat Tribune
 The Dodgeville Chronicle
 The Pecatonica Valley River
 The Plymouth Review
 The Sheboygan Falls News
 The Sounder
 The Star News
 The Three Lakes News
 The Woodville Leader
 Tomahawk Leader
 Tribune Phonograph
 Tribune Record Gleaner
 Vilas County News-Review
 Walsworth/Ripon
 Waupaca County Post-East
 Waupaca County Post-West
 Wisconsin Community Papers

Spring Valley	WI
Pewaukee	WI
Campbellsport	WI
Eau Claire	WI
DeForest	WI
Milwaukee	WI
Eagle River	WI
Wittenberg	WI
Port Washington	WI
Sussex	WI
Edgar	WI
Oshkosh	WI
Rhineland	WI
Medford	WI
Mineral Point	WI
Dodgeville	WI
Argyle	WI
Plymouth	WI
Sheboygan Falls	WI
Random Lake	WI
Medford	WI
Three Lakes	WI
Woodville	WI
Tomahawk	WI
Abbottsford	WI
Loyal	WI
Eagle River	WI
Ripon	WI
Waupaca	WI
Waupaca	WI
Fond du Lac	WI

Wyoming

Bridger Valley Pioneer
 Cheyenne Minuteman
 Cody Enterprise
 Douglas Budget
 Gillette News-Record
 Glenrock Independent
 Guernsey Gazette
 Jackson Hole News & Guide
 Kemmerer Gazette
 Lingle Guide
 Lusk Herald
 Moorcroft Leader
 Pinedale Roundup
 Pirate Ship
 Platte County Record-Times
 Powell Tribune
 Sublette Examiner
 Sundance Times

Lyman	WY
Cheyenne	WY
Cody	WY
Douglas	WY
Gillette	WY
Glenrock	WY
Guernsey	WY
Jackson	WY
Kemmerer	WY
Lingle	WY
Lusk	WY
Moorcroft	WY
Pinedale	WY
Jackson	WY
Wheatland	WY
Powell	WY
Pinedale	WY
Sundance	WY

Thermopolis Independent Record
Torrington Telegram
Uinta County Herald
Wyoming Livestock Roundup
Wyoming Pioneer

Thermopolis	WY
Torrington	WY
Evanston	WY
Casper	WY
Hulett	WY

cc: The Honorable Carolyn Maloney
The Honorable Jim Jordan
The Honorable Ron Johnson
The Honorable Gary Peters

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20215

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20215

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20210

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20210

April 30, 2020

Dear Congressional Leaders:

The undersigned companies, trade associations and consumer advocacy organizations believe it is imperative to save the United States Postal Service. We thank you all for your leadership as the nation confronts this pandemic, and urge you to provide enough funding to enable USPS to survive and serve its customers, the American people, during this exceptionally trying time.

We, along with the postal-reliant industry that generates \$1.6 trillion in sales and employs 7.3 million workers, have long supported a self-sufficient Postal Service. But no business entity can withstand a 50% or more externally-imposed drop in business and revenues, as USPS projects due to COVID-19, and long survive. That is why emergency funding must be provided now.

The American people have been reminded during this pandemic of just how fundamental to American life the Postal Service still is. USPS is delivering prescriptions, household and business staples, groceries, Personal Protective Equipment, greeting cards and personal correspondence to bridge social distancing, Paycheck Protection Program, Social Security and tax refund checks, CDC advice cards on keeping oneself and family safe, and newspapers and magazines still vital to informing the American people. It is enabling a new wave of businesses along with the e-commerce sector to survive the pandemic through remote order and fulfillment. Postal Service delivery is essential. And it is of particularly acute need in rural areas of the country, where there are no alternatives, and often not even broadband. USPS is a lifeline there and elsewhere throughout the country during these challenging times.

As to how much is needed, we defer to the experts, the bipartisan Postal Service Board of Governors appointed by the President, and our leaders in Congress. While substantial sums are needed, they amount to a small part of the emergency funds Congress has provided and will continue to provide, including to sustain small businesses, their employees and the economy. The Postal Service is the backbone of businesses large and small in America, and must endure.

The American people, 91% of whom approve of USPS¹, often raise a commotion if a single Post Office is to be closed. Closing the entire system or imposing a major reduction in service during this time of need would magnify that reaction substantially.

¹ Pew Research Center, *Survey of the Public's Views on Federal Agencies* (April 9, 2020). <https://www.people-press.org/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/>

We again strongly urge you to save the Postal Service and preserve a fundamental lifeline to millions of Americans.

Thank you.

Sincerely,

Washington, D.C.

Coalition for a 21st Century Postal Service	Washington	D.C.
American Catalog Mailers Assn.	Washington	D.C.
American Property Casual Insurance Assn.	Washington	D.C.
Consumer Action	Washington	D.C.
Greeting Card Association	Washington	D.C.
National Consumers League	Washington	D.C.
National Postal Policy Council	Washington	D.C.
National Retail Federation	Washington	D.C.
Retail Industry Leaders Assn.	Washington	D.C.
Small Business Legislative Council	Washington	D.C.
The Insurance Coalition	Washington	D.C.
The Package Coalition	Washington	D.C.
The Pharmaceutical Care Management Assn.	Washington	D.C.

Alaska

Mushing Magazine	Nome	AK
The Nome Nugget	Nome	AK

Alabama

Clarke County Democrat	Grove Hill	AL
Greenville Advocate	Greenville	AL
Selma Times-Journal	Selma	AL
The Arab Tribune	Arab	AL
The Clayton Record	Clayton	AL
The Cherokee Post-Herald	Centre	AL
The Elba Clipper	Elba	AL
The Florala News	Florala	AL
The Greenville Standard	Greenville	AL
The Lowndes Signal	Fort Deposit	AL
The Luverne Journal	Luverne	AL
The Monroe Journal	Monroeville	AL
The Northport Gazette	Northport	AL
The Outlook	Alexander City	AL
The Tallassee Tribune	Tallassee	AL
The Tuskegee News	Tuskegee	AL
The West Alabama Gazette	Millport	AL
The Wetumpka Herald	Wetumpka	AL
Wilcox Progressive Era	Camden	AL

Arizona

Clippin' the River	Bullhead City	AZ
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Colorado River Real Estate Magazine
 Entertainer
 Mohave Valley Daily News
 Runbeck Election Services, Inc.
 The Bullhead City Booster
 The Laughlin Times
 The Wickenburg Sun
 Western States Printing Alliance
 Wickenburg Shopper News

Bullhead City AZ
 Bullhead City AZ
 Bullhead City AZ
 Phoenix AZ
 Bullhead City AZ
 Bullhead City AZ
 Wickenburg AZ
 Queen Creek AZ
 Wickenburg AZ

Arkansas

Arkansas Mailing Services
 Arkansas Press Association
 Dayspring Cards
 Harrison Daily Times
 Johnson County Graphic
 Newton County Times

N. Little Rock AR
 Little Rock AR
 Siloam Springs AR
 Harrison AR
 Clarksville AR
 Jasper AR

California

Auburn Direct
 Auburn Journal
 Big Bear Grizzly
 Brentwood Press
 California News Publishers Association
 Chino Champion
 CohereOne
 Colfax Record
 Desert Entertainer
 Desert Mobile Home News
 eBay Inc.
 Folsom Lake Entertainer
 Granite Bay View
 Grizzly Weekender
 Gustine Press-Standard
 Hi-Desert Star
 Idyllwild Town Crier
 India West
 Lincoln News Messenger
 Major Mailers Assn.
 Mountain News
 Mountain Shopper
 Needles Desert Star (1987)*
 Nevada & Placer County Entertainer
 Ojai Valley News
 PacSun, LLC
 Patterson Irrigator
 PLD Group
 Point Reyes Light
 Press Banner
 Printing Industries Assn. of San Diego, Inc.

Auburn CA
 Auburn CA
 Big Bear Lake CA
 Brentwood CA
 Sacramento CA
 Chino CA
 San Rafael CA
 Colfax CA
 Yucca Valley CA
 Yucca Valley CA
 San Jose CA
 Folsom CA
 Roseville CA
 Big Bear Lake CA
 Newman CA
 Yucca Valley CA
 Idyllwild CA
 San Leandro CA
 Lincoln CA
 El Dorado Hills CA
 Lake Arrowhead CA
 Lake Arrowhead CA
 Needles CA
 Auburn CA
 Ojai CA
 Anaheim CA
 Patterson CA
 Thousand Palms CA
 Inverness CA
 Scotts Valley CA
 San Diego CA

Printing Industries Assn., Inc. of Southern California	Los Angeles	CA
Shippo	San Francisco	CA
Sky of Blue Cards	Menlo Park	CA
Smith & Noble	Corona	CA
Specialty Equipment Marketing Assn.	Diamond Bar	CA
The Ark	Tiburon	CA
The Desert Trail	Twentynine Palms	CA
The Folsom Telegraph	Roseville	CA
The Loomis News	Roseville	CA
The Malibu Times	Malibu	CA
The Placer Herald	Roseville	CA
The Press-Tribune	Roseville	CA
The San Fernando Valley Sun/el Sol Newspapers	San Fernando	CA
The Shafter Press	Shafter	CA
Title Nine	Emeryville	CA
Tracy Press	Tracy	CA
Very Napa Valley	Sonoma	CA
Visual Media Alliance	San Francisco	CA
Wine Country This Month - Central Coast	Sonoma	CA
Wine Country This Week	Sonoma	CA

Colorado

Blue Mountain Arts	Boulder	CO
Brighton Standard Blade, The	Brighton	CO
Canyon Courier	Evergreen	CO
Clear Creek Courant	Idaho Springs	CO
Commerce City Sentinel-Express	Brighton	CO
CSG Systems International	Denver	CO
Fort Lupton Press	Brighton	CO
Herald Democrat	Leadville	CO
Holyoke Enterprise, The	Holyoke	CO
Leanin' Tree	Boulder	CO
National Assn. of Presort Mailers	Broomfield	CO
Park Co. Republican & Fairplay Blume	Bailey	CO
Path2Response, LLC	Louisville	CO
Rio Blanco Herald Times	Meeker	CO
Robbin Rawlings Designs, Inc.	Boulder	CO
The Chaffee County Times	Buena Vista	CO
The Mountain Mail	Salida	CO
The Pagosa Springs SUN	Pagosa Springs	CO
The Yuma Pioneer	Yuma	CO

Connecticut

BlueCrest, Inc.	Danbury	CT
Colorblends Wholesale Flowerbulbs	Bridgeport	CT
Corporate Mailing Services, LLC	Shelton	CT
New Britain Herald	New Britain	CT
Pitney Bowes Inc.	Stamford	CT
Quadient	Milford	CT
The Bristol Press	Bristol	CT

The Chronicle
Trumbull Printing, LLC
Wasco Tribune

Willimantic CT
Trumbull CT
Wasco CT

Delaware

Cape Gazette
Greater Dover Extra
Smyrna Extra
Sussex Post
The Chronicle

Lewes DE
Dover DE
Smyrna DE
Seaford DE
Milford DE

Florida

Access Mail Processing Services, Inc..
Cedar Key Beacon
Chiefland Citizen
Citrus County Chronicle
Consolidated Mailing Services
Direct Mail Impressions
Florida Graphics Alliance
Florida Mail & Print
Florida Media Association
Florida Press Association
Gadsden County Times, The
Heritage Florida Jewish News
Kessler Creative
Key West Citizen and Free Press
Lake City Reporter
Mail, Print & Packaging Solutions, Inc.
Nona Connect
Nonahood News
North Jax Monthly
Perry News Herald
Print Reach, Inc.
Publishers' Auxiliary
Riverland News
South Marion Citizen
St. Augustine Observer
Sumter County Times
Taco Times
TC Delivers Mail Solutions & Savings
Textile Care Allied Trades Assn.
The West Volusia Beacon
Valpak
Wakulla News, The
Westside Journal
Williston Pioneer Sun-News
W.S. Badcock Corporation

Clearwater FL
Chiefland FL
Chiefland FL
Crystal River FL
Tampa FL
Boca Raton FL
Orlando FL
Ft. Myers FL
Ocala FL
Tallahassee FL
Quincy FL
Orlando FL
Jacksonville FL
Key West FL
Lake City FL
Lutz FL
Orlando FL
Orlando FL
Jacksonville FL
Perry FL
Jacksonville Beach FL
Pensacola FL
Dunnellon FL
Dunnellon FL
St. Augustine FL
Bushnell FL
Perry FL
Jacksonville FL
Wesley Chapel FL
DeLand FL
St. Petersburg FL
Crawfordville FL
Callahan FL
Williston FL
Mulberry FL

Georgia

Banks County News

Jefferson GA

Barrow News-Journal
 Charlton County Herald
 Datamatx
 Early County News
 Envelopes & Forms, Inc./SureBill
 Fayette County News
 Jackson Herald, The
 Madison County Journal, The
 Mature Living in the South
 Mature Living in the Southeast
 Monroe County Reporter
 North Georgia News
 Printing & Imaging Association of Georgia
 The Advance
 The Atlanta Voice
 The Baxley News-Banner
 The Lincoln Journal
 The Newnan Times-Herald
 The News Observer
 The News-Reporter
 The Post-Searchlight
 The Press-Sentinel
 The Telfair Enterprise
 Times-Courier
 Towns County Herald
 TSYS Inc.
 Waycross Journal-Herald

Winder GA
 Folkston GA
 Atlanta GA
 Blakely GA
 Duluth GA
 Fayetteville GA
 Jefferson GA
 Jefferson GA
 Baxley GA
 Baxley GA
 Forsyth GA
 Blairsville GA
 Smyrna GA
 Vidalia GA
 Atlanta GA
 Baxley GA
 Lincolnnton GA
 Newnan GA
 Blue Ridge GA
 Washington GA
 Bainbridge GA
 Jesup GA
 McRae-Helena GA
 Ellijay GA
 Hiawassee GA
 Columbus GA
 Waycross GA

Hawaii

Lahaina News

Maui HI

Idaho

American Mailing Products, Inc.
 Clearwater Tribune
 The Arco Advertiser
 The Challis Messenger
 Weekly Mailer

Meridian ID
 Orofino ID
 Arco ID
 Challis ID
 Burley ID

Illinois

Bal-Tech, Inc. (dba Starship Modeler)
 Barco Products
 Bunker Hill Gazette- News
 Carmi Chronicle
 Carroll County Mirror-Democrat
 Design Toscano
 Fluence Automation, LLC
 Franklin County Gazette
 Gazette-Democrat, The
 Hardin County Independent
 InnerWorkings

Lake Villa IL
 Batavia IL
 Bunker Hill IL
 Carmi IL
 Mt. Carroll IL
 Elk Grove Village IL
 Arlington Heights IL
 Benton IL
 Anna IL
 Elizabethtown IL
 Chicago IL

Journal-News, The
 KirbyBuilt Products
 K-Log
 Leader-Union, The
 Madison County Chronicle
 McLeansboro Gazette
 Midland Paper Packaging and Supplies
 Mt. Olive Herald, The
 Navigator and Journal Register, The
 North American Assn of Food Equipment Mfrs
 Olney Gazette
 OSM Worldwide
 Quicksilver Mailing Services
 Raymond News, The
 Republic-Times Group, LLC
 R.R. Donnelley
 Southwestern Journal News, The
 The Carroll County Review
 The Galena Gazette
 The Prairie News
 The Sidell Reporter
 The Vienna Times
 The Weekly Post
 The Woodstock Independent
 TreeTop Products
 Unison
 Vienna Times, The
 Weekly Press, The

Hillsboro IL
 Batavia IL
 Zion IL
 Vandalia IL
 Worden IL
 McLeansboro IL
 Wheeling IL
 Mount Olive IL
 Albion IL
 Chicago IL
 Olney IL
 Glendale Heights IL
 Springfield IL
 Raymond IL
 Waterloo IL
 Chicago IL
 Brighton IL
 Thomson IL
 Galena IL
 Toulon IL
 Sidell IL
 Vienna IL
 Elmwood IL
 Woodstock IL
 Batavia IL
 Chicago IL
 Vienna IL
 Pinckneyville IL

Indiana

Carroll County Comet
 Crothersville Times
 Data Mail, Inc.
 Engineering Innovation, Inc.
 Ferdinand News
 Indiana Minority Business Magazine
 Journal Review
 LaGrange News
 LaGrange Standard
 LSC Communications
 Middlebury Independent
 Montpelier Weekly
 Mount Vernon Democrat
 Nat'l Assn of Mutual Insurance Companies
 North Vernon Plain Dealer
 Online Data
 Paper of Montgomery County
 Parke County Sentinel
 Perry County News
 Spencer County Journal-Democrat, The
 Sullivan Daily Times

Delphi IN
 Crothersville IN
 Evansville IN
 Lafayette IN
 Ferdinand IN
 Indianapolis IN
 Crawfordsville IN
 LaGrange IN
 LaGrange IN
 Indianapolis IN
 Middlebury IN
 Montpelier IN
 Mount Vernon IN
 Indianapolis IN
 North Vernon IN
 South Bend IN
 Crawfordsville IN
 Rockville IN
 Tell City IN
 Rockport IN
 Sullivan IN

The Daily Clintonian	Clinton	IN
The Goshen News	Goshen	IN
The Mail Group	Lafayette	IN
The Mail-Journal	Syracuse	IN
The North Vernon Sun	North Vernon	IN
The Osgood Journal	Versailles	IN
The Press-Dispatch	Petersburg	IN
The Versailles Republican	Versailles	IN
The Vincennes Sun-Commercial	Vincennes	IN
Western Wayne News	Cambridge City	IN
Whitewater Publications	Brookville	IN

Iowa

Ackley World Journal	Ackley	IA
Algona Upper Des Moines, The	Algona	IA
Bedford Times-Press	Bedford	IA
Belmond Independent	Belmond	IA
Bloomfield Democrat	Bloomfield	IA
Charles City Press	Charles City	IA
Coon Rapids Enterprise	Coon Rapids	IA
Cresco Times Plain Dealer	Cresco	IA
Dayton Leader Newspaper	Dayton	IA
Denver Forum	Denver	IA
Doon Press	Doon	IA
Dysart Reporter	Dysart	IA
Edgewood Reminder	Edgewood	IA
Hartley Sentinel-Everly/Royal News	Hartley	IA
Humboldt Independent	Humboldt	IA
Iowa Falls Times-Citizen	Iowa Falls	IA
Jesup Citizen Herald	Jesup	IA
Knowles Publishing Corp.	Carroll	IA
Kossuth County Advance	Algona	IA
Mail Communications Grp, LLC/MCG Parent, LLC	Des Moines	IA
Mail Services, LLC	Urbandale	IA
Mapleton Press	Mapleton	IA
Missouri Valley Times-News	Missouri Valley	IA
Mount Ayr Record News	Mount Ayr	IA
New Century Press	Rock Rapids	IA
Nora Springs Rockford Register	Rockford	IA
North Scott Press	Eldridge	IA
North Warren Town & County News	Norwalk	IA
Northern Sun Print	Gladbrook	IA
Opinion-Tribune	Glenwood	IA
Red Oak Express, The	Red Oak	IA
Reinbeck Courier	Reinbeck	IA
Strategic America	West Des Moines	IA
Tama County Shopper	Tama	IA
Tama News-Herald	Tama	IA
Telegraph Herald	Dubuque	IA
The Akron Hometown	Akron	IA
The Anita Tribune Co., Inc.	Anita	IA

The Carlisle Citizen
 The Charles City Press
 The Columbus Gazette
 The Daily Iowan
 The Gowrie News
 The Manilla Times
 The Observer
 The Ocheyedan Press-Melvin News
 The Seymour Herald
 The Sun News
 The Times Republican
 The Tipton Conservative
 Times-Republican
 Toledo Chronicle
 T-R Plus
 Traer Star-Clipper
 West Branch Times
 West Liberty Index
 Wilton-Durant Advocate News
 Woolverton

Carlisle	IA
Charles City	IA
Columbus Junction	IA
Iowa City	IA
Gowrie	IA
Manilla	IA
Westside	IA
Ocheyedan	IA
Seymour	IA
Lowden	IA
Corydon	IA
Tipton	IA
Marshalltown	IA
Toledo	IA
Marshalltown	IA
Traer	IA
West Branch	IA
West Liberty	IA
Wilton	IA
Des Moines	IA

Kansas

Coffeyville Journal
 Colby Free Press
 Ellsworth County Independent-Reporter
 Eudora Times
 Good News Press
 Independence Daily Reporter
 Kansas Press Association
 Labette Avenue
 Lineage
 Mail Works
 Marquette Tribune
 Montgomery County Chronicle
 Mulvane News
 Prairie Star
 Rawlins County Square Deal
 Rose Hill Reporter
 The Anthony Republican
 The Cedar Vale Lookout
 The Cowley Courier Traveler
 The Eureka Herald
 The Goodland Star-News
 The Holton Recorder
 The Marysville Advocate
 The Monitor Journal
 The Norton Telegram
 The Oberlin Herald
 The Saint Francis Herald & Bird City Times
 The Wabaunsee County Signal-Enterprise
 Universal Engraving, Inc.

Coffeyville	KS
Colby	KS
Ellsworth	KS
Eudora	KS
Caney	KS
Independence	KS
Topeka	KS
Oswego	KS
Lenexa	KS
Kansas City	KS
Marquette	KS
Caney	KS
Mulvane	KS
Sedan	KS
Atwood	KS
Rose Hill	KS
Anthony	KS
Cedar Vale	KS
Arkansas City	KS
Eureka	KS
Goodland	KS
Holton	KS
Marysville	KS
Little River	KS
Norton	KS
Oberlin	KS
Saint Francis	KS
Alma	KS
Overland Park	KS

Kentucky

Anderson News, The
Casey County News, The
Central Kentucky News-Journal
ElToro.com
Georgetown News-Graphic
Henry County Local
Kentucky New Era
Kentucky Standard, The
LaRue County Herald News, The
Lebanon Enterprise, The
News-Enterprise
Oldham Era, The
Pioneer News, The
Record, The
Record-Herald
Sentinel-News, The
Spencer Magnet, The
Springfield Sun, The
The Cadiz Record
The Cynthiana Democrat
The Eagle Post
The Grant County News
The Harrison Shopper
The Licking Valley Courier
The News-Democrat
The News-Herald
The River City Trading Post
The State Journal
The Trimble Banner
Troublesome Creek Times
Vtility.com

Lawrenceburg KY
Liberty KY
Campbellsville KY
Louisville KY
Georgetown KY
Eminence KY
Hopkinsville KY
Bardstown KY
Hodgenville KY
Lebanon KY
Elizabethtown KY
La Grange KY
Shepherdsville KY
Leitchfield KY
Greensburg KY
Shelbyville KY
Taylorsville KY
Springfield KY
Cadiz KY
Cynthiana KY
Oak Grove KY
Williamstown KY
Cynthiana KY
West Liberty KY
Carrollton KY
Owenton KY
Carrollton KY
Frankfort KY
Bedford KY
Hindman KY
Louisville KY

Louisiana

American Press
Bogalusa Daily News
Bossier Press Tribune
Cameron Parish Pilot
Catahoula News Booster
Central Speaks Newspaper
DeQuincy News
DMS Mail Management, Inc.
Jennings Daily News
LaPlace L'Observateur
Ruston Daily Leader
Southwest Daily News
The Avoyelles Journal
The Bienville Democrat
The Bunkie Record

Lake Charles LA
Bogalusa LA
Bossier City LA
Cameron LA
Jonesville LA
Central LA
DeQuincy LA
Baton Rouge LA
Jennings LA
LaPlace LA
Ruston LA
Sulphur LA
Avoyelles LA
Arcadia LA
Bunkie LA

The Louisiana Weekly
The Marksville News

New Orleans LA
Marksville LA

Maine

Calyx Flowers, Inc.
Cuddledown
Ellsworth American
J.S. McCarthy
Mount Desert Islander
Snowman Group

Yarmouth ME
Yarmouth ME
Ellsworth ME
Augusta ME
Bar Harbor ME
Hermon ME

Maryland

Country Casual Teak
Healthy Directions
Ocean City Digest
Ocean City Today
Pet Industry Distributors Association
Printing and Graphics Association MidAtlantic
Tire Industry Association
USAE Weekly Newspaper

Gaithersburg MD
Bethesda MD
Ocean City MD
Ocean City MD
Abingdon MD
Columbia MD
Bowie MD
Bethesda MD

Massachusetts

Christianbook, LLC
Coldwater Creek
Daily Times Chronicle
Healy List Marketing
Integrated Systems Associates, Inc.
Legacy Publishing Group
Potpourri Group, Inc.
Printing Industries of New England
The Manchester Cricket
Trainer's Warehouse
Window Book, Inc.

Peabody MA
Hingham MA
Woburn MA
Beverly MA
Swansea MA
Clinton MA
North Billerica MA
Southborough MA
Manchester-by-the-Sea MA
Natick MA
Cambridge MA

Michigan

Alcona County Review
Ann Arbor Observer
Assn. for Mail Electronic Enhancement
Battle Creek Shopper News
Baudville Brands
Bronner's Christmas Wonderland
Cadillac News
Clare County Cleaver
Clarkston News
Community Papers of Michigan
Detroit Legal News
Extend Your Reach
Great American Media Services
Grosse Pointe News
Hastings Banner

Harrisville MI
Ann Arbor MI
Newaygo MI
Battle Creek MI
Grand Rapids MI
Frankenmuth MI
Cadillac MI
Harrison MI
Clarkston MI
Pottersville MI
Detroit MI
Lansing MI
Sparta MI
Grosse Pointe MI
Hastings MI

Hastings Reminder
 Houghton Lake Resorter
 Kent Communications, Inc.
 Koeze Company
 Lake Orion Review
 Lakewood News
 Leelanau Enterprise
 Lett Direct, Inc.
 Lowell Buyers Guide
 Lowell Ledger
 Mail Room Service Center, Inc.
 Maple Valley News
 Marshall/Chronicle
 Oxford Leader
 Save on Everything, LLC
 TGI Direct, Inc.
 The Citizen
 The Climax Crescent Newspaper
 The Clinton Local
 The Independent
 The Pinconning Journal
 The Record
 The Saginaw News
 The Tecumseh Herald
 The Yale Expositor

Hastings	MI
Houghton Lake	MI
Grand Rapids	MI
Grand Rapids	MI
Lake Orion	MI
Hastings	MI
Lake Leelanau	MI
Williamsburg	MI
Lowell	MI
Lowell	MI
Saginaw	MI
Hastings	MI
Marshall	MI
Oxford	MI
Troy	MI
Flint	MI
Ortonville	MI
Climax	MI
Clinton	MI
Dundee	MI
Pinconning	MI
Washington	MI
Saginaw	MI
Tecumseh	MI
Yale	MI

Minnesota

Belle Plaine Herald
 Benton County News
 Bloodwood Forum
 Cardsource
 Citizen Publishing Co., Inc
 Clara City Herald
 Clifton Larson Allen
 Comfrey Times
 Country Acres
 Crosby-Ironton Courier, Inc.
 Dairy Star
 Eden Valley-Watkins Voice
 Ely Echo
 Exponent, TheEast
 Fergus Falls Daily Journal
 Floodwood Forum
 Graphic Finishing
 Hanska Herald
 Hermantown Star
 IdealPrinters
 Inkjet Insight, LLC
 Jackson County Pilot
 Japs-Olson
 Lafayette Nicollet Ledger

Belle Plaine	MN
Foley	MN
Proctor	MN
Minneapolis	MN
Windom	MN
Clara City	MN
Minneapolis	MN
Comfrey	MN
Sauk Centre	MN
Crosby	MN
Sauk Centre	MN
Eden Valley	MN
Ely	MN
Grand Forks	MN
Fergus Falls	MN
Floodwood	MN
Minneapolis	MN
Madelia	MN
Hermantown	MN
St. Paul	MN
Minneapolis	MN
Jackson	MN
St. Louis Park	MN
Lafayette	MN

Madelia Times-Messenger
 Meyers Printing
 Minnesota Newspaper Association
 Minnesota Women's Press
 Nahan Printing
 National Checking
 New Babbitt Weekly News
 Northeaster
 Northern Light Region, The
 On-Trac International
 Page 1 Publications, Inc.
 Paynesville Press
 Pelican Press
 Pope County Tribune
 Printing Industry Midwest
 Proctor Journal
 Proprint
 Pure Gold
 Rock County Star Herald
 Sartell-St. Stephen Newsleader
 Saturation Mailers Coalition
 Sauk Centre Herald
 Sauk Rapids Herald
 Spicer - Lakes Area Review
 St. Joseph Newsleader
 St. Paul Voice
 Standard Dynamics
 Star Publications, LLC
 Star Shopper
 The Appleton Press
 The Battle Lake Review
 The Kerkhoven Banner
 The Middle River Honker
 The Observer
 The Star Post
 Timberjay
 Tracy Area Headlight Herald
 Valley News
 Wheaton Gazette

Mississippi

Emmerich Newspapers
 Jacobs Properties
 The Charleston Sun-Sentinel
 The Franklin Advocate
 The Star-Herald
 The Wayne County News

Missouri

Advertiser-Courier

Madelia	MN
Minneapolis	MN
Minneapolis	MN
Minneapolis	MN
St. Cloud	MN
Minneapolis	MN
Babbitt	MN
Minneapolis	MN
Baudette	MN
Brighton	MN
East Grand Forks	MN
Paynesville	MN
Pelican Rapids	MN
Glenwood	MN
Minneapolis	MN
Proctor	MN
Duluth	MN
Madelia	MN
Luverne	MN
St. Joseph	MN
Minneapolis	MN
Sauk Centre	MN
Sauk Rapids	MN
New London	MN
St. Joseph	MN
St. Paul	MN
Minneapolis	MN
Sauk Centre	MN
Sauk Centre	MN
Appleton	MN
Battle Lake	MN
Kerkhoven	MN
Middle River	MN
Belgrade	MN
Albany	MN
Tower	MN
Tracy	MN
Browns Valley	MN
Wheaton	MN

Jackson	MS
Brookhaven	MS
Charleston	MS
Meadville	MS
Kosciusko	MS
Waynesboro	MS

Hermann	MO
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Arnold-Imperial Leader
 Bowling Green Times
 Buffalo Reflex
 Cabool Enterprise
 Centralia Fireside Guard
 Christian County Headliner-News
 Elsberry Democrat
 Eureka Leader
 Excelsior Springs Standard
 Gasconade County Republican
 Hallmark
 Hathaway & Lane Direct, LLC
 Houston Herald
 Jefferson County Leader
 Lake Gazette, The
 Lincoln County Journal
 Louisiana Press-Journal
 Maginating
 Maries County Advocate
 Marshfield Mail, The
 MCH Strategic Data
 Midwest Mailing Service
 Montgomery Standard
 Newstime
 Nixa Xpress
 Ozark County Times
 Ozark Mailing Service
 Peruvian Connection, LLC
 Phelps County Focus
 Presort, Inc.
 Print Media Association
 Sage Information Services
 Sedalia Democrat, The
 Stockton Cedar County Republican
 The Labor Tribune
 The Laclede County Record
 The Mansfield Mirror
 The Mountain Grove News Journal
 The Richmond News
 The Salem News
 Town and Country Leader
 Troy Free Press
 Unterrified Democrat
 US Toy Company
 Vandalia Leader, The
 Warren County Record
 Washington Missourian
 West Plains Daily Quill
 West Side Leader, The

Festus	MO
Bowling Green	MO
Buffalo	MO
Cabool	MO
Centralia	MO
Ozark	MO
Elsberry	MO
Festus	MO
Excelsior Springs	MO
Owensville	MO
Kansas City	MO
O'Fallon	MO
Houston	MO
Festus	MO
Monroe City	MO
Troy	MO
Louisiana	MO
Kirkwood	MO
Vienna	MO
Marshfield	MO
Sweet Springs	MO
Columbia	MO
Montgomery City	MO
Lake Saint Louis	MO
Nixa	MO
Gainesville	MO
Springfield	MO
Kansas City	MO
Rolla	MO
St. Louis	MO
Chesterfield	MO
Jefferson City	MO
Sedalia	MO
Stockton	MO
St. Louis	MO
Lebanon	MO
Mansfield	MO
Mountain Grove	MO
Richmond	MO
Salem	MO
Excelsior Springs	MO
Troy	MO
Linn	MO
Grandview	MO
Vandalia	MO
Warrenton	MO
Washington	MO
West Plains	MO
Festus	MO

Montana

Cut Bank Pioneer Press
 Daniels County Leader
 Glacier Reporter
 Mailing Technical Services, Inc.
 Shelby Promoter
 The Laurel Outlook
 The Valerian
 Tobacco Valley News

Cut Bank MT
 Scobey MT
 Browning MT
 Billings MT
 Shelby MT
 Laurel MT
 Valier MT
 Eureka MT

Nebraska

Ainsworth Star-Journal
 Albion News
 Barnhart Press
 Blair Pilot-Tribune
 Business Farmer
 CapStone Technologies, LLC
 Cedar County News
 Citizen
 Crete News
 Douglas County Post-Gazette
 Friend Sentinel, The
 Grant County News
 Grant Tribune-Sentinel, The
 Gretna Guide and News
 Hastings Tribune
 Hooker County Tribune
 Humphrey Democrat
 Imperial Republican, The
 Lyons Mirror-Sun
 McPherson County News
 Milford Times
 Nebraska Press Association
 North Bend Eagle
 Oakland Independent
 Petersburg Press
 Pierce County Leader
 Seward County Independent
 Springview Herald
 St. Edward Advance
 Summerland Advocate-Messenger
 The Arnold Sentinel
 The Clay County News
 The Elgin Review
 The Stapleton Enterprise
 The Voice News
 The Voice of Western Nebraska
 Thomas County Herald
 Valentine Midland News
 Washington County Enterprise
 Wauneta Breeze
 Wilber Republican, The

Ainsworth NE
 Albion NE
 Omaha NE
 Blair NE
 Scottsbluff NE
 Lincoln NE
 Hartington NE
 Arlington NE
 Crete NE
 Elkhorn NE
 Friend NE
 Hyannis NE
 Grant NE
 Gretna NE
 Hastings NE
 Mullen NE
 Humphrey NE
 Imperial NE
 Lyons NE
 Tryon NE
 Milford NE
 Lincoln NE
 North Bend NE
 Oakland NE
 Petersburg NE
 Pierce NE
 Seward NE
 Springview NE
 St Edward NE
 Clearwater NE
 Arnold NE
 Sutton NE
 Elgin NE
 Stapleton NE
 Hickman NE
 Morrill NE
 Thedford NE
 Valentine NE
 Blair NE
 Wauneta NE
 Wilber NE

Nevada

Battle Mountain Bugle
 Gardnerville Record Courier
 Humboldt Sun
 Lahontan Valley News
 Las Vegas Review Journal
 Lovelock Review Miner
 Moapa Valley Progress
 Nevada Appeal
 Nevada Press Association
 Nevada Rancher
 Northern Nevada Business Weekly

Battle Mountain NV
 Gardnerville NV
 Winnemucca NV
 Fallon NV
 Las Vegas NV
 Lovelock NV
 Overton NV
 Carson City NV
 Carson City NV
 Winnemucca NV
 Reno NV

New Hampshire

Eastern Marketing Services
 InterTown Record
 Littleton Coin Company, Inc.
 Valley News

Portsmouth NH
 North Sutton NH
 Littleton NH
 West Lebanon NH

New Jersey

A Smyth Co.
 Community News Service
 Edmund Optics
 Maljon LLC
 OSG Billing
 Page Three Consulting
 The Advertiser-News
 The Sentinel of Gloucester County
 The Sparta Independent
 The Township Journal
 The West Milford Messenger
 West Essex Tribune

Haddon Township NJ
 Lawrence NJ
 Barrington NJ
 Flanders NJ
 Ridgefield Park NJ
 Haddonfield NJ
 Vernon NJ
 Malaga NJ
 Sparta NJ
 Newton NJ
 West Milford NJ
 Livingston NJ

New Mexico

Cibola Citizen
 Hobbs News Sun
 Las Vegas Optic
 Los Alamos Monitor

Grants NM
 Hobbs NM
 Las Vegas NM
 Los Alamos NM

New York

Adirondack Daily Enterprise
 All Island Media Inc.
 Bee Group Newspapers
 Belardi Wong, ALC, LLC
 Charleston Gardens
 Chelsea Clinton News
 Chelsea News
 Cross Country Computer
 FPH Communications

Saranac Lake NY
 Edgewood NY
 Buffalo NY
 New York City NY
 New York City NY
 New York City NY
 New York City NY
 New York City NY
 East Islip NY
 New York City NY

Great Arrow Graphics	Buffalo	NY
Genesee Valley Publications	Avon	NY
Lake Placid News	Saranac Lake	NY
Lindenmeyr Central (Member of Central Nat'l Gottesman, Inc.) Purchase		NY
MeritDirect	Rye Brook	NY
Mid-Hudson Times	Newburgh	NY
New York Press Association	Albany	NY
Northern Safety & Industrial	Utica	NY
Our Town	New York City	NY
Our Town Downtown	New York City	NY
Patient Press Greeting Cards	Rochester	NY
Printing Industries Alliance	Amherst	NY
Publishers Clearing House	Jericho	NY
Ray Slyper Associates	New York City	NY
Southern Ulster Times	Milton	NY
The Altamont Enterprise & Albany County Post	Altamont	NY
The Chronicle	Goshen	NY
The Freeman's Journal	Cooperstown	NY
The Highlands Current	Cold Spring	NY
The Photo News	Monroe	NY
The Warwick Advertiser	Warwick	NY
Uncommon Goods	Brooklyn	NY
Wallkill Valley Times	Walden	NY
Westsider	New York City	NY
West Side Spirit	New York City	NY

North Carolina

Bowe Systec	Raleigh	NC
Brunswick Beacon, The	Shallotte	NC
Carteret County News-Times	Morehead City	NC
Cherokee Scout	Murphy	NC
Clay County Progress	Hayesville	NC
eVanguard Solutions, Inc (dba MailXstream)	Wilmington	NC
Fresh Angle Communications	Holden Beach	NC
National Wholesale, Inc.	Lexington	NC
Scottish Gourmet USA, LLC	Greensboro	NC
Stokes News	King	NC
The Graham Star	Robbinsville	NC
The Mount Airy News	Mount Airy	NC
The News Reporter	Whiteville	NC
The Printing Industry of the Carolinas, Inc.	Charlotte	NC
The Tribune	Elkin	NC
Yadkin Ripple	Yadkinville	NC

North Dakota

Adams County Record	Hettinger	ND
Ashley Tribune	Ashley	ND
Beulah Beacon	Beulah	ND
Billings County Pioneer	Medora	ND
Bottineau Courant	Bottineau	ND

Carson Press
 Center Republican
 Central McLean News Journal
 Emmons County Record
 Enderlin Independent
 Golden Valley Beach News
 Grant County News
 Hazen Star, The
 Kulm Messenger
 Lamoure Chronicle
 Larimore Leader/Tribune
 Litchville Bulletin
 McClusky Gazette
 McKenzie County Farmer
 McLean County Independent
 Mountrail County Record
 Napoleon Homestead
 New Town News
 North Dakota Newspaper Association
 Presort Plus
 Recreation Supply Company
 The Forum of Fargo-Moorhead
 The Herald
 The Jamestown Sun
 The Journal
 The Walsh County Record
 Tioga Tribune
 Tri-County News
 Valley News & Views
 Washburn Leader-News
 Wishek Star

Elgin	ND
Washburn	ND
Underwood	ND
Linton	ND
Enderlin	ND
Beach	ND
Elgin	ND
Hazen	ND
Kulm	ND
Lamoure	ND
Larimore	ND
Litchville	ND
McClusky	ND
Watford City	ND
Garrison	ND
New Town	ND
Napoleon	ND
New Town	ND
Bismarck	ND
Bismarck	ND
Bismarck	ND
Fargo	ND
New England	ND
Jamestown	ND
Crosby	ND
Grafton	ND
Tioga	ND
Gackle	ND
Drayton	ND
Washburn	ND
Wishek	ND

Ohio

American Greetings
 Archbold Buckeye
 Bluestone Perennials
 Chagrin Valley Times
 Farm and Dairy
 Farmland News
 Gardens Alive!
 Geauga Times Courier
 Graphic Media Alliance
 Mail Automation, Inc.
 Midwest Direct
 Millers Print and Mail, Inc.
 Nationwide Insurance
 Ohio News Media Association
 Solon Times
 Sporty's/Sportsman's Market, Inc.
 Summit Racing Equipment
 The Crestline Advocate

Cleveland	OH
Archbold	OH
Madison	OH
Chagrin Falls	OH
Salem	OH
Archbold	OH
Tipp City	OH
Chardon	OH
Westerville	OH
Baltimore	OH
Cleveland	OH
Akron	OH
Columbus	OH
Columbus	OH
Solon	OH
Batavia	OH
Tallmadge	OH
Crestline	OH

The Good News
 The Progressor-Times/Mohawk Leader
 Town Money Saver
 Up With Paper
 Vermilion Photojournal
 Westlife

Middlefield OH
 Carey OH
 Lucas OH
 Mason OH
 Vermilion OH
 Westlake OH

Oklahoma

Beckham County Record
 Blanchard News
 Bristow News
 Buffalo Weekly News
 Cheyenne Star
 Clinton Daily News
 Cordell Beacon
 Country Connection News
 Cushing Citizen
 Drumright Gusher
 Eastern Times Register, The
 Elk City News
 Eufaula Indian Journal, The
 Garvin County News Star
 Geary Star
 Harper County Leader
 Henryetta Free-Lance
 Hinton Record
 Johnston County Sentinel
 Kiowa County Democrat
 Lincoln County News
 Madill Record
 McIntosh County Democrat
 Okarche Warrior
 Okmulgee Times
 Piedmont Gazette
 Ponca City News, The
 Presort First Class
 Sequoyah County Times
 Southwest Ledger
 Stilwell Democrat Journal
 Stroud American
 Tahlequah Daily Press
 Target Marketing Print and Mail Solutions
 The Apache News
 The Comanche Times
 The Examiner
 The Fairfax Chief
 The Hooker Advance
 The Newcastle Pacer
 The Newkirk Herald Journal
 The Purcell Register
 The Walters Herald

Sayre OK
 Blanchard OK
 Bristow OK
 Buffalo OK
 Cheyenne OK
 Clinton OK
 Cordell OK
 Eakly OK
 Cushing OK
 Drumright OK
 Vian OK
 Elk City OK
 Eufaula OK
 Maysville OK
 Geary OK
 Laverne OK
 Henryetta OK
 Hinton OK
 Tishomingo OK
 Snyder OK
 Chandler OK
 Madill OK
 Eufaula OK
 Okarche OK
 Okmulgee OK
 Piedmont OK
 Ponca City OK
 Oklahoma City OK
 Sallisaw OK
 Lawton OK
 Stilwell OK
 Stroud OK
 Tahlequah OK
 Broken Arrow OK
 Apache OK
 Comanche OK
 Hugo OK
 Fairfax OK
 Hooker OK
 Newcastle OK
 Newkirk OK
 Purcell OK
 Walters OK

The Wynnewood Gazette
 Tonkawa News, The
 Tri-County Herald
 Vian Tenkiller News
 Vici Vision
 Walters Herald
 Watonga Republican
 Weatherford Daily News
 Wylie Communications, Inc.
 Yukon Progress

Wynnewood OK
 Tonkawa OK
 Meeker OK
 Vian OK
 Vici OK
 Walters OK
 Watonga OK
 Weatherford OK
 Oologah OK
 Yukon OK

Oregon

Baker City Herald
 Blue Mountain Eagle
 Boundaryless Enterprises, LLC
 Burns Times-Herald
 Capital Press
 Columbia Gorge News
 East Oregonian
 Hermiston Herald
 Hood River News
 Keizertimes
 La Grande Observer
 Lake County Examiner
 Mailbox Merchants
 News-Register
 Pacific Printing Industries Association
 Redmond Spokesman
 Seaside Signal
 Signature Graphics
 The Astorian
 The Bulletin
 The Chronicle
 The Dalles Chronicle
 TOO Magazine
 Wallowa County Chieftain
 White Salmon Enterprise

Baker City OR
 John Day OR
 Medford OR
 Burns OR
 Salem OR
 Columbia River Gorge OR
 Pendleton OR
 Hermiston OR
 Hood River OR
 Keizer OR
 La Grande OR
 Lakeview OR
 Portland OR
 McMinnville OR
 Portland OR
 Redmond OR
 Seaside OR
 Portland OR
 Astoria OR
 Bend OR
 Creswell OR
 Dalles OR
 Pendleton OR
 Enterprise OR
 White Salmon OR

Pennsylvania

Asendia
 Crayola
 Graphic Arts Association
 Philadelphia Gay News
 Printing Industries of America
 The New Republic
 The Pike County Courier
 The Savings Guide
 The Spirit

Folcraft PA
 Easton PA
 Trevoise PA
 Philadelphia PA
 Warrendale PA
 Meyersdale PA
 Milford PA
 Mechanicsburg PA
 Glenolden PA

Rhode Island

Calypso Cards
Cathedral Corporation
The Block Island Times

Providence RI
Lincoln RI
Block Island RI

South Carolina

Carolina Gateway
Domtar
Island News
Lancaster News, The
Lexington County Chronicle & The Dispatch-News
News & Reporter, The
Pageland Progressive-Journal
The Catholic Miscellany
The Gaffney Ledger
The Twin-City News
The Voice of Blythewood & Fairfield County

Lancaster SC
Fort Mill SC
Beaufort SC
Lancaster SC
Lexington SC
Chester SC
Pageland SC
Charleston SC
Gaffney SC
Batesburg SC
Blythewood SC

South Dakota

Clear Lake Courier
Custer County Chronicle
Dakota Dunes/North Sioux City Times
Highmore Herald
Hill City Prevailer New
Lakota Times
Prairie Pioneer
Qualified Presort Service, LLC
Sisseton Courier
South Dakota Newspaper Association
Southern Union County Leader Courier
Times-Advocate
True Dakotan
Winner Advocate

Clear Lake SD
Custer SD
North Sioux City SD
Highmore SD
Hill City SD
Martin SD
Pollock SD
Sioux Falls SD
Sisseton SD
Brookings SD
Elk Point SD
Gregory SD
Wessington Springs SD
Winner SD

Tennessee

Action Mail Presort, Inc.
Carroll County News Leader
Citizen Tribune
Elk Valley Times, The
Exchange media Group
Grundy County Herald
Herald Chronicle, The
International Paper
LaFollette Press
Manchester Times
Moore County News, The
Morgan County News
Printing Industry Association of the South, Inc.
Roane County News
The Paris Post-Intelligencer
The Standard Banner

Chattanooga TN
Huntingdon TN
Morristown TN
Fayetteville TN
Fayetteville TN
Tracy City TN
Winchester TN
Memphis TN
La Follette TN
Manchester TN
Lynchburg TN
Wartburg TN
Nashville TN
Kingston TN
Paris TN
Jefferson City TN

Tulahoma News

Tulahoma

TN

Texas

Ad Pages Solutions
 Alpine Avalanche
 Aransas Pass Progress
 Atlanta Citizens Journal
 Bay City Tribune
 Big Bend Sentinel
 Big Sandy-Hawkins Journal
 Blanco County News
 Brady Standard-Herald
 Breckenridge American
 Brenham Banner
 Burnet Bulletin
 Carrizo Springs Javelin
 Centerville News
 Cleburne Times Review
 Clifton Record
 Coleman Chronicle and Democrat Voice
 Copperas Cove Leader-Press
 Dalhart Texan
 Direct Merchandising, Inc.
 Double Mountain Chronicle
 Dripping Springs Century News
 Dublin Citizen
 El Campo Leader-News
 Ennis News
 Fairfield Recorder
 Focus Daily News
 Fort Stockton Pioneer
 Fredericksburg Standard-Radio Post
 Frio-Nueces Current
 Gainesville Daily Register
 Gatesville Messenger
 Gladewater Mirror
 Gonzales Inquirer
 Great American Business Products
 Groesbeck Journal
 Half Price Books
 Hays Free Press
 Herald-Banner
 Hill Country News
 Horseshoe Bay
 Ingleside Index
 Jacksboro Herald-Gazette
 Jackson County Herald-Tribune
 J.C. Penney Corporation, Inc.
 Johnson City Record-Courier
 Journal-Spectator
 Kaufman Herald

Plano TX
 Alpine TX
 Aransas Pass TX
 Atlanta TX
 Bay City TX
 Marfa TX
 Big Sandy TX
 Blanco TX
 Brady TX
 Breckenridge TX
 Brenham TX
 Burnet TX
 Carrizo Springs TX
 Centerville TX
 Cleburne TX
 Clifton TX
 Coleman TX
 Copperas Cove TX
 Dalhart TX
 Carrollton TX
 Rotan TX
 Dripping Springs TX
 Dublin TX
 El Campo TX
 Ennis TX
 Fairfield TX
 DeSoto TX
 Fort Stockton TX
 Fredericksburg TX
 Pearsall TX
 Gainesville TX
 Gatesville TX
 Gladewater TX
 Gonzales TX
 Houston TX
 Groesbeck TX
 Dallas TX
 Kyle TX
 Greenville TX
 Cedar Park TX
 Horseshoe Bay TX
 Aransas Pass TX
 Jacksboro TX
 Edna TX
 Plano TX
 Johnson City TX
 Wharton TX
 Kaufman TX

Lamb County Leader-News	Littlefield	TX
Lindale News & Times	Lindale	TX
Lindsay Letter	Lindsay	TX
Llano News, The	Llano	TX
Madisonville Meteor	Madisonville	TX
Mail Presort	Fort Worth	TX
Mason County News	Mason	TX
Mineral Wells Index	Mineral Wells	TX
Mount Pleasant Tribune	Mount Pleasant	TX
Mount Vernon Optic-Herald	Mount Vernon	TX
Muenster Enterprise	Muenster	TX
Murphy Monitor	Murphy	TX
Nocona News	Nocona	TX
Orange Leader	Orange	TX
Ozona Stockman	Ozona	TX
Palacios Beacon	Palacios	TX
Panhandle Presort Services, Ltd.	Amarillo	TX
Park Cities People	Dallas	TX
Plains Presort Services, LLC	Lubbock	TX
Pleasanton Express	Pleasanton	TX
Polk County Enterprise	Livingston	TX
Port Aransas South Jetty Newspaper	Port Aransas	TX
Port Arthur Daily News	Port Arthur	TX
Port Isabel/South Padre Press	Port Isabel	TX
Presidio International	Marfa	TX
Presort EMS	Frisco	TX
Preston Hollow People	Dallas	TX
Printing & Imaging Assn. of MidAmerica	Dallas	TX
Printing Industries of the Gulf Coast, Inc.	Houston	TX
Promotional Products International	Irving	TX
Rockwall Herald Banner	Rockwall	TX
Royal Alliances	Irving	TX
Royse City Herald Banner	Royse City	TX
San Benito News	San Benito	TX
San Marcos Daily Record	San Marcos	TX
San Saba News	San Saba	TX
Sealy News	Sealy	TX
Seguin Gazette	Seguin	TX
Sergeant Bluff Advocate	Sergeant Bluff	TX
Steel Country Bee	Daingerfield	TX
Teague Chronicle	Teague	TX
Texas Jewish Post	Dallas-Fort Worth	TX
The Alvin Sun & Advertiser	Alvin	TX
The Banner Press Newspaper	Columbus	TX
The Baytown Sun	Baytown	TX
The Big Lake Wildcat	Big Lake	TX
The Bowie News	Bowie	TX
The Cameron Herald	Cameron	TX
The Canadian Record	Canadian	TX
The Castro County News	Dimmitt	TX
The Clarendon Enterprise	Clarendon	TX

The Community News	Aledo	TX
The Cuero Record	Cuero	TX
The Daily Sentinel	Nacogdoches	TX
The Devil's River News	Sonora	TX
The Eldorado Success	Eldorado	TX
The Farmersville Times	Farmesville	TX
The Fayette County Record	La Grange	TX
The Fort Bend Herald	Rosenberg	TX
The Galveston County Daily News	Galveston	TX
The Graham Leader	Graham	TX
The Hansford County Reporter-Statesman	Spearman	TX
The Henderson News	Henderson	TX
The Highlander	Marble Falls	TX
The Katy Times	Katy	TX
The Liberty Hill Independent	Liberty Hill	TX
The Light and Champion	Center	TX
The Lufkin Daily News	Lufkin	TX
The Marlin Democrat	Marlin	TX
The Marshall News Messenger	Marshall	TX
The Meridian Tribune	Meridian	TX
The Mexia News	Mexia	TX
The Normangee Star	Normangee	TX
The Panola Watchman	Carthage	TX
The Paris News	Paris	TX
The Picayune	Marble Falls	TX
The Pittsburg Gazette	Pittsburg	TX
The Port Lavaca Wave	Port Lavaca	TX
The Princeton Herald	Princeton	TX
The Rockport Pilot	Rockport	TX
The Rosebud News	Rosebud	TX
The Sachse News	Sachse	TX
The Snyder News	Snyder	TX
The Thorndale Champion	Thorndale	TX
The Whitewright Sun	Whitewright	TX
The Wylie News	Wylie	TX
Uvalde Leader-News	Uvalde	TX
VariVerge, LLC	Dallas	TX
Vernon Record	Vernon	TX
Wallis News-Review	Wallis	TX
Weatherford Democrat	Weatherford	TX
White Oak Independent	White Oak	TX
Whitesboro News-Record	Whitesboro	TX
Wimberley View	Wimberley	TX
Wise County Messenger	Decatur	TX
Yorktown-News View	Yorktown	TX
 Utah		
Basin Nickel Ads	Vernal	UT
Beaver County Journal	Beaver	UT
Chronicle Progress	Delta	UT
Cottonwood Heights Journal	Cottonwood Heights	UT

Davis Clipper
 Draper Journal
 ETV News
 Herriman Journal
 Holladay Journal
 Intermountain Catholic
 International Bridge Inc.
 Midvale Journal
 Millcreek Journal
 Murray Journal
 Olive & Cocoa, LLC
 Presort Essentials
 Riverton Journal
 Sandy Journal
 South Jordan Journal
 South Salt Lake Journal
 Southern Utah News
 Sugar House Journal
 Taylorsville Journal
 The Intermountain Commercial Record
 and the Salt Lake Times
 The Pyramid
 The Reaper Extra
 The Richfield Reaper
 The Times-Independent
 The Wayne & Garfield County Insider
 Uintah Basin
 Utah Press Association
 Vernal Express
 West Jordan Journal
 West Valley City Journal

Vermont

Colchester Sun
 Essex Reporter
 International Coins & Currency
 Lane Press
 Milton Independent
 News & Citizen
 Saint Albans Messenger
 Shelburne News
 Shine Strategy, LLC
 South Burlington Other Paper
 Stowe Reporter
 The Citizen
 The Valley Reporter
 The Vermont Teddy Bear Company, Inc.
 The White River Valley Herald
 Vermont Country Store
 Vermont Press Association

Bountiful	UT
Draper	UT
Price	UT
Herriman	UT
Holladay	UT
Salt Lake City	UT
Provo	UT
Midvale	UT
Millcreek	UT
Murray	UT
Salt Lake City	UT
Salt Lake City	UT
Riverton	UT
Sandy	UT
South Jordan	UT
Salt Lake City	UT
Kanab	UT
Salt Lake City	UT
Taylorsville	UT
Salt Lake City	UT
Mt. Pleasant	UT
Richfield	UT
Richfield	UT
Moab	UT
Escalante	UT
Roosevelt	UT
West Jordan	UT
Vernal	UT
West Jordan	UT
West Valley City	UT

Colchester	VT
Colchester	VT
Montpelier	VT
South Burlington	VT
Milton	VT
Morrisville	VT
Saint Albans	VT
Shelburne	VT
Manchester Center	VT
South Burlington	VT
Stowe	VT
Charlotte	VT
Waitsfield	VT
Shelburne	VT
Randolph	VT
Manchester Center	VT
Colchester	VT

Virginia

AICC, The Independent Packaging Assn.	Alexandria	VA
Alexander & Company, LLC	Williamsburg	VA
American Subcontractors Assn.	Alexandria	VA
Association for Postal Commerce (Postcom)	Alexandria	VA
Assurety Consulting, Inc.	Sterling	VA
Bedford Bulletin	Bedford	VA
BMS Direct	Lynchburg	VA
Carroll News	Hillsville	VA
Central Virginian, The	Louisa	VA
Declaration, The	Galax	VA
Gazette, The	Galax	VA
Gloucester-Mathews Gazette-Journal	Gloucester	VA
International Mailers Advisory Group	Arlington	VA
News Media Alliance	Arlington	VA
Northern Neck News	Warsaw	VA
Northumberland Echo	Heathsville	VA
Parcel Shippers Assn.	Alexandria	VA
Petroleum Marketers Assn. of America	Arlington	VA
Rappahannock Record	Kilmarnock	VA
Southside Sentinel	Urbanna	VA
The CEP Group	Arlington	VA
The News-Gazette	Lexington	VA
The Recorder	Monterey	VA
The Southwest Times	Pulaski	VA
Westmoreland News	Warsaw	VA
Worth, Higgins & Associates, Inc.	Norfolk	VA

Washington

Amazon	Seattle	WA
Chinook Observer	Long Beach	WA
ComputerGear	Woodinville	WA
Eddie Bauer, LLC	Bellevue	WA
Ferndale Record	Ferndale	WA
Lynden Tribune	Lynden	WA
Northern Kittitas County Tribune	Cle Elum	WA
Sendle	Seattle	WA
Sun Precautions	Seattle	WA
Thrift Books Global, LLC	Seattle	WA

West Virginia

The Morgan Messenger	Berkeley Springs	WV
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Wisconsin

4Imprint	Oshkosh	WI
Arandell Corporation	Menomonee Falls	WI
Campbellsport News	Campbellsport	WI
Courier Sentinel	Cornell	WI
Dodge County Pionier	Mayville	WI

Elmwood Sun-Argus
 Great Lakes Graphics Association
 Kewaskum Statesman
 L&M Mail and Courier
 MadMen3, LLC
 National Business Furniture
 North Woods Trader
 Nueske's Applewood Smoked Meats
 Ozaukee Press
 Quad, Inc.
 Record Review
 Silver Star Brands
 Star Journal
 Star News
 The Democrat Tribune
 The Dodgeville Chronicle
 The Pecatonica Valley River
 The Plymouth Review
 The Sheboygan Falls News
 The Sounder
 The Star News
 The Three Lakes News
 The Woodville Leader
 Tomahawk Leader
 Tribune Phonograph
 Tribune Record Gleaner
 Vilas County News-Review
 Walsworth/Ripon
 Waupaca County Post-East
 Waupaca County Post-West
 Wisconsin Community Papers

Spring Valley	WI
Pewaukee	WI
Campbellsport	WI
Eau Claire	WI
DeForest	WI
Milwaukee	WI
Eagle River	WI
Wittenberg	WI
Port Washington	WI
Sussex	WI
Edgar	WI
Oshkosh	WI
Rhineland	WI
Medford	WI
Mineral Point	WI
Dodgeville	WI
Argyle	WI
Plymouth	WI
Sheboygan Falls	WI
Random Lake	WI
Medford	WI
Three Lakes	WI
Woodville	WI
Tomahawk	WI
Abbottsford	WI
Loyal	WI
Eagle River	WI
Ripon	WI
Waupaca	WI
Waupaca	WI
Fond du Lac	WI

Wyoming

Bridger Valley Pioneer
 Cheyenne Minuteman
 Cody Enterprise
 Douglas Budget
 Gillette News-Record
 Glenrock Independent
 Guernsey Gazette
 Jackson Hole News & Guide
 Kemmerer Gazette
 Lingle Guide
 Lusk Herald
 Moorcroft Leader
 Pinedale Roundup
 Pirate Ship
 Platte County Record-Times
 Powell Tribune
 Sublette Examiner
 Sundance Times

Lyman	WY
Cheyenne	WY
Cody	WY
Douglas	WY
Gillette	WY
Glenrock	WY
Guernsey	WY
Jackson	WY
Kemmerer	WY
Lingle	WY
Lusk	WY
Moorcroft	WY
Pinedale	WY
Jackson	WY
Wheatland	WY
Powell	WY
Pinedale	WY
Sundance	WY

Thermopolis Independent Record
Torrington Telegram
Uinta County Herald
Wyoming Livestock Roundup
Wyoming Pioneer

Thermopolis	WY
Torrington	WY
Evanston	WY
Casper	WY
Hulett	WY

cc: The Honorable Carolyn Maloney
The Honorable Jim Jordan
The Honorable Ron Johnson
The Honorable Gary Peters

**PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT**

March 29, 2020

TO: Thomas J. Marshall, Executive Vice President and General Counsel

FROM: Kevin A. Calamoneri, Deputy General Counsel

SUBJECT: Current Practices Regarding Administrative Leave

Introduction

In the initial stages of the COVID-19 crisis, the Center for Disease Control and Prevention (CDC) issued guidance stating that individuals returning to the United States from certain designated "level 3" countries should self-quarantine for a period of 14 days. During these initial stages, employees returning from the designated countries were instructed to stay home and given administrative leave for the duration of the self-quarantine. Recently, there has been direction coming from the CDC impacting purely domestic travel, particularly from states with high instances of the virus. Official CDC guidance was issued on March 28, 2020, urging residents of New York, New Jersey, and Connecticut to refrain from non-essential travel. Prior to this official guidance, the CDC had suggested that individuals recently traveling from New York to another state self-quarantine for a period of 14 days. You have asked that the following issues be addressed:

1. With regard to domestic travel can we rely on the specific guidance provided by CDC so that we are not required to offer administrative leave but rather have employees who choose self-quarantine in domestic travel circumstances take their own leave (e.g., sick leave, annual leave or LWOP)? In other words, can the CDC guidance as to foreign and domestic travel be distinguished?
2. If the CDC language is not distinguishable is there any other basis upon which to treat domestic travel differently.
3. In any event, is it possible to pivot from the use of administrative leave in such circumstances to leave provided pursuant to the Family First Act (FFA)?

Discussion***Can CDC Language on Foreign and Domestic Travel Be Distinguished?***

We conclude that CDC's language with regard to foreign and domestic travel can be readily distinguished. Specifically, with respect to international travel, the CDC currently states that "[t]here is widespread, ongoing transmission of novel coronavirus. If you have traveled internationally in the past 14 days, stay home and monitor your health." On other parts of the CDC website, this guidance is presented more clearly as a recommendation, rather than a requirement, stating that "[a]ll international travelers should stay home for 14 days after returning from travel, monitor their health, and practice social distancing." This guidance now refers to all international travel, not just level 3 countries.

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The domestic travel advisory addresses the issue of non-essential travel, rather than self-quarantine. With respect to domestic travel, the CDC “urges residents of New York, New Jersey, and Connecticut to refrain from non-essential domestic travel for 14 days effective immediately.” Significantly, the CDC states that the domestic travel advisory “does not apply to employees of critical infrastructure industries” as defined by the Department of Homeland Security’s Cybersecurity & Infrastructure Security Agency (CISA) guidance. The CISA guidance includes “postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies” as critical infrastructure employees within the transportation and logistics industry. And consistent with previous White House and CDC guidance (on which we have relied in various communications regarding the Postal Service’s essentiality), the CDC domestic travel advisory goes on to say that “employees of critical infrastructure have a special responsibility to maintain normal work schedules.”

Commented [MTJ-WD1]: Do we believe this exception to the general applies equally to employees in critical infrastructure industries who traveled for personal reasons, as opposed the travel related to their critical infrastructure positions?

The CDC has also issued a statement regarding self-quarantine for domestic travel, namely stating that “out of an abundance of caution, [individuals who were recently in the affected areas of New York] should self-quarantine for 14 days.” The statement originally came from a White House COVID-19 Task Force press conference and the only reference on the CDC website appears in the context of a press release clarifying that the “guidance does not apply to critical transportation and delivery workers.” Given that the CDC chose to post prominently on its page dedicated to domestic travel the above guidance regarding non-essential travel, and this guidance regarding self-quarantine is not presented in a similar manner, it appears that the CDC is not taking a formal position on self-quarantine, but rather issued this press release as a way to walk back from the statements made at a press conference. Thus, we believe there is a way to distinguish the CDC guidance on foreign and domestic travel.

Commented [MTJ-WD2]: See my question above.

In Any Event Is It Possible to Pivot From Administrative Leave to Leave Provided Pursuant to the Family First Act (FFA)?

We have concluded that we could pivot to the leave provided under the FFA, but we should update any guidance documents in conjunction with such a decision. The FFA states that “[n]othing in this Act shall be construed to in any way diminish the rights and benefits that any employee is entitled to under any (a) federal, state, or local law, (b) collective bargaining agreement, or (c) existing employer policy.” Neither the CBA nor the more recently negotiated MOUs (which should be considered a collectively bargained device) provide administrative leave under these circumstances. Nor does our existing policy infrastructure otherwise provide administrative leave in circumstances of quarantine. ELM 519 more generally provides for up to three days of administrative leave (with necessary approval) for “Acts of God,” but that term under the ELM is not specifically defined to cover pandemics.

Commented [MTJ-WD3]: A related question to could we pivot is should we pivot? In answering this question I am somewhat concerned about the email Kevin forwarded concerning intermittent leave. Given the added complexity that the FFA added, should we instead be seeking to ask OMB (I think that is what Carrie said) to relieve us from the application of the statute?

Employees or the unions may argue that the Postal Service has established a “past practice” that requires the Postal Service to continue to provide administrative leave, notwithstanding the absence of a specific CBA or existing policy provision. Past practice is more frequently used in the context of a potential breach of CBA claim – the idea being either that (a) the past practice provides a strong basis for reading existing contract language a certain way, or (b) the past practice itself becomes incorporated into the contract, even if unwritten. In either case, the party asserting the existence of a past practice bears the burden of proof, and the evidence must show that the practice occurred “with such regularity and frequency that employees could

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reasonably expect the 'practice' to continue or reoccur on a regular and consistent basis." *Sunoco, Inc. and Atlantic Independent Union*, 349 NLRB 240, 244 (2007). In other words, the employer's practices must be "regular" and "long-standing," as opposed to "random or intermittent." *Id.* The Postal Service's short-term guidance to provide administrative leave in specific circumstances is very unlikely to be deemed a regular or long-standing guidance to the point where it could be used to establish a right to such leave. It is possible that employees or the union would nonetheless argue that the Postal Service's generous application of administrative leave, whether here or in response to prior crises, creates a legitimate expectation to it. However, the possibility of such a claim, which is unlikely to be successful, would not be a reason to adjusting our leave policies as the Postal Service sees fit and thus pivoting from this temporary application of administrative leave to other types of leave provided for in the FFA.



<AUTODATE>

To Whom It May Concern,

This letter is to inform you that (insert supplier name) is under contract with the United States Postal Service (USPS) to provide (insert description of services) services in support of the Postal Service's ongoing operations .

The Postal Service's provision of postal services throughout the United States is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic. The Postal Service is an entity of the Federal Government, and the continued provision of postal services to the American people is designated as an essential function under federal law.

The Postal Service relies on its suppliers in order to provide this critical government service. (Insert supplier name)'s status as a federal contractor of the USPS makes its continued work essential and necessary to maintain our operations.

Postal and shipping workers are considered essential critical infrastructure workers under recent guidance issued by the Department of Homeland Security. White House and CDC guidance has also stated that such industries have a special responsibility to maintain normal work schedules.

Therefore, all staff must be allowed to report for duty to fulfill (insert supplier name)'s contractual obligations to the USPS.

Questions regarding this may be directed to the USPS contracting officer, (insert CO name), at (insert phone number).

(Insert CO Name)
Contracting Officer
USPS Supply Management
475 L'Enfant Plaza SW
Washington, DC 20260



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(Insert CO Name)
Contracting Officer
USPS Supply Management
475 L'Enfant Plaza SW
Washington, DC 20260

.....
(Original Signature of Member)

116TH CONGRESS
2D SESSION

H. R. _____

Making emergency supplemental appropriations for the fiscal year ending
September 30, 2020, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____ introduced the following bill; which was referred to the
Committee on _____

A BILL

Making emergency supplemental appropriations for the fiscal
year ending September 30, 2020, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Take Responsibility
5 for Workers and Families Act”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents is as follows:

DIVISION A—THIRD CORONAVIRUS PREPAREDNESS AND
RESPONSE SUPPLEMENTAL APPROPRIATIONS ACT, 2020

Title I—Agriculture, Rural Development, Food and Drug Administration, and
Related Agencies
Title II—Commerce, Justice, Science, and Related Agencies
Title III—Department of Defense
Title IV—Energy and Water Development and Related Agencies
Title V—Financial Services and General Government
Title VI—Department of Homeland Security
Title VII—Interior, Environment, and Related Agencies
Title VIII—Departments of Labor, Health and Human Services, and Education,
and Related Agencies
Title IX—Legislative Branch
Title X—Military Construction, Veterans Affairs, and Related Agencies
Title XI—Department of State, Foreign Operations, and Related Programs
Title XII—Transportation, Housing and Urban Development, and Related
Agencies
Title XIII—General Provisions—This Division

DIVISION B—EMERGENCY FAMILY AND MEDICAL LEAVE
EXPANSION ACT

DIVISION C—EMERGENCY PAID SICK LEAVE ACT AMENDMENTS

DIVISION D—COVID-19 WORKERS FIRST PROTECTION ACT OF
2020

DIVISION E—COVID-19 WORKFORCE EMERGENCY RESPONSE ACT
OF 2020

DIVISION F—FAMILY SUPPORT PROVISIONS

DIVISION G—HEALTH PROVISIONS

Title ____—Child Care For Essential Workers

DIVISION H—EMERGENCY CORONAVIRUS PANDEMIC
UNEMPLOYMENT COMPENSATION ACT OF 2020

Title I—Federal Benefit Enhancements
Title II—Expanded Eligibility for Unemployment Compensation
Title III—Relief for Governmental and Nonprofit Entities
Title IV—Emergency Assistance for Rail Workers

DIVISION I—FINANCIAL SERVICES

Title I—Protecting Consumers, Renters, Homeowners and People Experiencing
Homelessness
Title II—Assisting Small Businesses and Community Financial Institutions
Title III—Supporting State, Territory, and Local Governments
Title IV—Promoting Financial Stability and Transparent Markets
Title V—Investing in A Sustainable Recovery

DIVISION J—EDUCATION RELIEF AND OTHER PROGRAMS

Title I—Education provisions
Title II—Other programs

DIVISION K—AGRICULTURE PROVISIONS

Title I—Commodity Support and other Agriculture Programs

Title II—Supplemental Nutrition Assistance Program

DIVISION L—ACCESS ACT

DIVISION M—OVERSIGHT AND ACCOUNTABILITY

DIVISION N—U.S. POSTAL SERVICE PROVISIONS

DIVISION O—FEDERAL WORKFORCE PROVISIONS

DIVISION P—FEDERAL EMPLOYEE COLLECTIVE BARGAINING
AND OFFICIAL TIME

DIVISION Q—STUDENT VETERAN CORONAVIRUS RESPONSE ACT
OF 2020

DIVISION R—AVIATION WORKER RELIEF

Title I—Aviation Worker Relief

Title II—Labor Protections

Title III—Airline Industry Financial Oversight

Title IV—Airport Relief

Title V—Small Community Air Service

Title VI—Consumer Protections

Title VII—Environmental Protections

Title VIII—Miscellaneous

DIVISION S—SBC PROVISIONS

DIVISION T—REVENUE PROVISIONS

Title I—Health-related tax relief

Title II—Economic Stimulus

Title III—Administrative

Title IV—Retirement provisions

Title V—Rehabilitation for Multiemployer Pensions

DIVISION U—TELECOMMUNICATIONS PROVISIONS

Title I—COVID-19 Price Gouging Prevention

Title II—E-Rate Support for Wi-Fi Hotspots and Connected Devices

Title III—Emergency Lifeline Benefit for Broadband Service

Title IV—Continued Connectivity

Title V—Don't Break Up the T-Band

DIVISION V—GROW ACT

DIVISION W—OTHER MATTERS

1 **SEC. 3. REFERENCES.**

2 Except as expressly provided otherwise, any reference

3 to “this Act” contained in any division of this Act shall

1 be treated as referring only to the provisions of that divi-
2 sion.

3 **DIVISION A—THIRD CORONAVIRUS PRE-**
4 **PAREDNESS AND RESPONSE SUPPLE-**
5 **MENTAL APPROPRIATIONS ACT, 2020**

6 TITLE I—AGRICULTURE, RURAL DEVELOP-
7 MENT, FOOD AND DRUG ADMINISTRATION,
8 AND RELATED AGENCIES

9 DEPARTMENT OF AGRICULTURE

10 ANIMAL AND PLANT HEALTH INSPECTION SERVICE

11 SALARIES AND EXPENSES

12 For an additional amount for “Salaries and Ex-
13 penses”, \$55,000,000, to prevent, prepare for, and re-
14 spond to coronavirus, to supplement amounts otherwise
15 available for the Agricultural Quarantine Inspection Pro-
16 gram: *Provided*, That such amount is designated by the
17 Congress as being for an emergency requirement pursuant
18 to section 251(b)(2)(A)(i) of the Balanced Budget and
19 Emergency Deficit Control Act of 1985.

20 AGRICULTURAL MARKETING SERVICE

21 MARKETING SERVICES

22 For an additional amount for “Marketing Services”,
23 \$45,000,000, to prevent, prepare for, and respond to
24 coronavirus, to supplement amounts otherwise available
25 for commodity grading, inspection, and audit activities:

1 *Provided*, That such amount is designated by the Congress
2 as being for an emergency requirement pursuant to sec-
3 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
4 gency Deficit Control Act of 1985.

5 FOOD SAFETY AND INSPECTION SERVICE

6 For an additional amount for “Food Safety and In-
7 spection Service”, \$33,000,000, to prevent, prepare for,
8 and respond to coronavirus, for the support of temporary
9 and intermittent workers, temporary inspection relocation,
10 and overtime inspection costs: *Provided*, That such
11 amount is designated by the Congress as being for an
12 emergency requirement pursuant to section
13 251(b)(2)(A)(i) of the Balanced Budget and Emergency
14 Deficit Control Act of 1985.

15 FARM SERVICE AGENCY

16 SALARIES AND EXPENSES

17 For an additional amount for “Salaries and Ex-
18 penses”, \$3,000,000, to prevent, prepare for, and respond
19 to coronavirus, for temporary staff and overtime expenses:
20 *Provided*, That such amount is designated by the Congress
21 as being for an emergency requirement pursuant to sec-
22 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
23 gency Deficit Control Act of 1985.

1 RURAL BUSINESS—COOPERATIVE SERVICE

2 RURAL BUSINESS PROGRAM ACCOUNT

3 For an additional amount for “Rural Business Pro-
4 gram Account”, \$20,500,000, to remain available until
5 September 30, 2021, to prevent, prepare for, and respond
6 to coronavirus, for the cost of loans for rural business de-
7 velopment programs authorized by section 310B and de-
8 scribed in subsection (g) of section 310B of the Consoli-
9 dated Farm and Rural Development Act: *Provided*, That
10 such amount is designated by the Congress as being for
11 an emergency requirement pursuant to section
12 251(b)(2)(A)(i) of the Balanced Budget and Emergency
13 Deficit Control Act of 1985.

14 RURAL UTILITIES SERVICE

15 DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND
16 PROGRAM

17 For an additional amount for “Distance Learning,
18 Telemedicine, and Broadband Program”, \$25,000,000, to
19 remain available until September 30, 2021, to prevent,
20 prepare for, and respond to coronavirus, for grants for
21 telemedicine and distance learning services in rural areas
22 as authorized by 7 U.S.C. 950aaa et seq.: *Provided*, That
23 such amount is designated by the Congress as being for
24 an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 FOOD AND NUTRITION SERVICE

4 COMMODITY ASSISTANCE PROGRAM

5 For an additional amount for “Commodity Assistance
6 Program”, for the emergency food assistance program as
7 authorized by section 27(a) of the Food and Nutrition Act
8 of 2008 (7 U.S.C. 2036(a)) and section 204(a)(1) of the
9 Emergency Food Assistance Act of 1983 (7 U.S.C.
10 7508(a)(1)), \$450,000,000, to remain available through
11 September 30, 2021, to prevent, prepare for, and respond
12 to coronavirus: *Provided*, That of the funds made avail-
13 able, the Secretary may use up to \$200,000,000 for costs
14 associated with the distribution of commodities: *Provided*
15 *further*, That such amount is designated by the Congress
16 as being for an emergency requirement pursuant to sec-
17 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
18 gency Deficit Control Act of 1985.

19 FOREIGN AGRICULTURAL SERVICE

20 SALARIES AND EXPENSES

21 For an additional amount for “Salaries and Ex-
22 penses”, \$4,000,000, to prevent, prepare for, and respond
23 to coronavirus: *Provided*, That such amount is designated
24 by the Congress as being for an emergency requirement

1 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
2 et and Emergency Deficit Control Act of 1985.

3 DEPARTMENT OF HEALTH AND HUMAN
4 SERVICES

5 FOOD AND DRUG ADMINISTRATION

6 SALARIES AND EXPENSES

7 For an additional amount for “Salaries and Ex-
8 penses”, \$80,000,000, to remain available until expended,
9 to prevent, prepare for, and respond to coronavirus, for
10 efforts on potential medical product shortages, enforce-
11 ment work against counterfeit or misbranded products,
12 work on Emergency Use Authorizations, pre- and post-
13 market work on medical countermeasures, therapies, vac-
14 cines and research, and related administrative activities:
15 *Provided*, That such amount is designated by the Congress
16 as being for an emergency requirement pursuant to sec-
17 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
18 gency Deficit Control Act of 1985.

19 GENERAL PROVISIONS—THIS TITLE

20 SEC. 10101. For an additional amount for grants
21 under the pilot program established under section 779 of
22 Public Law 115–141, to prevent, prepare for, and respond
23 to coronavirus, \$258,000,000, to remain available until
24 September 30, 2021: *Provided*, That at least 90 percent
25 of the households to be served by a project receiving a

1 grant shall be in a rural area without sufficient access to
2 broadband: *Provided further*, That for purposes of such
3 pilot program, a rural area without sufficient access to
4 broadband shall be defined as 10 Mbps downstream and
5 1 Mbps upstream, and such definition shall be reevaluated
6 and redefined, as necessary, on an annual basis by the
7 Secretary of Agriculture: *Provided further*, That an entity
8 to which a grant is made under the pilot program shall
9 not use a grant to overbuild or duplicate broadband expan-
10 sion efforts made by any entity that has received a
11 broadband loan from the Rural Utilities Service: *Provided*
12 *further*, That priority consideration for grants shall be
13 given to previous applicants now eligible as a result of ad-
14 justed eligibility requirements: *Provided further*, That not
15 more than three percent of the funds made available in
16 this paragraph may be used for administrative costs to
17 carry out the program: *Provided further*, That such
18 amount is designated by the Congress as being for an
19 emergency requirement pursuant to section
20 251(b)(2)(A)(i) of the Balanced Budget and Emergency
21 Deficit Control Act of 1985.

22 SEC. 10102. The first amount under “Child Nutri-
23 tion Programs” in Division B of the Further Consolidated
24 Appropriations Act, 2020 (P.L. 116–94) is amended by

1 striking “\$23,615,098,000” and inserting
2 “\$32,615,098,000”.

3 SEC. 10103. The matter under the heading “Supple-
4 mental Nutrition Assistance Program” in division B of the
5 Further Consolidated Appropriations Act, 2020 (Public
6 Law 116–94) is amended by inserting before “: *Provided*,”
7 the following: “and for an additional amount, such sums
8 as may be necessary to remain available through Sep-
9 tember 30, 2022, which shall be placed in reserve for use
10 only in such amounts and at such times as may become
11 necessary to carry out program operations”.

12 SEC. 10104. For an additional amount for “Supple-
13 mental Nutrition Assistance Program”, to supplement
14 funds otherwise available for the Food Distribution Pro-
15 gram on Indian Reservations, \$100,000,000, to remain
16 available through September 30, 2021, to prevent, prepare
17 for, and respond to coronavirus: *Provided*, That of the
18 total amount available, \$50,000,000 is for administrative
19 expenses, including facility improvements and equipment
20 upgrades, and \$50,000,000 is for the costs relating to ad-
21 ditional food purchases: *Provided further*, That such
22 amount is designated by the Congress as being for an
23 emergency requirement pursuant to section
24 251(b)(2)(A)(i) of the Balanced Budget and Emergency
25 Deficit Control Act of 1985.

1 SEC. 10105. In addition to amounts otherwise made
2 available, \$200,000,000, to remain available through Sep-
3 tember 30, 2021, to prevent, prepare for, and respond to
4 coronavirus, shall be available for the Secretary of Agri-
5 culture to provide grants to the Commonwealth of the
6 Northern Mariana Islands, Puerto Rico, and American
7 Samoa for nutrition assistance: *Provided*, That such
8 amount is designated by the Congress as being for an
9 emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 SEC. 10106. The Secretary may extend the term of
13 a marketing assistance loan authorized by section 1201
14 of the Agricultural Act of 2014 (7 U.S.C. 9033) for any
15 loan commodity to 12 months: *Provided*, That the author-
16 ity made available pursuant to this section shall expire on
17 September 30, 2020: *Provided further*, That amounts
18 made available by this section are designated by the Con-
19 gress as being for an emergency requirement pursuant to
20 section 251(b)(2)(A)(i) of the Balanced Budget and
21 Emergency Deficit Control Act of 1985.

22 SEC. 10107. Notwithstanding any other provision of
23 law, funds made available under each heading in this title
24 shall only be used for the purposes specifically described
25 under that heading.

1 TITLE II—COMMERCE, JUSTICE, SCIENCE, AND
2 RELATED AGENCIES

3 DEPARTMENT OF COMMERCE

4 ECONOMIC DEVELOPMENT ADMINISTRATION

5 ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS

6 (INCLUDING TRANSFERS OF FUNDS)

7 For an additional amount for “Economic Develop-
8 ment Assistance Programs” for necessary expenses related
9 to responding to economic injury as a result of
10 coronavirus, \$2,000,000,000, to remain available until
11 September 30, 2022: *Provided*, That such amount shall
12 be for economic adjustment assistance as authorized by
13 section 209 of the Public Works and Economic Develop-
14 ment Act of 1965 (42 U.S.C. 3149): *Provided further*,
15 That within the amount appropriated, up to 2 percent of
16 funds appropriated in this paragraph may be transferred
17 to “Salaries and Expenses” for administration and over-
18 sight activities: *Provided further*, That the Secretary of
19 Commerce is authorized to appoint and fix the compensa-
20 tion of such temporary personnel as may be necessary to
21 implement the requirements under this heading, without
22 regard to the provisions of title 5, United States Code,
23 governing appointments in competitive service: *Provided*
24 *further*, That the Secretary of Commerce is authorized to
25 appoint such temporary personnel, after serving continu-

1 ously for 2 years, to positions in the Economic Develop-
2 ment Administration in the same manner that competitive
3 service employees with competitive status are considered
4 for transfer, reassignment, or promotion to such positions,
5 and an individual appointed under this proviso shall be-
6 come a career-conditional employee, unless the employee
7 has already completed the service requirements for career
8 tenure: *Provided further*, That within the amount appro-
9 priated in this paragraph, \$4,000,000 shall be transferred
10 to “Office of Inspector General” for carrying out inves-
11 tigation and audits related to the funding provided under
12 this heading: *Provided further*, That such amount is des-
13 ignated by the Congress as being for an emergency re-
14 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
15 anced Budget and Emergency Deficit Control Act of 1985.

16 MINORITY BUSINESS DEVELOPMENT AGENCY

17 MINORITY BUSINESS DEVELOPMENT

18 For an additional amount for “Minority Business De-
19 velopment” for necessary expenses for the Business Cen-
20 ters and Specialty Centers, including any cost sharing re-
21 quirements that may exist, for assisting minority business
22 enterprises to prevent, prepare for, and respond to
23 coronavirus, including identifying and accessing local,
24 State, and Federal government assistance related to such
25 virus, \$15,000,000, to remain available until September

1 30, 2021: *Provided*, That such amount is designated by
2 Congress as being for an emergency requirement pursuant
3 to section 251(b)(2)(A)(i) of the Balanced Budget and
4 Emergency Deficit Control Act of 1985.

5 NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
6 SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES

7 For an additional amount for “Scientific and Tech-
8 nical Research and Services” for necessary expenses to
9 prevent, prepare for, and respond to coronavirus,
10 \$6,000,000, to remain available until September 30, 2021,
11 including for measurement science to support testing for
12 such virus (or viral strains mutating therefrom) and bio-
13 manufacturing: *Provided*, That such amount is designated
14 by the Congress as being for an emergency requirement
15 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
16 et and Emergency Deficit Control Act of 1985.

17 INDUSTRIAL TECHNOLOGY SERVICES

18 For an additional amount for “Industrial Technology
19 Services” for necessary expenses, \$75,000,000, to remain
20 available until September 30, 2021, of which \$50,000,000
21 shall be for the Hollings Manufacturing Extension Part-
22 nership to assist manufacturers to prevent, prepare for,
23 and respond to coronavirus, and of which \$25,000,000
24 shall be for the National Network for Manufacturing Inno-
25 vation (also known as “Manufacturing USA”) to support

1 development and manufacturing of medical counter-
2 measures and biomedical equipment and supplies: *Pro-*
3 *vided*, That none of the funds provided under this heading
4 shall be subject to cost share requirements under 15
5 U.S.C. 278k(e)(2) or 15 U.S.C. 278s(e)(7)(A): *Provided*
6 *further*, That such amount is designated by the Congress
7 as being for an emergency requirement pursuant to sec-
8 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
9 gency Deficit Control Act of 1985.

10 NATIONAL OCEANIC AND ATMOSPHERIC

11 ADMINISTRATION

12 OPERATIONS, RESEARCH, AND FACILITIES

13 For an additional amount for “Operations, Research,
14 and Facilities” for necessary expenses to prevent, prepare
15 for, and respond to coronavirus, \$33,200,000, to remain
16 available until September 30, 2021: *Provided*, That such
17 amount is designated by the Congress as being for an
18 emergency requirement pursuant to section
19 251(b)(2)(A)(i) of the Balanced Budget and Emergency
20 Deficit Control Act of 1985.

21 DEPARTMENT OF JUSTICE

22 FEDERAL PRISON SYSTEM

23 SALARIES AND EXPENSES

24 For an additional amount for “Salaries and Ex-
25 penses”, \$100,000,000, to remain available until Sep-

1 tember 30, 2021, for necessary expenses to prevent, pre-
2 pare for, and respond to coronavirus, including for main-
3 taining correctional operations, including overtime costs,
4 temporary facilities, purchase and rental of equipment,
5 medical services and supplies, and emergency prepared-
6 ness: *Provided*, That such amount is designated by the
7 Congress as being for an emergency requirement pursuant
8 to section 251(b)(2)(A)(i) of the Balanced Budget and
9 Emergency Deficit Control Act of 1985.

10 STATE AND LOCAL LAW ENFORCEMENT ACTIVITIES

11 STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE

12 For an additional amount for “State and Local Law
13 Enforcement Assistance”, \$500,000,000, to remain avail-
14 able until September 30, 2021, to prevent, prepare for,
15 and respond to coronavirus, including for the purchase of
16 personal protective equipment, for the Edward Byrne Me-
17 morial Justice Assistance Grant program as authorized by
18 subpart 1 of part E of title I of the Omnibus Crime Con-
19 trol and Safe Streets Acts of 1968 (“1968 Act”), (except
20 that the allocation provisions under sections 505(a)
21 through (e) and the special rules for Puerto Rico under
22 section 505(g), and section 1001(c), of the 1968 Act, shall
23 not apply for purposes of this Act), to be distributed in
24 relative proportion to fiscal year 2016 allocations: *Pro-*
25 *vided*, That awards made using amounts provided in this

1 paragraph shall be made only with the same requirements,
2 conditions, compliance, and certification as fiscal year
3 2016: *Provided further*, That such amount is designated
4 by the Congress as being for an emergency requirement
5 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
6 et and Emergency Deficit Control Act of 1985.

7 JUVENILE JUSTICE PROGRAMS

8 For an additional amount for “Juvenile Justice Pro-
9 grams”, \$100,000,000, to remain available until Sep-
10 tember 30, 2021, to prevent, prepare for, and respond to
11 coronavirus, of which \$75,000,000 shall be for programs
12 authorized by section 221 of the Juvenile Justice and De-
13 linquency Prevention Act of 1974 (“the 1974 Act”), and
14 \$25,000,000 for delinquency prevention, as authorized by
15 section 261 of the 1974 Act: *Provided*, That such amount
16 is designated by the Congress as being for an emergency
17 requirement pursuant to section 251(b)(2)(A)(i) of the
18 Balanced Budget and Emergency Deficit Control Act of
19 1985.

20 SCIENCE

21 NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

22 SAFETY, SECURITY AND MISSION SERVICES

23 For an additional amount for “Safety, Security and
24 Mission Services”, \$100,000,000, to remain available until
25 September 30, 2021, to prevent, prepare for, and respond

1 to coronavirus: *Provided*, That such amount is designated
2 by the Congress as being for an emergency requirement
3 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
4 et and Emergency Deficit Control Act of 1985.

5 CONSTRUCTION AND ENVIRONMENTAL COMPLIANCE AND
6 RESTORATION

7 For an additional amount for “Construction and En-
8 vironmental Compliance and Restoration”, \$100,000,000,
9 to remain available until September 30, 2021, to prevent,
10 prepare for, and respond to coronavirus: *Provided*, That
11 such amount is designated by the Congress as being for
12 an emergency requirement pursuant to section
13 251(b)(2)(A)(i) of the Balanced Budget and Emergency
14 Deficit Control Act of 1985.

15 NATIONAL SCIENCE FOUNDATION
16 RESEARCH AND RELATED ACTIVITIES

17 For an additional amount for “Research and Related
18 Activities”, \$100,000,000, to remain available until Sep-
19 tember 30, 2021, to prevent, prepare for, and respond to
20 coronavirus, domestically and internationally, including to
21 fund research grants and other necessary expenses: *Pro-*
22 *vided*, That such amount is designated by the Congress
23 as being for an emergency requirement pursuant to sec-
24 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
25 gency Deficit Control Act of 1985.

1 AGENCY OPERATIONS AND AWARD MANAGEMENT

2 For an additional amount for “Agency Operations
3 and Award Management”, \$2,000,000, to prevent, pre-
4 pare for, and respond to coronavirus, domestically and
5 internationally, including to administer research grants
6 and other necessary expenses: *Provided*, That such
7 amount is designated by the Congress as being for an
8 emergency requirement pursuant to section
9 251(b)(2)(A)(i) of the Balanced Budget and Emergency
10 Deficit Control Act of 1985.

11 RELATED AGENCIES

12 LEGAL SERVICES CORPORATION

13 PAYMENT TO THE LEGAL SERVICES CORPORATION

14 For an additional amount for “Payment to the Legal
15 Services Corporation” to carry out the purposes of the
16 Legal Services Corporation Act by providing for necessary
17 expenses to prevent, prepare for, and respond to
18 coronavirus, \$100,000,000, to remain available until Sep-
19 tember 30, 2021: *Provided*, That none of the funds appro-
20 priated in this Act to the Legal Services Corporation shall
21 be expended for any purpose prohibited or limited by, or
22 contrary to any of the provisions of, sections 501, 502,
23 503, 504, 505, and 506 of Public Law 105–119, and all
24 funds appropriated in this Act to the Legal Services Cor-
25 poration shall be subject to the same terms and conditions

1 set forth in such sections, except that all references in sec-
2 tions 502 and 503 to 1997 and 1998 shall be deemed to
3 refer instead to 2020 and 2021, respectively, and except
4 that sections 501 and 503 of Public Law 104–134 (ref-
5 erenced by Public Law 105–119) shall not apply to the
6 amount made available under this heading: *Provided fur-*
7 *ther*, That for the purposes of this Act, the Legal Services
8 Corporation shall be considered an agency of the United
9 States Government: *Provided further*, That such amount
10 is designated by the Congress as being for an emergency
11 requirement pursuant to section 251(b)(2)(A)(i) of the
12 Balanced Budget and Emergency Deficit Control Act of
13 1985.

14 GENERAL PROVISIONS—THIS TITLE

15 SEC. 10201. (a) Amounts provided by the Depart-
16 ment of Commerce Appropriations Act, 2020, for the Hol-
17 lings Manufacturing Extension Partnership under the
18 heading “National Institute of Standards and Tech-
19 nology—Industrial Technology Services” shall not be sub-
20 ject to cost share requirements under 15 U.S.C.
21 278k(e)(2).

22 (b) Subsection (a) shall not apply to the extent that
23 a Manufacturing Extension Partnership Center receives
24 funding from a State that is conditioned upon the applica-
25 tion of a Federal cost sharing requirement to the Center.

1 SEC. 10202. (a) Funds appropriated in this title for
2 the National Science Foundation may be made available
3 to restore amounts, either directly or through reimburse-
4 ment, for obligations incurred by the National Science
5 Foundation for research grants and other necessary ex-
6 penses to prevent, prepare for, and respond to
7 coronavirus, domestically or internationally, prior to the
8 date of enactment of this Act.

9 (b) Grants or cooperative agreements made by the
10 National Science Foundation under this title, to carry out
11 research grants and other necessary expenses to prevent,
12 prepare for, and respond to coronavirus, domestically or
13 internationally, shall include amounts to reimburse costs
14 for these purposes incurred between January 20, 2020,
15 and the date of issuance of such grants or agreements.

16 SEC. 10203. (a)(1) Section 110(b)(2)(C) of the Fam-
17 ily and Medical Leave Act of 1993 (as added by division
18 C of the Families First Coronavirus Response Act) and
19 section 5110(5)(C) of the Families First Coronavirus Re-
20 sponse Act (relating to varying schedule hours calculation)
21 shall not apply to the Bureau of the Census regarding any
22 employee hired pursuant to section 23(c) of title 13,
23 United States Code.

1 (2) Any such employee shall be entitled to 40
2 hours of paid leave under division E of the Families
3 First Coronavirus Response Act.

4 (b) With respect to any temporary employee of the
5 Bureau of the Census, including any employee hired pur-
6 suant to section 23(c) of title 13, United States Code, the
7 Bureau may classify any leave provided by the Bureau
8 pursuant to the amendments made by division C of the
9 Families First Coronavirus Response Act or division E of
10 such Act to such an employee (based on such employee's
11 status as an employee of the Bureau) as any leave cat-
12 egory necessary to comport with the Bureau's leave sys-
13 tem.

14 SEC. 10204. Notwithstanding any other provision of
15 law, funds made available under each heading in this title
16 shall only be used for the purposes specifically described
17 under that heading.

1 TITLE III—DEPARTMENT OF DEFENSE

2 DEPARTMENT OF DEFENSE

3 MILITARY PERSONNEL

4 MILITARY PERSONNEL, ARMY

5 For an additional amount for Military Personnel,
6 Army, \$37,900,000, for necessary expenses to prevent,
7 prepare for, and respond to coronavirus: *Provided*, That
8 such amount is designated by the Congress as being for
9 an emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 MILITARY PERSONNEL, NAVY

13 For an additional amount for Military Personnel,
14 Navy, \$37,900,000, for necessary expenses to prevent,
15 prepare for, and respond to coronavirus: *Provided*, That
16 such amount is designated by the Congress as being for
17 an emergency requirement pursuant to section
18 251(b)(2)(A)(i) of the Balanced Budget and Emergency
19 Deficit Control Act of 1985.

20 MILITARY PERSONNEL, MARINE CORPS

21 For an additional amount for Military Personnel, Ma-
22 rine Corps, \$9,900,000, for necessary expenses to prevent,
23 prepare for, and respond to coronavirus: *Provided*, That
24 such amount is designated by the Congress as being for
25 an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 MILITARY PERSONNEL, AIR FORCE

4 For an additional amount for Military Personnel, Air
5 Force, \$37,900,000, for necessary expenses to prevent,
6 prepare for, and respond to coronavirus: *Provided*, That
7 such amount is designated by the Congress as being for
8 an emergency requirement pursuant to section
9 251(b)(2)(A)(i) of the Balanced Budget and Emergency
10 Deficit Control Act of 1985.

11 NATIONAL GUARD PERSONNEL, ARMY

12 For an additional amount for National Guard Per-
13 sonnel, Army, \$804,529,000, for necessary expenses to
14 prevent, prepare for, and respond to coronavirus: *Pro-*
15 *vided*, That such amount is designated by the Congress
16 as being for an emergency requirement pursuant to sec-
17 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
18 gency Deficit Control Act of 1985.

19 NATIONAL GUARD PERSONNEL, AIR FORCE

20 For an additional amount for National Guard Per-
21 sonnel, Air Force, \$402,063,000, for necessary expenses
22 to prevent, prepare for, and respond to coronavirus: *Pro-*
23 *vided*, That such amount is designated by the Congress
24 as being for an emergency requirement pursuant to sec-

tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE

OPERATION AND MAINTENANCE, ARMY

For an additional amount for “Operation and Maintenance, Army”, \$105,300,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, NAVY

For an additional amount for “Operation and Maintenance, Navy”, \$568,408,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, MARINE CORPS

For an additional amount for “Operation and Maintenance, Marine Corps”, \$70,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 OPERATION AND MAINTENANCE, AIR FORCE

4 For an additional amount for “Operation and Main-
5 tenance, Air Force”, \$154,000,000, to remain available
6 until September 30, 2021, to prevent, prepare for, and re-
7 spond to coronavirus: *Provided*, That such amount is des-
8 ignated by the Congress as being for an emergency re-
9 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
10 anced Budget and Emergency Deficit Control Act of 1985.

11 OPERATION AND MAINTENANCE, DEFENSE-WIDE

12 For an additional amount for “Operation and Main-
13 tenance, Defense-Wide”, \$927,800,000, to remain avail-
14 able until September 30, 2021, to prevent, prepare for,
15 and respond to coronavirus: *Provided*, That such amount
16 is designated by the Congress as being for an emergency
17 requirement pursuant to section 251(b)(2)(A)(i) of the
18 Balanced Budget and Emergency Deficit Control Act of
19 1985.

20 OPERATION AND MAINTENANCE, ARMY RESERVE

21 For an additional amount for “Operation and Main-
22 tenance, Army Reserve”, \$48,000,000, to remain available
23 until September 30, 2021, to prevent, prepare for, and re-
24 spond to coronavirus: *Provided*, That such amount is des-
25 ignated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

4 For an additional amount for “Operation and Main-
5 tenance, Army National Guard”, \$194,002,000, to remain
6 available until September 30, 2021, to prevent, prepare
7 for, and respond to coronavirus: *Provided*, That such
8 amount is designated by the Congress as being for an
9 emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

13 For an additional amount for “Operation and Main-
14 tenance, Air National Guard”, \$79,406,000, to remain
15 available until September 30, 2021, to prevent, prepare
16 for, and respond to coronavirus: *Provided*, That such
17 amount is designated by the Congress as being for an
18 emergency requirement pursuant to section
19 251(b)(2)(A)(i) of the Balanced Budget and Emergency
20 Deficit Control Act of 1985.

21 PROCUREMENT

22 DEFENSE PRODUCTION ACT PURCHASES

23 For an additional amount for “Defense Production
24 Act Purchases”, \$500,000,000 to remain available until
25 September 30, 2022, to prevent, prepare for, and respond

1 to coronavirus: *Provided*, That the Secretary of Defense
2 may waive the requirements of 50 U.S.C. 5433(a)(6) on
3 a case-by-case basis upon three days prior written notifica-
4 tion to the Committees on Appropriations and Banking,
5 Housing, and Urban Affairs of the Senate, and the Com-
6 mittees on Appropriations and Financial Services of the
7 House of Representatives. *Provided further*, That such
8 amount is designated by the Congress as being for an
9 emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 OTHER DEPARTMENT OF DEFENSE PROGRAMS

13 DEFENSE HEALTH PROGRAM

14 For an additional amount for “Defense Health Pro-
15 gram”, \$3,805,500,000, to prevent, prepare for, and re-
16 spond to coronavirus; of which \$3,561,500,000 shall be
17 for operation and maintenance to remain available until
18 September 30, 2020; and of which \$244,000,000, to re-
19 main available for obligation until September 30, 2021,
20 shall be for research, development, test and evaluation:
21 *Provided*, That such amount is designated by the Congress
22 as being for an emergency requirement pursuant to sec-
23 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
24 gency Deficit Control Act of 1985.

1 GENERAL PROVISIONS—THIS TITLE

2 SEC. 10301. Notwithstanding any other provision of
3 law, funds made available under each heading in this title
4 shall only be used for the purposes specifically described
5 under that heading.

6 SEC. 10302. Upon the determination of the Secretary
7 of Defense that such action is necessary in the national
8 interest, the Secretary may transfer up to \$500,000,000
9 between the appropriations or funds made available to the
10 Department of Defense for expenses relating to the use
11 of the National Guard in response to coronavirus: Pro-
12 vided, That such funds may only be transferred among
13 military personnel and operation and maintenance ac-
14 counts for the National Guard provided for in this title:
15 Provided further, That the Secretary shall notify the Con-
16 gress promptly of each transfer made pursuant to the au-
17 thority in this section: Provided further, That the author-
18 ity provided in this section is in addition to any other
19 transfer authority available to the Department of Defense
20 and is subject to the same terms and conditions as the
21 authority provided in section 8005 of the Department of
22 Defense Appropriations Act, 2020: Provided further, That
23 the transfer authority in sections 8005 and 9002 of the
24 Department of Defense Appropriations Act, 2020, shall

1 not apply to amounts appropriated or otherwise made
2 available in this title.

3 SEC. 10303. Notwithstanding section 2208(l)(3) of
4 title 10, United States Code, during fiscal year 2020, the
5 amount of advance billings rendered or imposed by De-
6 fense working capital funds may exceed \$1,000,000,000.
7 In the preceding sentence, the term “advance billing” has
8 the meaning given the term in section 2208(l)(4) of such
9 title.

1 TITLE IV—ENERGY AND WATER
2 DEVELOPMENT AND RELATED AGENCIES
3 CORPS OF ENGINEERS—CIVIL
4 DEPARTMENT OF THE ARMY
5 CORPS OF ENGINEERS—CIVIL
6 OPERATION AND MAINTENANCE

7 For an additional amount for “Operation and Main-
8 tenance”, \$50,000,000, to remain available until Sep-
9 tember 30, 2021, to prevent, prepare for, and respond to
10 coronavirus: *Provided*, That such amount is designated by
11 the Congress as being for an emergency requirement pur-
12 suant to section 251(b)(2)(A)(i) of the Balanced Budget
13 and Emergency Deficit Control Act of 1985.

14 EXPENSES

15 For an additional amount for “Expenses”,
16 \$20,000,000, to remain available until September 30,
17 2021, to prevent, prepare for, and respond to coronavirus:
18 *Provided*, That such amount is designated by the Congress
19 as being for an emergency requirement pursuant to sec-
20 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
21 gency Deficit Control Act of 1985.

1 DEPARTMENT OF THE INTERIOR

2 BUREAU OF RECLAMATION

3 WATER AND RELATED RESOURCES

4 (INCLUDING TRANSFER OF FUNDS)

5 For an additional amount for “Water and Related
6 Resources”, \$12,500,000, to remain available until Sep-
7 tember 30, 2021, to prevent, prepare for, and respond to
8 coronavirus: *Provided*, That \$500,000 of the funds pro-
9 vided under this paragraph shall be transferred to the
10 Central Utah Project Completion Account to prevent, pre-
11 pare for, and respond to coronavirus: *Provided further*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 POLICY AND ADMINISTRATION

17 For an additional amount for “Policy and Adminis-
18 tration”, \$8,100,000, to remain available until September
19 30, 2021, for necessary expenses to prevent, prepare for,
20 and respond to coronavirus: *Provided*, That such amount
21 is designated by the Congress as being for an emergency
22 requirement pursuant to section 251(b)(2)(A)(i) of the
23 Balanced Budget and Emergency Deficit Control Act of
24 1985.

1 DEPARTMENT OF ENERGY
2 ENERGY PROGRAMS
3 SCIENCE

4 For an additional amount for “Science”,
5 \$99,500,000, to remain available until September 30,
6 2021, to prevent, prepare for, and respond to coronavirus,
7 for necessary expenses related to providing support and
8 access to scientific user facilities in the Office of Science,
9 including equipment, enabling technologies, and personnel
10 associated with the operations of those scientific user fa-
11 cilities: *Provided*, That such amount is designated by the
12 Congress as being for an emergency requirement pursuant
13 to section 251(b)(2)(A)(i) of the Balanced Budget and
14 Emergency Deficit Control Act of 1985.

15 DEPARTMENTAL ADMINISTRATION
16 (INCLUDING TRANSFER OF FUNDS)

17 For an additional amount for “Departmental Admin-
18 istration”, \$28,000,000, to remain available until Sep-
19 tember 30, 2021, for necessary expenses related to sup-
20 porting remote access for personnel to prevent, prepare
21 for, and respond to coronavirus: *Provided*, That funds ap-
22 propriated under this paragraph in this Act may be trans-
23 ferred to, and merged with, other appropriation accounts
24 of the Department of Energy for necessary expenses re-
25 lated to supporting remote access for personnel to prevent,

1 prepare for, and respond to coronavirus: *Provided further*,
2 That such amount is designated by the Congress as being
3 for an emergency requirement pursuant to section
4 251(b)(2)(A)(i) of the Balanced Budget and Emergency
5 Deficit Control Act of 1985.

6 INDEPENDENT AGENCIES

7 NUCLEAR REGULATORY COMMISSION

8 SALARIES AND EXPENSES

9 For an additional amount for “Salaries and Ex-
10 penses”, \$3,300,000, to remain available until September
11 30, 2021, to prevent, prepare for, and respond to
12 coronavirus: *Provided*, That the amount provided in this
13 paragraph shall not be derived from fee revenues notwith-
14 standing 42 U.S.C. 2214: *Provided further*, That such
15 amount is designated by the Congress as being for an
16 emergency requirement pursuant to section
17 251(b)(2)(A)(i) of the Balanced Budget and Emergency
18 Deficit Control Act of 1985.

19 GENERAL PROVISIONS—THIS TITLE

20 SEC. 10401. Notwithstanding any other provision of
21 law, funds made available under each heading in this title
22 shall only be used for the purposes specifically described
23 under that heading.

24 SEC. 10402. Funds appropriated in this title may be
25 made available to restore amounts, either directly or

1 through reimbursement, for obligations incurred for the
2 same purposes to prevent, prepare for, and respond to
3 coronavirus prior to the date of enactment of this Act.

4 SEC. 10403. Notwithstanding any other provision of
5 law, and subject to the availability of appropriations, the
6 Secretary of Energy, or designee, may include in or modify
7 the terms and conditions of any Department of Energy
8 contract, or other agreement, to authorize the Department
9 to reimburse any contractor paid leave the contractor pro-
10 vides to its employees as the Secretary deems necessary
11 to ensure the effective response to a declared national
12 emergency or pandemic event. Such authority shall apply
13 only to a contractor whose employees cannot perform work
14 on a federally-owned or leased facility or site due to federal
15 government directed closures or other restrictions, and
16 who cannot telework because their job duties cannot be
17 performed remotely. As determined by the Secretary, or
18 designee, this authority also shall apply to subcontractors:
19 *Provided*, That amounts provided by this section are des-
20 ignated by the Congress as being for an emergency re-
21 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
22 anced Budget and Emergency Deficit Control Act of 1985.

1 TITLE V—FINANCIAL SERVICES AND GENERAL
2 GOVERNMENT

3 DEPARTMENT OF THE TREASURY

4 DEPARTMENTAL OFFICES

5 SALARIES AND EXPENSES

6 For an additional amount for [the Department of the
7 Treasury/“Salaries and Expenses”], \$100,000,000 to re-
8 main available until expended, for the necessary expenses
9 to establish and support a COVID–19 Stimulus Account-
10 ability and Transparency Board to conduct oversight of
11 funds provided in this Act in order to monitor spending,
12 provide transparency to the public, and help prevent
13 fraud, waste, and abuse; *Provided*, That not less fre-
14 quently than monthly, and until all such funds are ex-
15 pended, the Secretary of the Treasury shall publish on a
16 dedicated portion of the website established under section
17 2 of the Federal Funding Accountability and Trans-
18 parency Act of 2006 (31 U.S.C. 6101 note), for any funds
19 made available to or expended by a Federal agency or
20 component of a Federal agency that were provided in Pub-
21 lic Law 116–123, Public Law 116–127, or in the Take
22 Responsibility for Workers and Families Act—
23 (1) for each appropriations account, including
24 an expired or unexpired appropriations account, the
25 amount—

- 1 (A) of budget authority appropriated;
- 2 (B) that is obligated;
- 3 (C) of unobligated balances; and
- 4 (D) of any other budgetary resources;
- 5 (2) from which accounts and in what amount—
- 6 (A) appropriations are obligated for each
- 7 program activity; and
- 8 (B) outlays are made for each program ac-
- 9 tivity;
- 10 (3) from which accounts and in what amount—
- 11 (A) appropriations are obligated for each
- 12 object class; and
- 13 (B) outlays are made for each object class;
- 14 and
- 15 (4) for each program activity, the amount—
- 16 (A) obligated for each object class; and
- 17 (B) of outlays made for each object class.
- 18 *Provided further*, That the information required to
- 19 be published pursuant to the preceding proviso shall
- 20 be published in such a format that amounts allows
- 21 such information to be sorted by the public law that
- 22 provided the relevant obligational authority: *Pro-*
- 23 *vided further*, That such amounts are designated by
- 24 the Congress as being for an emergency requirement

1 pursuant to section 251(b)(2)(A)(i) of the Balanced
2 Budget and Emergency Deficit Control Act of 1985.

3 COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

4 FUND PROGRAM ACCOUNT

5 For an additional amount for “Community Develop-
6 ment Financial Institutions Fund Program Account”,
7 \$200,000,000, to remain available until September 30,
8 2020, to promote economic recovery due to the impact of
9 coronavirus through financial assistance and technical as-
10 sistance under subparagraphs (A) and (B) of section
11 108(a)(1), respectively, of Public Law 103–325 (12
12 U.S.C. 4707(a)(1)(A) and (B)), except that subsections
13 (d) and (e) of section 108 of Public Law 103–325 shall
14 not apply to the provision of such financial assistance and
15 technical assistance: *Provided*, That up to \$10,000,000
16 may be transferred to and merged with “Administrative
17 Expenses” for administrative expenses to carry out finan-
18 cial assistance and technical assistance: *Provided further*,
19 That such amount is designated by the Congress as being
20 for an emergency requirement pursuant to section
21 251(b)(2)(A)(i) of the Balanced Budget and Emergency
22 Deficit Control Act of 1985.

1 INTERNAL REVENUE SERVICE

2 TAXPAYER SERVICES

3 For an additional amount for “Taxpayer Services”,
4 \$236,000,000, to remain available until September 30,
5 2021, to prevent, prepare for, and respond to coronavirus:
6 *Provided*, That not later than 30 days after the date of
7 the enactment of this Act, the Commissioner of the Inter-
8 nal Revenue Service shall submit to the Committees on
9 Appropriations of the House of Representatives and the
10 Senate a spend plan for such funds: *Provided further*, That
11 such amounts are designated by the Congress as being for
12 an emergency requirement pursuant to section
13 251(b)(2)(A)(i) of the Balanced Budget and Emergency
14 Deficit Control Act of 1985.

15 ENFORCEMENT

16 For an additional amount for “Enforcement”,
17 \$42,000,000, to remain available until September 30,
18 2021, to prevent, prepare for, and respond to coronavirus:
19 *Provided*, That not later than 30 days after the date of
20 the enactment of this Act, the Commissioner of the Inter-
21 nal Revenue Service shall submit to the Committees on
22 Appropriations of the House of Representatives and the
23 Senate a spend plan for such funds: *Provided further*, That
24 such amounts are designated by the Congress as being for
25 an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 OPERATIONS SUPPORT

4 For an additional amount for “Operations Support”,
5 \$324,000,000, to remain available until September 30,
6 2021, to prevent, prepare for, and respond to coronavirus:
7 *Provided*, That not later than 30 days after the date of
8 the enactment of this Act, the Commissioner of the Inter-
9 nal Revenue Service shall submit to the Committees on
10 Appropriations of the House of Representatives and the
11 Senate a spend plan for such funds: *Provided further*, That
12 such amount is designated by the Congress as being for
13 an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 ADMINISTRATIVE PROVISIONS—INTERNAL REVENUE
17 SERVICE

18 (INCLUDING TRANSFER OF FUNDS)

19 SEC. 10501. In addition to the authority provided in
20 section 101 of title I of division C of Public Law 116–
21 93, the funds provided to the Internal Revenue Service
22 in this Act may be transferred among accounts of the In-
23 ternal Revenue Service to prevent, prepare for, and re-
24 spond to coronavirus. On the date of any such transfer,
25 the Commissioner shall notify the Committees on Appro-

1 priations of the House of Representatives and Senate of
2 such transfer.

3 THE JUDICIARY

4 THE SUPREME COURT OF THE UNITED STATES

5 SALARIES AND EXPENSES

6 For an additional amount for “Salaries and Ex-
7 penses”, \$500,000, to remain available until September
8 30, 2020, for necessary expenses to prevent, prepare for,
9 and respond to coronavirus: *Provided*, That such amount
10 is designated by the Congress as being for an emergency
11 requirement pursuant to section 251(b)(2)(A)(i) of the
12 Balanced Budget and Emergency Deficit Control Act of
13 1985.

14 COURTS OF APPEALS, DISTRICT COURTS, AND OTHER

15 JUDICIAL SERVICES

16 SALARIES AND EXPENSES

17 For an additional amount for “Salaries and Ex-
18 penses”, \$6,000,000 to remain available until September
19 30, 2020, for necessary expenses to prevent, prepare for,
20 and respond to coronavirus: *Provided*, That such amount
21 is designated by the Congress as being for an emergency
22 requirement pursuant to section 251(b)(2)(A)(i) of the
23 Balanced Budget and Emergency Deficit Control Act of
24 1985.

1 DEFENDER SERVICES

2 For an additional amount for “Defender Services”,
3 \$1,000,000, to remain available until September 30, 2020,
4 to prevent, prepare for, and respond to coronavirus: *Pro-*
5 *vided*, That such amount is designated by the Congress
6 as being for an emergency requirement pursuant to sec-
7 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
8 gency Deficit Control Act of 1985.

9 DISTRICT OF COLUMBIA

10 FEDERAL FUNDS

11 FEDERAL PAYMENT FOR EMERGENCY PLANNING AND
12 SECURITY COSTS IN THE DISTRICT OF COLUMBIA

13 For an additional amount for the “Federal Payment
14 for Emergency Planning and Security Costs in the Dis-
15 trict of Columbia” for the Federal payment of necessary
16 expenses, as determined by the Mayor of the District of
17 Columbia in written consultation with the elected county
18 or city officials of surrounding jurisdictions, \$11,000,000,
19 to remain available until September 30, 2020, to prevent,
20 prepare for, and respond to coronavirus: *Provided*, That
21 such amounts are designated by the Congress as being for
22 an emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 INDEPENDENT AGENCIES

2 ELECTION ASSISTANCE COMMISSIONS

3 SALARIES AND EXPENSES

4 For an additional amount for “Salaries and Ex-
5 penses”, \$5,000,000, to assist States with contingency
6 planning, preparation, and resilience of elections for Fed-
7 eral office: *Provided*, That such amount is designated by
8 the Congress as being for an emergency requirement pur-
9 suant to section 251(b)(2)(A)(i) of the Balanced Budget
10 and Emergency Deficit Control Act of 1985.

11 ELECTION ADMINISTRATION GRANTS

12 For an additional amount for payments by the Elec-
13 tion Assistance Commission to States for contingency
14 planning, preparation, and resilience of elections for Fed-
15 eral office, \$4,000,000,000 to remain available until Sep-
16 tember 30, 2021: *Provided*, That under this heading the
17 term “State” means each of the 50 States, the District
18 of Columbia, the Commonwealth of Puerto Rico, Guam,
19 American Samoa, the United States Virgin Islands, and
20 the Commonwealth of the Northern Mariana Islands: *Pro-*
21 *vided further*, That the amount of the payments made to
22 a State under this heading shall be consistent with section
23 103 of the Help America Vote Act of 2002 (52 U.S.C.
24 20903): *Provided further*, That for the purposes of the
25 preceding proviso, each reference to “\$5,000,000” in sec-

tion 103 shall be deemed to refer to “\$7,500,000”: *Provided further*, That not less than 50 percent of the amount of the payment made to a State under this heading shall be allocated in cash or in kind to the units of local government which are responsible for the administration of elections for Federal office in the State: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL COMMUNICATIONS COMMISSION

SALARIES AND EXPENSES

For an additional amount for “Salaries and Expenses”, \$200,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus by providing to health care providers telecommunications services, information services, and devices necessary to enable the provision of telehealth services during an emergency period, as defined in section 1135(g)(1) of the Social Security Act (42 U.S.C. 1320b–5(g)(1)): *Provided*, That the Federal Communications Commission may rely on the rules of the Commission under part 54 of title 47, Code of Federal Regulations, in administering such amount if the Commission determines that such administration is in the public interest

1 and upon the advance notification of the Committees on
2 Appropriations of the House of Representatives and the
3 Senate: *Provided further*, That such amount is designated
4 by the Congress as being for an emergency requirement
5 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
6 et and Emergency Deficit Control Act of 1985.

7 **【EMERGENCY CONNECTIVITY FUND】**

8 **【For an additional amount for the “Emergency**
9 **Connectivity Fund”, as authorized under title II of divi-**
10 **sion U of the Take Responsibility for Workers and Fami-**
11 **lies Act, for the provision of Wi-fi hotspots and connected**
12 **devices to schools and libraries, \$2,000,000,000, to remain**
13 **available until September 30, 2021: Provided , That such**
14 **amount is designated by the Congress as being for an**
15 **emergency requirement pursuant to section**
16 **251(b)(2)(A)(i) of the Balanced Budget and Emergency**
17 **Deficit Control Act of 1985.】**

18 **【EMERGENCY BROADBAND CONNECTIVITY FUND】**

19 **【For an additional amount for the “Emergency**
20 **Broadband Connectivity Fund”, as authorized under title**
21 **III of division U of the Take Responsibility for Workers**
22 **and Families Act, for the provision of Wi-fi hotspots and**
23 **connected devices to schools and libraries,**
24 **\$1,000,000,000, to remain available until September 30,**
25 **2021: Provided , That such amount is designated by the**

1 Congress as being for an emergency requirement pursuant
2 to section 251(b)(2)(A)(i) of the Balanced Budget and
3 Emergency Deficit Control Act of 1985.】

4 GENERAL SERVICES ADMINISTRATION

5 REAL PROPERTY ACTIVITIES

6 FEDERAL BUILDINGS FUND

7 BUILDING OPERATIONS

8 For an additional amount, to be deposited in the
9 “Federal Buildings Fund”, \$275,000,000, to remain
10 available until expended, to prevent, prepare for, and re-
11 spond to coronavirus: *Provided*, That such funds may be
12 used to reimburse costs incurred for the purposes provided
13 under this heading: *Provided further*, That amounts made
14 available under this heading shall be in addition to any
15 other amounts available for such purposes: *Provided fur-*
16 *ther*, That such amount is designated by the Congress as
17 being for an emergency requirement pursuant to section
18 251(b)(2)(A)(i) of the Balanced Budget and Emergency
19 Deficit Control Act of 1985.

20 OFFICE OF PERSONNEL MANAGEMENT

21 SALARIES AND EXPENSES

22 For an additional amount for “Salaries and Ex-
23 penses”, \$12,100,000, to prevent, prepare for, and re-
24 spond to coronavirus: *Provided*, That such amount is des-
25 ignated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 SMALL BUSINESS ADMINISTRATION

4 BUSINESS STABILIZATION LOAN PROGRAMS

5 For an additional amount for the cost of direct loans
6 authorized under section 8 of the COVID–19 Relief for
7 Small Businesses Act of 2020, such sums as may be nec-
8 essary to make up to \$100,000,000,000 in direct loans
9 through September 30, 2022, to remain available until ex-
10 pended, and for an additional amount for the cost of guar-
11 anteed loans authorized under section 9 of the COVID–
12 19 Relief for Small Businesses Act of 2020,
13 \$100,000,000,000, to remain available until expended:
14 *Provided*, That, notwithstanding any other provision of
15 law, no amounts made available under this heading shall
16 be available for transfer to another budget account: *Pro-*
17 *vided further*, That such amount is designated by the Con-
18 gress as being for an emergency requirement pursuant to
19 section 251(b)(2)(A)(i) of the Balanced Budget and
20 Emergency Deficit Control Act of 1985.

21 ECONOMIC INJURY GRANTS

22 For an additional amount for the cost of providing
23 economic recovery grants for small businesses impacted by
24 coronavirus as authorized by section 2 of the COVID–19
25 Relief for Small Businesses Act of 2020,

1 \$100,000,000,000, to remain available until September
2 30, 2021: *Provided*, That the Administrator shall notify
3 a grant applicant whether their application has been ap-
4 proved within 14 days of the grant being submitted: *Pro-*
5 *vided further*, That such amount is designated by the Con-
6 gress as being for an emergency requirement pursuant to
7 section 251(b)(2)(A)(i) of the Balanced Budget and
8 Emergency Deficit Control Act of 1985.

9 DISASTER LOANS PROGRAM ACCOUNT

10 For an additional amount for the “Disaster Loans
11 Program Account” for the cost of direct loans authorized
12 by section 7(b) of the Small Business Act,
13 \$25,739,000,000, to remain available until expended: *Pro-*
14 *vided*, That up to \$739,000,000 may be transferred to and
15 merged with “Small Business Administration—Salaries
16 and Expenses”: *Provided further*, That for purposes of sec-
17 tion 7(b)(2)(D) of the Small Business Act, coronavirus
18 shall be deemed to be a disaster and amounts available
19 under “Disaster Loans Program Account” for the cost of
20 direct loans in any fiscal year may be used to make eco-
21 nomic injury disaster loans under such section in response
22 to the coronavirus: *Provided further*, That none of the
23 funds provided under this heading in this Act may be used
24 for indirect administrative expenses: *Provided further*,
25 That such amount is designated by the Congress as being

1 for an emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985: *Provided further*, That
4 amounts repurposed under this heading that were pre-
5 viously designated by the Congress as an emergency re-
6 quirement pursuant to the Balanced Budget and Emer-
7 gency Deficit Control Act of 1985 are designated by the
8 Congress as an emergency requirement pursuant to sec-
9 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
10 gency Deficit Control Act of 1985.

11 SMALL BUSINESS DEBT RELIEF

12 For an additional amount for the cost of loan debt
13 relief as authorized by section 3 of the COVID–19 Relief
14 for Small Businesses Act of 2020, \$16,800,000,000 to re-
15 main available until September 30, 2021: *Provided*, That
16 such amount is designated by the Congress as being for
17 an emergency requirement pursuant to section
18 251(b)(2)(A)(i) of the Balanced Budget and Emergency
19 Deficit Control Act of 1985.

20 BUSINESS LOANS PROGRAM ACCOUNT

21 For an additional amount for “Business Loans Pro-
22 gram Account”, for the cost of direct loans and loan guar-
23 antees, such sums as may be necessary for the period of
24 fiscal years 2020 and 2021, of which \$10,200,000, to re-
25 main available until expended shall be for the cost of direct

1 loans, such sums as may be necessary for the period of
2 fiscal years 2020 and 2021, to remain available until ex-
3 pended, shall be for the cost of guaranteed loans, including
4 loan modifications authorized by sections 4, 5, 6, and 7
5 of the COVID–19 Relief for Small Businesses Act of
6 2020, and for the cost of guaranteed loans under section
7 503 of the Small Business Investment Act of 1958 and
8 section 7(a) of the Small Business Act for the period of
9 fiscal years 2020 through 2021: *Provided*, That for the
10 period of fiscal years 2020 through 2021, commitments
11 for general business loans authorized under section 7(a)
12 of the Small Business Act shall not exceed
13 \$75,000,000,000: *Provided further*, That amounts provide
14 in this paragraph for the cost of guaranteed loans under
15 section 7(a) of the Small Business Act are in addition to
16 amounts otherwise available for the same purposes: *Pro-*
17 *vided further*, That notwithstanding any other provision
18 of law, no amounts made available under this heading
19 shall be available for transfer to another budget account:
20 *Provided further*, That such amount is designated by the
21 Congress as being for an emergency requirement pursuant
22 to section 251(b)(2)(A)(i) of the Balanced Budget and
23 Emergency Deficit Control Act of 1985.

1 NEW MARKETS VENTURE CAPITAL PROGRAM

2 For an additional amount for the “New Markets Ven-
3 ture Capital Program” for the costs of grants and guaran-
4 teed loans authorized under the part B of the Small Busi-
5 ness Investment Act of 1958, such sums as may be nec-
6 essary, of which **[\$2,000,000,000]** shall be for grants au-
7 thorized under section 358 of the Small Business Invest-
8 ment Act of 1958 and such sums as may be necessary
9 to guarantee \$10,000,000,000 in debentures, to remain
10 available until expended: *Provided*, That notwithstanding
11 any other provision of law, no amounts made available
12 under this heading shall be available for transfer to an-
13 other budget account: *Provided further*, That such amount
14 is designated by the Congress as being for an emergency
15 requirement pursuant to section 251(b)(2)(A)(i) of the
16 Balanced Budget and Emergency Deficit Control Act of
17 1985.

18 INTERMEDIARY LENDING PROGRAM

19 For an additional amount for the cost of the “Inter-
20 mediary Lending Program” as authorized by section 16
21 of the COVID–19 Relief for Small Businesses Act of
22 2020, \$50,000,000, to remain available until September
23 30, 2021: *Provided*, That such amount is designated by
24 the Congress as being for an emergency requirement pur-

1 suant to section 251(b)(2)(A)(i) of the Balanced Budget
2 and Emergency Deficit Control Act of 1985.

3 ENTREPRENEURIAL DEVELOPMENT PROGRAMS

4 For an additional amount for “Entrepreneurial De-
5 velopment Programs” for grants to small business devel-
6 opment centers, women’s business centers, and chapters
7 of the service corps of retired executives, as authorized
8 under section 14 of the COVID–19 Relief for Small Busi-
9 nesses Act of 2020, \$240,000,000, to remain available
10 until September 30, 2021, of which \$190,000,000 shall
11 be for grants to small business development centers and
12 \$50,000,000 shall for grants to women’s business centers
13 and chapters of the service corps of retired executives:
14 *Provided*, That such amount is designated by the Congress
15 as being for an emergency requirement pursuant to sec-
16 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
17 gency Deficit Control Act of 1985.

18 SALARIES AND EXPENSES

19 For an additional amount for “Salaries and Ex-
20 penses”, \$805,000,000, to remain available until Sep-
21 tember 30, 2021, to carry out the requirements of the
22 COVID–19 Relief for Small Businesses Act of 2020, of
23 which \$80,000,000 shall be for marketing, management,
24 and technical assistance under section 7(m) of the Small
25 Business Act (15 U.S.C. 636(m)(4)) by intermediaries

1 that make microloans under the microloan program, and
2 of which \$25,000,000 shall be for resources and services
3 in languages other than English, as authorized in section
4 18 of the COVID–19 Relief for Small Businesses Act of
5 2020: *Provided*, That such amount is designated by the
6 Congress as being for an emergency requirement pursuant
7 to section 251(b)(2)(A)(i) of the Balanced Budget and
8 Emergency Deficit Control Act of 1985.

9 ADMINISTRATIVE PROVISION—SMALL BUSINESS

10 ADMINISTRATION

11 SEC. 10502. Notwithstanding section 7(b)(2)(D) of
12 the Small Business Act, the Small Business Administra-
13 tion shall issue a disaster declaration for each State and
14 territory for coronavirus.

15 UNITED STATES POSTAL SERVICE

16 PAYMENT TO POSTAL SERVICE FUND

17 For payment to the “Postal Service Fund”, for rev-
18 enue forgone due to the coronavirus pandemic,
19 \$20,000,000,000, to remain available until September 30,
20 2022: *Provided*, That such amount is designated by the
21 Congress as being for an emergency requirement pursuant
22 to section 251(b)(2)(A)(i) of the Balanced Budget and
23 Emergency Deficit Control Act of 1985.

1 GENERAL PROVISION—THIS TITLE

2 SEC. 10503. Notwithstanding any other provision of
3 law, funds made available under each heading in this title
4 shall only be used for the purposes specifically described
5 under that heading.

1 TITLE VI
2 DEPARTMENT OF HOMELAND SECURITY
3 MANAGEMENT DIRECTORATE
4 OPERATIONS AND SUPPORT

5 For an additional amount for “Operations and Sup-
6 port”, \$178,000,000, for the purchase of personal protec-
7 tive equipment and related supplies for components of the
8 Department of Homeland Security to prevent, prepare for,
9 and respond to coronavirus: *Provided*, That such amount
10 is designated by the Congress as being for an emergency
11 requirement pursuant to section 251(b)(2)(A)(i) of the
12 Balanced Budget and Emergency Deficit Control Act of
13 1985.

14 TRANSPORTATION AND SECURITY ADMINISTRATION
15 OPERATIONS AND SUPPORT

16 For an additional amount for “Operations and Sup-
17 port”, \$100,000,000, to prevent, prepare for, and respond
18 to coronavirus; of which \$54,000,000 is for enhanced sani-
19 tation at airport security checkpoints; of which
20 \$26,000,000 is for overtime and travel costs for Transpor-
21 tation Security Officers; and of which \$20,000,000 is for
22 the purchase of explosive trace detection swabs: *Provided*,
23 That such amount is designated by the Congress as being
24 for an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 COAST GUARD

4 OPERATIONS AND SUPPORT

5 For an additional amount for “Operations and Sup-
6 port”, \$141,000,000, to prevent, prepare for, and respond
7 to coronavirus through activation of Coast Guard Reserve
8 personnel under section 12302 of title 10, United States
9 Code and for purchases to increase the capability and ca-
10 pacity of information technology systems and infrastruc-
11 ture to support telework and remote access: *Provided*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 CYBERSECURITY AND INFRASTRUCTURE SECURITY

17 AGENCY

18 OPERATIONS AND SUPPORT

19 For an additional amount for “Operations and Sup-
20 port”, \$14,400,000, to prevent, prepare for, and respond
21 to coronavirus through interagency critical infrastructure
22 coordination and related activities: *Provided*, That such
23 amount is designated by the Congress as being for an
24 emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 FEDERAL EMERGENCY MANAGEMENT AGENCY

4 OPERATIONS AND SUPPORT

5 For an additional amount for “Operations and Sup-
6 port”, \$45,000,000, for facilities and information tech-
7 nology to prevent, prepare for, and respond to coronavirus:
8 *Provided*, That such amount is designated by the Congress
9 as being for an emergency requirement pursuant to sec-
10 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
11 gency Deficit Control Act of 1985.

12 FEDERAL ASSISTANCE

13 For an additional amount for “Federal Assistance”,
14 \$200,000,000, for the emergency food and shelter pro-
15 gram under title III of the McKinney-Vento Homeless As-
16 sistance Act (42 U.S.C. 11331 et seq.): *Provided*, That
17 notwithstanding sections 315 and 316(b) of such Act,
18 funds made available under this section shall be disbursed
19 by the Emergency Food and Shelter Program National
20 Board not later than 30 days after the date on which such
21 funds become available: *Provided further*, That such funds
22 may be used to reimburse jurisdictions or local recipient
23 organizations for costs incurred in providing services on
24 or after January 1, 2020: *Provided further*, That such
25 amount is designated by the Congress as being for an

1 emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985.

4 For an additional amount for “Federal Assistance”,
5 to supplement funds otherwise available for the “Assist-
6 ance to Firefighters Grants” \$100,000,000, to remain
7 available until September 30, 2021, for the purchase of
8 personal protective equipment and related supplies to pre-
9 vent, prepare for, and respond to coronavirus: *Provided*,
10 That such amount is designated by the Congress as being
11 for an emergency requirement pursuant to section
12 251(b)(2)(A)(i) of the Balanced Budget and Emergency
13 Deficit Control Act of 1985

14 DISASTER RELIEF FUND

15 For an additional amount for “Disaster Relief
16 Fund”, \$2,000,000,000, to remain available until ex-
17 pended: *Provided*, That such amount is designated by the
18 Congress as being for an emergency requirement pursuant
19 to section 251(b)(2)(A)(i) of the Balanced Budget and
20 Emergency Deficit Control Act of 1985.

21 GENERAL PROVISIONS—THIS TITLE

22 SEC. 10601. Notwithstanding any other provision of
23 law, funds made available under each heading in this title,
24 except for “Federal Emergency Management Agency—

1 Disaster Relief Fund”, shall only be used for the purposes
2 specifically described under that heading.

3 SEC. 10602. (a) Assistance provided under the emer-
4 gency declaration issued by the President on March 13,
5 2020, pursuant to section 501(b) of the Robert T. Staf-
6 ford Disaster Relief and Emergency Assistance Act (42
7 U.S.C. 5121–5207), and under any subsequent major dec-
8 laration under section 401 of such Act that supersedes
9 such emergency declaration, shall be at a 100 percent
10 Federal cost share.

11 (b) Amounts repurposed under this section that were
12 previously designated by the Congress, respectively, as an
13 emergency requirement or as being for disaster relief pur-
14 suant to the Balanced Budget and Emergency Deficit
15 Control Act are designated by the Congress as being for
16 an emergency requirement pursuant to section
17 251(b)(2)(A)(i) of the Balanced Budget and Emergency
18 Deficit Control Act of 1985 or as being for disaster relief
19 pursuant to section 251(b)(2)(D) of the Balanced Budget
20 and Emergency Deficit Control Act of 1985.

21 SEC. 10603. Notwithstanding any other provision of
22 law, any amounts appropriated for “Department of Home-
23 land Security—Federal Emergency Management Agen-
24 cy—Disaster Relief Fund” in this Act are available only
25 for the purposes for which they were appropriated.

1 SEC. 10604. (a) For calendar year 2020 and calendar
2 year 2021, any provision of law limiting the aggregate
3 amount of premium pay or overtime payable on a biweekly
4 or calendar year basis, or establishing an aggregate limita-
5 tion on pay, shall not apply to any premium pay or over-
6 time that is funded, either directly or through reimburse-
7 ment, by the “Federal Emergency Management Agency—
8 Disaster Relief Fund” related to an emergency or major
9 disaster declared in calendar year 2020.

10 (b) Pay exempted from otherwise applicable limits
11 under this section shall not cause the aggregate pay for
12 the calendar year to exceed the rate of basic pay payable
13 for a position at level II of the Executive Schedule under
14 section 5313 of title 5, United States Code.

15 (c) Notwithstanding any other provisions of law, an
16 Executive agency shall not be liable for damages, fees, in-
17 terests, or costs of any kind as a result of any delay occur-
18 ring prior to the date of enactment of this Act in payments
19 made pursuant to this section.

20 (d) This section shall take effect as if enacted on De-
21 cember 31, 2019.

22 (e) Amounts repurposed under this section that were
23 previously designated by the Congress, respectively, as an
24 emergency requirement or as being for disaster relief pur-
25 suant to the Balanced Budget and Emergency Deficit

1 Control Act are designated by the Congress as being for
2 an emergency requirement pursuant to section
3 251(b)(2)(A)(i) of the Balanced Budget and Emergency
4 Deficit Control Act of 1985 or as being for disaster relief
5 pursuant to section 251(b)(2)(D) of the Balanced Budget
6 and Emergency Deficit Control Act of 1985.

7 SEC. 10605. The Secretary of Homeland Security,
8 under the authority granted under section 205(b) of the
9 REAL ID Act of 2005 (Public Law 109–13; 49 U.S.C.
10 30301 note) shall extend the deadline by which States are
11 required to meet the driver license and identification card
12 issuance requirements under section 202(a)(1) of such Act
13 until not earlier than September 30, 2021.

14 SEC. 10606. (a) For the emergency declared on
15 March 13, 2020, by the President under section 501 of
16 the Robert T. Stafford Disaster Relief and Emergency As-
17 sistance Act (42 U.S.C. 5191) the President may provide
18 assistance for —

19 (1) activities, costs, and purchases of State and local
20 jurisdictions including—

21 (A) activities eligible for assistance under sec-
22 tions 301, 415, 416, and 426 of the Robert T. Staf-
23 ford Disaster Relief and Emergency Assistance Act
24 (42 U.S.C. 5141, 5182, 5183, 5189d);

1 (B) backfill costs for first responders and other
2 essential employees who are ill or quarantined;

3 (C) increased operating costs for essential gov-
4 ernment services due to such emergency, including
5 costs for implementing continuity plans;

6 (D) costs of providing guidance and information
7 to the public and for call centers to disseminate such
8 guidance and information;

9 (E) costs associated with establishing virtual
10 services;

11 (F) costs for establishing and operating remote
12 test sites;

13 (G) training provided specifically in anticipation
14 of or in response to the event on which such emer-
15 gency declaration is predicated;

16 (H) personal protective equipment and other
17 critical supplies for first responders; and

18 (I) public health and medical supplies; and

19 (2) activities and costs of nonprofit organizations in-
20 cluding—

21 (A) operating and equipment costs for blood do-
22 nation activities, including personnel costs; and

23 (B) establishing and operating public call cen-
24 ters in support of government operations, including
25 personnel costs.

1 (b) The activities specified in subsection (a) may also
2 be eligible for assistance under any major disaster de-
3 clared by the President under section 401 of such Act that
4 supersedes the emergency declaration described in such
5 subsection.

6 (c) Nothing in this section shall be construed to make
7 ineligible any assistance that would otherwise be eligible
8 under section 502 of such Act.

9 SEC. 10607. (a) During the public health emergency
10 declared pursuant to section 319 of the Public Health
11 Service Act (42 U.S.C. 247d) with respect to the COVID-
12 19 pandemic, the Secretary of Homeland Security, Sec-
13 retary of State, Attorney General or Secretary of Labor,
14 as appropriate, shall temporarily suspend or modify any
15 procedural requirement with which an applicant, peti-
16 tioner, or other person or entity must otherwise comply
17 under the immigration laws, as defined in section
18 101(a)(17) of the Immigration and Nationality Act (8
19 U.S.C. 1101(a)(17)), or any regulation pertaining thereto,
20 when necessary to—

- 21 (1) promote government efficiency;
- 22 (2) ensure the timely and fair adjudication of
23 applications or petitions;
- 24 (3) prevent hardship to applicants, petitioners,
25 beneficiaries, or other persons or entities, including

1 by granting automatic or other extensions or renew-
2 als when necessary to protect individuals from lapses
3 in status or work authorization; or

4 (4) protect the public interest.

5 (b) Notwithstanding any other provision law, the re-
6 quirements of chapter 5 of title 5, U.S. Code (commonly
7 known as the Administrative Procedure Act), or any other
8 law relating to rulemaking, information collection or publi-
9 cation in the Federal Register shall not apply to any ac-
10 tion taken under the authority of this section.

11 (c) Notwithstanding any other provision of law, with
12 respect to any alien whose nonimmigrant status, status
13 under section 244 of the Immigration and Nationality Act
14 (8 U.S.C. 1254a), or employment authorization has ex-
15 pired within the 30 days preceding the date of the enact-
16 ment of this act, or will expire not later than one year
17 after such date, the Secretary of Homeland Security shall
18 automatically extend such status or work authorization for
19 the same time period as the alien's prior status or work
20 authorization.

21 (d) The amounts made available by this section are
22 designated by the Congress as being for an emergency re-
23 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
24 anced Budget and Emergency Deficit Control Act of 1985

1 SEC. 10608. (a) Amounts provided for “Coast
2 Guard—Operations and Support” for fiscal year 2020
3 may, in addition to amounts otherwise available for such
4 purposes, be available for pay and benefits of Coast Guard
5 Yard and Vessel Documentation personnel, Non-Appro-
6 priated Funds personnel, and for Morale, Welfare and
7 Recreation Programs.

8 (b) Any amounts repurposed under subsection (a)
9 that were previously designated by the Congress as an
10 emergency requirement or as being for Overseas Contin-
11 gency Operations/Global War on Terrorism pursuant to
12 the Balanced Budget and Emergency Deficit Control Act
13 of 1985 are designated by the Congress as being for an
14 emergency requirement pursuant to section
15 251(b)(2)(A)(i) of the Balanced Budget and Emergency
16 Deficit Control Act of 1985 or as for Overseas Contin-
17 gency Operations/Global War on Terrorism pursuant to
18 section 251(b)(2)(A)(ii) of the Balanced Budget and
19 Emergency Deficit Control Act of 1985.

1 TITLE VII—INTERIOR, ENVIRONMENT, AND
2 RELATED AGENCIES
3 DEPARTMENT OF THE INTERIOR
4 BUREAU OF INDIAN AFFAIRS
5 OPERATION OF INDIAN PROGRAMS
6 (INCLUDING TRANSFER OF FUNDS)

7 For an additional amount for “Operation of Indian
8 Programs”, \$453,000,000, to remain available until Sep-
9 tember 30, 2021, to prevent, prepare for, and respond to
10 coronavirus, including to support public safety and justice
11 programs, welfare and social service programs (including
12 assistance to individuals), and for aid to Tribal govern-
13 ments: *Provided*, That of such sums, funds may be used
14 for executive direction to carry out cleaning of facilities,
15 to purchase personal protective equipment, and to obtain
16 information technology: *Provided further*, That the limita-
17 tion on welfare assistance funds included in the matter
18 preceding the first proviso under this heading in the Fur-
19 ther Consolidated Appropriations Act, 2020 (Public Law
20 116–94) shall not apply to amounts provided for such pro-
21 grams in this paragraph: *Provided further*, That assistance
22 received hereunder shall not be included in the calculation
23 of funds received by those Tribal governments who partici-
24 pate in the “Small and Needy” program: *Provided further*,
25 That amounts provided under this heading in this Act may

1 be made available for distribution through Tribal priority
2 allocations for Tribal response and capacity building ac-
3 tivities related to the purposes identified under this head-
4 ing in this Act: *Provided further*, That such amounts, if
5 transferred to Tribes and Tribal organizations under the
6 Indian Self-Determination and Education Assistance Act:
7 (1) will be transferred on a one-time basis, (2) are non-
8 recurring funds that are not part of the amount required
9 by 25 U.S.C. 5325, and (3) may only be used for the pur-
10 poses identified under this heading in this Act, notwith-
11 standing any other provision of law: *Provided further*, That
12 such amount is designated by the Congress as being for
13 an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 BUREAU OF INDIAN EDUCATION

17 OPERATION OF INDIAN EDUCATION PROGRAMS

18 For an additional amount for “Operation of Indian
19 Education Programs”, \$69,000,000, to remain available
20 until September 30, 2021, to prevent, prepare for, and re-
21 spond to coronavirus, including, in addition to amounts
22 otherwise available, support for Tribally-Controlled Col-
23 leges and Universities, salaries, transportation, and infor-
24 mation technology: *Provided*, That of the amounts pro-
25 vided in this paragraph, not less than \$20,000,000 shall

1 be for Tribally-Controlled Colleges and Universities: *Pro-*
2 *vided further*, That such amount is designated by the Con-
3 gress as being for an emergency requirement pursuant to
4 section 251(b)(2)(A)(i) of the Balanced Budget and
5 Emergency Deficit Control Act of 1985.

6 DEPARTMENTAL OFFICES

7 OFFICE OF THE SECRETARY

8 DEPARTMENTAL OPERATIONS

9 (INCLUDING TRANSFERS OF FUNDS)

10 For an additional amount for “Departmental Oper-
11 ations” for necessary expenses to prevent, prepare for, and
12 respond to coronavirus, \$158,400,000, to remain available
13 until September 30, 2021: *Provided*, That the amounts
14 made available in this paragraph shall be used to absorb
15 increased operational costs associated with the coronavirus
16 outbreak including but not limited to: purchase of equip-
17 ment and supplies to disinfect and clean buildings and
18 public areas, support law enforcement and emergency
19 management operations, biosurveillance of wildlife and en-
20 vironmental persistence studies, employee overtime and
21 special pay expenses, and for other response, mitigation,
22 or recovery activities associated with the coronavirus out-
23 break: *Provided further*, That the amounts made available
24 by this paragraph may be transferred between the Office
25 of the Secretary and any Department of the Interior com-

1 ponent bureau or office that received funding in division
2 D of the Further Consolidated Appropriations Act, 2020
3 (Public Law 116–94): *Provided further*, That concurrent
4 with any such transfer the Secretary shall notify the
5 House and Senate Committees on Appropriations in writ-
6 ing and provide a detailed description of and justification
7 for each transfer: *Provided further*, That as soon as prac-
8 ticable after the date of enactment of this Act, the Sec-
9 retary shall transfer \$1,000,000 to the Office of the In-
10 spector General, “Salaries and Expenses” account for
11 oversight activities related to the implementation of pro-
12 grams, activities, or projects funded herein: *Provided fur-*
13 *ther*, That expenditure of amounts made available herein
14 may be made through direct expenditure or cooperative
15 agreement: *Provided further*, That such amount is des-
16 ignated by the Congress as being for an emergency re-
17 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
18 anced Budget and Emergency Deficit Control Act of 1985.

19 INSULAR AFFAIRS

20 For an additional amount for “Assistance to Terri-
21 tories”, \$55,000,000, to remain available until September
22 30, 2021, to prevent, prepare for, and respond to
23 coronavirus, domestically or internationally, for territorial
24 assistance, specifically for general technical assistance:
25 *Provided*, That such amount is designated by the Congress

1 as being for an emergency requirement pursuant to sec-
2 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
3 gency Deficit Control Act of 1985.

4 ENVIRONMENTAL PROTECTION AGENCY

5 SCIENCE AND TECHNOLOGY

6 For an additional amount for “Science and Tech-
7 nology”, \$2,250,000, to remain available until September
8 30, 2021, to prevent, prepare for, and respond to
9 coronavirus, of which \$750,000 shall be for necessary ex-
10 penses for cleaning and disinfecting equipment or facilities
11 of, or for use by, the Environmental Protection Agency,
12 and \$1,500,000 shall be for research on methods to reduce
13 the risks from environmental transmission of coronavirus
14 via contaminated surfaces or materials: *Provided*, That
15 such amount is designated by the Congress as being for
16 an emergency requirement pursuant to section
17 251(b)(2)(A)(i) of the Balanced Budget and Emergency
18 Deficit Control Act of 1985.

19 ENVIRONMENTAL PROGRAMS AND MANAGEMENT

20 For an additional amount for “Environmental Pro-
21 grams and Management”, \$3,910,000, to remain available
22 until September 30, 2021, to prevent, prepare for, and re-
23 spond to coronavirus, of which \$2,410,000 shall be for
24 necessary expenses for cleaning and disinfecting equip-
25 ment or facilities of, or for use by, the Environmental Pro-

1 tection Agency, and operational continuity of Environ-
2 mental Protection Agency programs and related activities,
3 and \$1,500,000 shall be for expediting registration and
4 other actions related to pesticides to address coronavirus:
5 *Provided*, That such amount is designated by the Congress
6 as being for an emergency requirement pursuant to sec-
7 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
8 gency Deficit Control Act of 1985.

9 BUILDINGS AND FACILITIES

10 For an additional amount for “Buildings and Facili-
11 ties”, \$300,000, to remain available until September 30,
12 2021, to prevent, prepare for, and respond to coronavirus:
13 *Provided*, That such funds shall be for necessary expenses
14 for cleaning and disinfecting equipment or facilities of, or
15 for use by, the Environmental Protection Agency: *Pro-*
16 *vided further*, That such amount is designated by the Con-
17 gress as being for an emergency requirement pursuant to
18 section 251(b)(2)(A)(i) of the Balanced Budget and
19 Emergency Deficit Control Act of 1985.

20 HAZARDOUS SUBSTANCE SUPERFUND

21 For an additional amount for “Hazardous Substance
22 Superfund”, \$770,000, to remain available until Sep-
23 tember 30, 2021, to prevent, prepare for, and respond to
24 coronavirus: *Provided*, That such funds shall be for nec-
25 essary expenses for cleaning and disinfecting equipment

1 or facilities of, or for use by, the Environmental Protection
2 Agency: *Provided further*, That such amount is designated
3 by the Congress as being for an emergency requirement
4 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
5 et and Emergency Deficit Control Act of 1985.

6 DEPARTMENT OF AGRICULTURE

7 FOREST SERVICE

8 FOREST AND RANGELAND RESEARCH

9 For an additional amount for “Forest and Rangeland
10 Research”, \$3,000,000, to remain available until Sep-
11 tember 30, 2021, for the reestablishment of abandoned or
12 failed experiments associated with coronavirus restric-
13 tions: *Provided*, That such amount is designated by the
14 Congress as being for an emergency requirement pursuant
15 to section 251(b)(2)(A)(i) of the Balanced Budget and
16 Emergency Deficit Control Act of 1985.

17 NATIONAL FOREST SYSTEM

18 For an additional amount for “National Forest Sys-
19 tem”, \$33,800,000, to remain available until September
20 30, 2021, to prevent, prepare for, and respond to
21 coronavirus, including for personal protective equipment,
22 for cleaning and disinfecting public recreation amenities,
23 and for necessary expenses related to cybersecurity, the
24 provision of telework ready equipment, and Information
25 Technology help desk personnel: *Provided*, That such

1 amount is designated by the Congress as being for an
2 emergency requirement pursuant to section
3 251(b)(2)(A)(i) of the Balanced Budget and Emergency
4 Deficit Control Act of 1985.

5 CAPITAL IMPROVEMENT AND MAINTENANCE

6 For an additional amount for “Capital Improvement
7 and Maintenance”, \$26,800,000, to remain available until
8 September 30, 2021, for necessary expenses related to cy-
9 bersecurity, the provision of telework ready equipment,
10 and Information Technology help desk personnel, and for
11 the cleaning, disinfecting, and janitorial services to pre-
12 vent, prepare for, and respond to coronavirus: *Provided*,
13 That such amount is designated by the Congress as being
14 for an emergency requirement pursuant to section
15 251(b)(2)(A)(i) of the Balanced Budget and Emergency
16 Deficit Control Act of 1985.

17 WILDLAND FIRE MANAGEMENT

18 For an additional amount for “Wildland Fire Man-
19 agement” to supplement amounts otherwise available for
20 Preparedness, \$7,000,000, to remain available until Sep-
21 tember 30, 2021, for personal protective equipment and
22 necessary expenses of first responders to prevent, prepare
23 for, and respond to coronavirus: *Provided*, That such
24 amount is designated by the Congress as being for an
25 emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 DEPARTMENT OF HEALTH AND HUMAN
4 SERVICES

5 INDIAN HEALTH SERVICE

6 INDIAN HEALTH SERVICES

7 For an additional amount for “Indian Health Serv-
8 ices”, \$1,032,000,000, to remain available until Sep-
9 tember 30, 2021, for preparedness, response, surveillance,
10 and health service activities for coronavirus, including for
11 public health support, electronic health record moderniza-
12 tion, telehealth and other IT upgrades, Purchased/Re-
13 ferred care, Catastrophic Health Emergency Fund, com-
14 munity health representatives, Urban Indian Organiza-
15 tions, Tribal Epidemiology Centers, and other activities to
16 protect the safety of patients and staff: *Provided*, That
17 none of the funds appropriated by this Act to the Indian
18 Health Service for the Electronic Health Record system
19 shall be made available for obligation to execute a Request
20 for Proposal for selection of core components appropriate
21 to support the initial capacity of the system unless the
22 Committees on Appropriations of the House of Represent-
23 atives and the Senate have been briefed 90 days in ad-
24 vance of such execution of a Request for Proposal: *Pro-*
25 *vided further*, That of the amount provided in this para-

1 graph, not less than \$450,000,000 shall be distributed
2 through Tribal shares and contracts with Urban Indian
3 Organizations: *Provided further*, That any amounts pro-
4 vided in this paragraph not allocated pursuant to the pre-
5 ceding proviso shall be allocated at the discretion of the
6 Director of the Indian Health Service: *Provided further*,
7 That such amounts may be used to supplement amounts
8 otherwise available under “Indian Health Facilities”: *Pro-*
9 *vided further*, That such amounts, if transferred to Tribes
10 and Tribal organizations under the Indian Self-Deter-
11 mination and Education Assistance Act, will be trans-
12 ferred on a one-time basis and that these non-recurring
13 funds are not part of the amount required by 25 U.S.C.
14 5325, and that such amounts may only be used for the
15 purposes identified under this heading notwithstanding
16 any other provision of law: *Provided further*, That such
17 amount is designated by the Congress as being for an
18 emergency requirement pursuant to section
19 251(b)(2)(A)(i) of the Balanced Budget and Emergency
20 Deficit Control Act of 1985.

1 AGENCY FOR TOXIC SUBSTANCES AND DISEASE

2 REGISTRY

3 TOXIC SUBSTANCES AND ENVIRONMENTAL PUBLIC

4 HEALTH

5 For an additional amount for “Toxic Substances and
6 Environmental Public Health”, \$12,500,000, to remain
7 available until September 30, 2021, to monitor, prevent,
8 prepare for, and respond to coronavirus and other emerg-
9 ing infectious diseases, domestically or internationally; of
10 which \$7,500,000 shall be for necessary expenses of the
11 Geospatial Research, Analysis and Services Program
12 (GRASP) to support spatial analysis and GIS mapping
13 of infectious disease hot spots, including cruise ships; and
14 \$5,000,000 shall be for necessary expenses for awards for
15 Pediatric Environmental Health Specialties Units and
16 state health departments to provide guidance and outreach
17 on safe practices for home, school, and daycare facilities
18 disinfection for facilities that have experienced or want to
19 prevent coronavirus and other emerging infectious disease
20 cases: *Provided*, That such amount is designated by the
21 Congress as being for an emergency requirement pursuant
22 to section 251(b)(2)(A)(i) of the Balanced Budget and
23 Emergency Deficit Control Act of 1985.

1 INSTITUTE OF AMERICAN INDIAN AND ALASKA
2 NATIVE CULTURE

3 PAYMENT TO THE INSTITUTE

4 For an additional amount for “Payment to the Insti-
5 tute”, \$78,000, to remain available until September 30,
6 2021, to prevent, prepare for, and respond to coronavirus:
7 *Provided*, That such amount is designated by the Congress
8 as being for an emergency requirement pursuant to sec-
9 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
10 gency Deficit Control Act of 1985.

11 SMITHSONIAN INSTITUTION

12 SALARIES AND EXPENSES

13 For an additional amount for “Salaries and Ex-
14 penses”, \$7,500,000, to remain available until September
15 30, 2021, for cleaning, security, information technology,
16 and staff overtime, to prevent, prepare for, and respond
17 to coronavirus: *Provided*, That such amount is designated
18 by the Congress as being for an emergency requirement
19 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
20 et and Emergency Deficit Control Act of 1985.

21 JOHN F. KENNEDY CENTER FOR THE PERFORMING

22 ARTS

23 OPERATIONS AND MAINTENANCE

24 For an additional amount for “Operations and Main-
25 tenance”, \$35,000,000, to remain available until Sep-

1 tember 30, 2021, for grants to respond to the impacts of
2 coronavirus: *Provided*, That such funds are available
3 under the same terms and conditions as grant funding ap-
4 propriated to this heading in P.L. 116–94: *Provided fur-*
5 *ther*, That 40 percent of such funds shall be distributed
6 to State arts agencies and regional arts organizations and
7 60 percent of such funds shall be for direct grants: *Pro-*
8 *vided further*, That such amount is designated by the Con-
9 gress as being for an emergency requirement pursuant to
10 section 251(b)(2)(A)(i) of the Balanced Budget and
11 Emergency Deficit Control Act of 1985:

12 NATIONAL ENDOWMENT FOR THE HUMANITIES

13 GRANTS AND ADMINISTRATION

14 For an additional amount for “Grants and Adminis-
15 tration”, \$300,000,000, to remain available until Sep-
16 tember 30, 2021, for grants to respond to the impacts of
17 coronavirus: *Provided*, That such funds are available
18 under the same terms and conditions as grant funding ap-
19 propriated to this heading in Public Law 116–94: *Pro-*
20 *vided further*, That 40 percent of such funds shall be dis-
21 tributed to state humanities councils and 60 percent of
22 such funds shall be for direct grants: *Provided further*,
23 That such amount is designated by the Congress as being
24 for an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 GENERAL PROVISIONS

4 SEC. 10701. Notwithstanding any other provision of
5 law, funds made available under the heading “National
6 Foundation on the Arts and the Humanities—National
7 Endowment for the Arts—Grants and Administration” for
8 each of fiscal years 2019 and 2020 for grants for the pur-
9 poses described in section 5(c) of the National Foundation
10 on the Arts and Humanities Act of 1965 (20 U.S.C.
11 954(c)) may also be used by the recipients of such grants
12 for purposes of the general operations of such recipients
13 and the matching requirements under subsections (e),
14 (g)(4)(A), and (p)(3) of section 5 of the National Founda-
15 tion on the Arts and Humanities Act of 1965 (20 U.S.C.
16 954) may be waived with respect to such grants.

17 SEC. 10702. Notwithstanding any other provision of
18 law, funds made available under the heading “National
19 Foundation on the Arts and the Humanities—National
20 Endowment for the Humanities—Grants and Administra-
21 tion” for each of fiscal years 2019 and 2020 for grants
22 for the purposes described in section 7(c) and 7(h)(1) of
23 the National Foundation on the Arts and Humanities Act
24 of 1965 may also be used by the recipients of such grants
25 for purposes of the general operations of such recipients

1 and the matching requirements under subsection
2 (h)(2)(A) of section 7 of the National Foundation on the
3 Arts and Humanities Act of 1965 may be waived with re-
4 spect to such grants.

1 TITLE VIII—DEPARTMENTS OF LABOR,
2 HEALTH AND HUMAN SERVICES, AND EDU-
3 CATION, AND RELATED AGENCIES

4 DEPARTMENT OF LABOR

5 EMPLOYMENT AND TRAINING ADMINISTRATION

6 TRAINING AND EMPLOYMENT SERVICES

7 For an additional amount for “Training and Employ-
8 ment Services”, \$960,000,000, to remain available until
9 September 30, 2021, to prevent, prepare for, and respond
10 to coronavirus through activities under the Workforce In-
11 novation and Opportunity Act (referred to in this Act as
12 “WIOA”) as follows:

13 (1) \$212,000,000 for grants to States for adult
14 employment and training activities, including sup-
15 portive services and needs-related payments;

16 (2) \$227,000,000 for grants to States for youth
17 activities, including supportive services;

18 (3) \$261,000,000 for grants to States for dis-
19 located worker employment and training activities,
20 including supportive services and needs-related pay-
21 ments;

22 (4) \$250,000,000 for the Dislocated Worker
23 National Reserve, of which \$150,000,000 shall be
24 for the Strengthening Community College Training
25 Grant program as outlined under the heading

1 “Training and Employment Services” in paragraph
2 (2)(A)(ii) of title I of division A of Public Law 116–
3 94 to assist community colleges in meeting the edu-
4 cational and training needs of their communities as
5 a result of coronavirus;

6 (5) \$10,000,000 for Migrant and Seasonal
7 Farmworkers, including for emergency supportive
8 services to farmworkers, of which \$500,000 shall be
9 available for the collection and dissemination of elec-
10 tronic and printed materials related to coronavirus:
11 *Provided*, That such amount is designated by the Congress
12 as being for an emergency requirement pursuant to sec-
13 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
14 gency Deficit Control Act of 1985.

15 JOB CORPS

16 For an additional amount for “Job Corps”,
17 \$100,000,000, to remain available until September 30,
18 2021, to prevent, prepare for, and respond to coronavirus,
19 including for student services: *Provided*, That such
20 amount is designated by the Congress as being for an
21 emergency requirement pursuant to section
22 251(b)(2)(A)(i) of the Balanced Budget and Emergency
23 Deficit Control Act of 1985.

1 STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
2 SERVICE OPERATIONS

3 For an additional amount for “State Unemployment
4 and Insurance and Employment Service Operations”,
5 \$150,000,000, to remain available until September 30,
6 2021, to prevent, prepare for, and respond to coronavirus
7 through grants to States in accordance with section 6 of
8 the Wagner-Peyser Act: *Provided*, That such amount is
9 designated by the Congress as being for an emergency re-
10 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
11 anced Budget and Emergency Deficit Control Act of 1985.

12 COMMUNITY SERVICE EMPLOYMENT FOR OLDER
13 AMERICANS

14 For an additional amount for “Community Service
15 Employment for Older Americans”, \$120,000,000, to re-
16 main available until September 30, 2021, to prevent, pre-
17 pare for, and respond to coronavirus: *Provided*, That
18 funds made available under this heading in this Act may,
19 in accordance with section 517(c) of the Older Americans
20 Act of 1965, be recaptured and reobligated: *Provided fur-*
21 *ther*, That such amount is designated by the Congress as
22 being for an emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 PROGRAM ADMINISTRATION

2 For an additional amount for “Program Administra-
3 tion”, \$15,000,000, to remain available until September
4 30, 2020, to prevent, prepare for, and respond to
5 coronavirus, including for the administration, oversight,
6 and coordination of unemployment insurance activities re-
7 lated thereto: *Provided*, That such amount is designated
8 by the Congress as being for an emergency requirement
9 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
10 et and Emergency Deficit Control Act of 1985.

11 EMPLOYEE BENEFITS SECURITY ADMINISTRATION

12 SALARIES AND EXPENSES

13 For an additional amount for “Employee Benefits
14 Security Administration”, \$3,000,000, to remain available
15 until September 30, 2020, to prevent, prepare for, and re-
16 spond to coronavirus, including for the administration,
17 oversight, and coordination of worker protection activities
18 related thereto: *Provided*, That such amount is designated
19 by the Congress as being for an emergency requirement
20 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
21 et and Emergency Deficit Control Act of 1985.

22 WAGE AND HOUR DIVISION

23 SALARIES AND EXPENSES

24 For an additional amount for “Wage and Hour Divi-
25 sion”, \$6,500,000, to remain available until September

1 30, 2020, to prevent, prepare for, and respond to
2 coronavirus, including for the administration, oversight,
3 and coordination of worker protection activities related
4 thereto: *Provided*, That such amount is designated by the
5 Congress as being for an emergency requirement pursuant
6 to section 251(b)(2)(A)(i) of the Balanced Budget and
7 Emergency Deficit Control Act of 1985.

8 OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION
9 SALARIES AND EXPENSES

10 For an additional amount for “Occupational Safety
11 and Health Administration”, \$30,000,000, to remain
12 available until September 30, 2021, for worker protection
13 activities to prevent, prepare for, and respond to
14 coronavirus: *Provided*, That of that amount, \$10,000,000
15 shall be available for Susan Harwood training grants: *Pro-*
16 *vided further*, That such amount is designated by the Con-
17 gress as being for an emergency requirement pursuant to
18 section 251(b)(2)(A)(i) of the Balanced Budget and
19 Emergency Deficit Control Act of 1985.

20 DEPARTMENTAL MANAGEMENT

21 OFFICE OF INSPECTOR GENERAL

22 SALARIES AND EXPENSES

23 For an additional amount for “Office of Inspector
24 General”, \$1,500,000, to remain available until September
25 30, 2022, for oversight of activities supported with funds

1 appropriated to the Department of Labor: *Provided*, That
2 such amount is designated by the Congress as being for
3 an emergency requirement pursuant to section
4 251(b)(2)(A)(i) of the Balanced Budget and Emergency
5 Deficit Control Act of 1985.

6 VETERANS EMPLOYMENT AND TRAINING

7 For an additional amount for “Veterans Employment
8 and Training,” \$15,000,000, to remain available through
9 September 30, 2021, to prevent, prepare for, and respond
10 to coronavirus, including for programs to assist homeless
11 veterans and veterans at risk of homelessness: *Provided*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 DEPARTMENT OF HEALTH AND HUMAN
17 SERVICES

18 HEALTH RESOURCES AND SERVICES ADMINISTRATION

19 PRIMARY HEALTH CARE

20 For an additional amount for “Primary Health
21 Care”, \$1,300,000,000, to remain available until Sep-
22 tember 30, 2021, for necessary expenses to prevent, pre-
23 pare for, and respond to coronavirus, for grants and coop-
24 erative agreements under the Health Centers Program, as
25 defined by section 330 of the Public Health Service Act,

1 and for eligible entities under the Native Hawaiian Health
2 Care Improvement Act, including maintenance of current
3 health care center capacity and staffing levels: *Provided*,
4 That sections 330(r)(2)(B), 330(e)(6)(A)(iii), and
5 330(e)(6)(B)(iii) shall not apply to funds provided under
6 this heading in this Act: *Provided further*, That such
7 amount is designated by the Congress as being for an
8 emergency requirement pursuant to section
9 251(b)(2)(A)(i) of the Balanced Budget and Emergency
10 Deficit Control Act of 1985.

11 RYAN WHITE HIV/AIDS PROGRAM

12 For an additional amount for “Ryan White HIV/
13 AIDS Program”, \$90,000,000, to remain available
14 through September 30, 2021, to prevent, prepare for, and
15 respond to coronavirus: *Provided*, That awards from funds
16 provided under this heading in this Act shall be through
17 modifications to existing contracts and supplements to ex-
18 isting grants and cooperative agreements under parts A
19 , B, C, D, F, and section 2692(a) of title XXVI of the
20 Public Health Service Act: *Provided further*, That such
21 supplements shall be awarded using a data-driven method-
22 ology determined by the Secretary of Health and Human
23 Services: *Provided further*, That sections 2604(c),
24 2612(b), and 2651(c) of the Public Health Service Act
25 shall not apply to funds provided under this heading in

1 this Act: *Provided further*, That such amount is designated
2 by the Congress as being for an emergency requirement
3 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
4 et and Emergency Deficit Control Act of 1985.

5 HEALTH CARE SYSTEMS

6 For an additional amount for “Health Care Sys-
7 tems”, \$5,000,000, to remain available until September
8 30, 2021 to prevent, prepare for, and respond to
9 coronavirus, for activities authorized under sections 1271
10 and 1273 of the Public Health Service Act to improve the
11 capacity of poison control centers to respond to increased
12 calls and communications: *Provided*, That such amount is
13 designated by the Congress as being for an emergency re-
14 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
15 anced Budget and Emergency Deficit Control Act of 1985.

16 RURAL HEALTH

17 For an additional amount for “Rural Health”,
18 \$460,000,000, to remain available through September 30,
19 2021, to prevent, prepare for, and respond to coronavirus,
20 including telephonic and virtual care for the underinsured,
21 and for continuation and expansion of telehealth and rural
22 health activities under sections 330A and 330I of the Pub-
23 lic Health Service Act and section 711 of the Social Secu-
24 rity Act: *Provided*, That of the amount provided under this
25 heading in this Act, not less than \$15,000,000 shall be

1 allocated to tribes, tribal organizations, urban Indian
2 health organizations, or health service providers to tribes:
3 *Provided further*, That such amount is designated by the
4 Congress as being for an emergency requirement pursuant
5 to section 251(b)(2)(A)(i) of the Balanced Budget and
6 Emergency Deficit Control Act of 1985.

7 CENTERS FOR DISEASE CONTROL AND PREVENTION

8 CDC—WIDE ACTIVITIES AND PROGRAM SUPPORT

9 For an additional amount for “CDC—Wide Activities
10 and Program Support”, \$5,500,000,000, to remain avail-
11 able until September 30, 2024, to prevent, prepare for,
12 and respond to coronavirus, domestically or internation-
13 ally: *Provided*, That not less than \$2,000,000,000 of the
14 amount provided shall be for grants to or cooperative
15 agreements with States, localities, territories, tribes, tribal
16 organizations, urban Indian health organizations, or
17 health service providers to tribes, for such purposes includ-
18 ing to carry out surveillance, epidemiology, laboratory ca-
19 pacity, infection control, mitigation, communications, and
20 other preparedness and response activities: *Provided fur-*
21 *ther*, That every grantee that received a Public Health
22 Emergency Preparedness grant for fiscal year 2019 shall
23 receive not less than 100 percent of that grant level from
24 funds provided in the first proviso under this heading in
25 this Act, and not less than \$125,000,000 of such funds

1 shall be allocated to tribes, tribal organizations, urban In-
2 dian health organizations, or health service providers to
3 tribes: *Provided further*, That the Director of the Centers
4 for Disease Control and Prevention (“CDC”) may satisfy
5 the funding thresholds outlined in the preceding two pro-
6 visos by making awards through other grant or coopera-
7 tive agreement mechanisms: *Provided further*, That of the
8 amount provided under this heading in this Act, not less
9 than \$1,000,000,000 shall be for global disease detection
10 and emergency response: *Provided further*, That of the
11 amount provided under this heading in this Act,
12 \$500,000,000 shall be for public health data surveillance
13 and analytics infrastructure modernization: *Provided fur-*
14 *ther*, That funds appropriated under this heading in this
15 Act may be used for grants for the rent, lease, purchase,
16 acquisition, construction, alteration, or renovation of non-
17 Federally owned facilities to improve preparedness and re-
18 sponse capability at the State and local level: *Provided fur-*
19 *ther*, That funds may be used for purchase and insurance
20 of official motor vehicles in foreign countries: *Provided fur-*
21 *ther*, That such amount is designated by the Congress as
22 being for an emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 NATIONAL INSTITUTES OF HEALTH

2 NATIONAL HEART, LUNG, AND BLOOD INSTITUTE

3 For an additional amount for “National Heart, Lung,
4 and Blood Institute”, \$103,400,000, to remain available
5 until September 30, 2024, to prevent, prepare for, and re-
6 spond to coronavirus, domestically or internationally: *Pro-*
7 *vided*, That such amount is designated by the Congress
8 as being for an emergency requirement pursuant to sec-
9 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
10 gency Deficit Control Act of 1985.

11 NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS

12 DISEASES

13 For an additional amount for “National Institute of
14 Allergy and Infectious Diseases”, \$550,000,000, to re-
15 main available until September 30, 2024, to prevent, pre-
16 pare for, and respond to coronavirus, domestically or
17 internationally: *Provided*, That such amount is designated
18 by the Congress as being for an emergency requirement
19 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
20 et and Emergency Deficit Control Act of 1985.

21 NATIONAL INSTITUTE OF ENVIRONMENTAL HEALTH

22 SCIENCES

23 For an additional amount for “National Institute of
24 Environmental Health Sciences”, \$10,000,000, to remain
25 available until September 30, 2024, for worker-based

1 training to prevent and reduce exposure of hospital em-
2 ployees, emergency first responders, and other workers
3 who are at risk of exposure to coronavirus through their
4 work duties: *Provided*, That such amount is designated by
5 the Congress as being for an emergency requirement pur-
6 suant to section 251(b)(2)(A)(i) of the Balanced Budget
7 and Emergency Deficit Control Act of 1985.

8 NATIONAL INSTITUTE OF BIOMEDICAL IMAGING AND
9 BIOENGINEERING

10 For an additional amount for “National Institute of
11 Biomedical Imaging and Bioengineering”, \$60,000,000, to
12 remain available until September 30, 2024, to prevent,
13 prepare for, and respond to coronavirus, domestically or
14 internationally: *Provided*, That such amount is designated
15 by the Congress as being for an emergency requirement
16 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
17 et and Emergency Deficit Control Act of 1985.

18 NATIONAL LIBRARY OF MEDICINE

19 For an additional amount for “National Library of
20 Medicine”, \$10,000,000, to remain available until Sep-
21 tember 30, 2024, to prevent, prepare for, and respond to
22 coronavirus, domestically or internationally: *Provided*,
23 That such amount is designated by the Congress as being
24 for an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 NATIONAL CENTER FOR ADVANCING TRANSLATIONAL
4 SCIENCES

5 For an additional amount for “National Center for
6 Advancing Translational Sciences”, \$36,000,000, to re-
7 main available until September 30, 2024, to prevent, pre-
8 pare for, and respond to coronavirus, domestically or
9 internationally: *Provided*, That such amount is designated
10 by the Congress as being for an emergency requirement
11 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
12 et and Emergency Deficit Control Act of 1985.

13 OFFICE OF THE DIRECTOR

14 For an additional amount for “Office of the Direc-
15 tor”, \$30,000,000, to remain available until September
16 30, 2024, to prevent, prepare for, and respond to
17 coronavirus, domestically or internationally: *Provided*,
18 That the funds provided under this heading in this Act
19 shall be available for the Common Fund established under
20 section 402A(c)(1) of the Public Health Service Act: *Pro-*
21 *vided further*, That such amount is designated by the Con-
22 gress as being for an emergency requirement pursuant to
23 section 251(b)(2)(A)(i) of the Balanced Budget and
24 Emergency Deficit Control Act of 1985.

1 SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
2 ADMINISTRATION

3 HEALTH SURVEILLANCE AND PROGRAM SUPPORT

4 For an additional amount for “Health Surveillance
5 and Program Support”, \$435,000,000, to remain avail-
6 able until September 30, 2021, to prevent, prepare for,
7 and respond to coronavirus, for program support and
8 cross-cutting activities that supplement activities funded
9 under the headings “Mental Health”, “Substance Abuse
10 Treatment”, and “Substance Abuse Prevention” in car-
11 rying out titles III, V, and XIX of the Public Health Serv-
12 ice Act (“PHS Act”): *Provided*, That \$200,000,000 of the
13 funds made available under this heading in this Act shall
14 be for grants to communities and community organiza-
15 tions who meet criteria for Certified Community Behav-
16 ioral Health Clinics pursuant to section 223(a) of Public
17 Law 113–93: *Provided further*, That \$60,000,000 of the
18 funds made available under this heading in this Act shall
19 be for services to the homeless population: *Provided fur-*
20 *ther*, That \$10,000,000 of the funds made available under
21 this heading in this Act shall be for the National Child
22 Traumatic Stress Network: *Provided further*, That not less
23 than \$50,000,000 of the funds made available under this
24 heading in this Act shall be for suicide prevention pro-
25 grams: *Provided further*, That not less than \$100,000,000

1 of the amount made available under this heading in this
2 Act is available for State Emergency Response Grants au-
3 thorized under section 501(o) of the PHS Act: *Provided*
4 *further*, That not less than \$15,000,000 of the amount
5 made available under this heading in this Act shall be allo-
6 cated to tribes, tribal organizations, urban Indian health
7 organizations, or health or behavioral health service pro-
8 viders to tribes: *Provided further*, That such amount is
9 designated by the Congress as being for an emergency re-
10 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
11 anced Budget and Emergency Deficit Control Act of 1985.

12 AGENCY FOR HEALTHCARE RESEARCH AND QUALITY

13 For an additional amount for “Healthcare Research
14 and Quality”, \$80,000,000, to remain available until Sep-
15 tember 30, 2024, to prevent, prepare for, and respond to
16 coronavirus, to carry out titles III and IX of the Public
17 Health Service Act, part A of title XI of the Social Secu-
18 rity Act, and section 1013 of the Medicare Prescription
19 Drug, Improvement, and Modernization Act of 2003: *Pro-*
20 *vided*, That section 947(c) of the Public Health Service
21 Act shall not apply to funds made available under this
22 heading in this Act: *Provided further*, That such amount
23 is designated by the Congress as being for an emergency
24 requirement pursuant to section 251(b)(2)(A)(i) of the

1 Balanced Budget and Emergency Deficit Control Act of
2 1985.

3 CENTERS FOR MEDICARE & MEDICAID SERVICES

4 PROGRAM MANAGEMENT

5 For an additional amount for “Program Manage-
6 ment”, \$550,000,000, to remain available until September
7 30, 2022 to prevent, prepare for, and respond to
8 coronavirus, of which \$100,000,000 shall be for necessary
9 expenses of the survey and certification program,
10 prioritizing nursing home facilities in localities with com-
11 munity transmission of coronavirus: *Provided*, That such
12 amount is designated by the Congress as being for an
13 emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 ADMINISTRATION FOR CHILDREN AND FAMILIES

17 LOW INCOME HOME ENERGY ASSISTANCE

18 For an additional amount for “Low Income Home
19 Energy Assistance”, \$1,400,000,000, to remain available
20 until September 30, 2021, for making payments under
21 subsection (b) of section 2602 of the Low-Income Home
22 Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.):
23 *Provided*, That of the amount provided under this heading
24 in this Act, \$700,000,000 shall be allocated as though the
25 total appropriation for such payments for fiscal year 2020

1 was less than \$1,975,000,000: *Provided further*, That sec-
2 tion 2607(b)(2)(B) of such Act (42 U.S.C. 8626(b)(2)(B))
3 shall not apply to funds made available under this heading
4 in this Act: *Provided further*, That such amount is des-
5 ignated by the Congress as being for an emergency re-
6 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
7 anced Budget and Emergency Deficit Control Act of 1985.

8 PAYMENTS TO STATES FOR THE CHILD CARE AND
9 DEVELOPMENT BLOCK GRANT

10 For an additional amount for “Payments to States
11 for the Child Care and Development Block Grant”,
12 \$4,000,000,000, to remain available until September 30,
13 2021, to prevent, prepare for, and respond to coronavirus,
14 including for Federal administrative expenses, which shall
15 be used to supplement, not supplant State, Territory, and
16 Tribal general revenue funds for child care assistance for
17 low-income families without regard to requirements in sec-
18 tion 658E(c)(3)(D), section 658E(c)(3)(E), section
19 658G(a), or section 658G(c) of the Child Care and Devel-
20 opment Block Grant Act (“CCDBG Act”): *Provided*, That
21 funds made available under this heading in this Act may
22 also be used for costs of waiving family copayments and
23 covering costs typically paid through family copayments,
24 continued payments and assistance to child care providers
25 in cases of decreased enrollment, child absences, or pro-

1 vider closures related to coronavirus, and to ensure child
2 care providers are able to remain open or reopen as appro-
3 priate and applicable: *Provided further*, That States, Ter-
4 ritories, and Tribes are encouraged to place conditions on
5 payments to child care providers that ensure that child
6 care providers use a portion of funds received to continue
7 to pay the salaries and wages of staff: *Provided further*,
8 That such funds may be used for mobilizing emergency
9 child care services, for providing temporary assistance to
10 eligible child care providers to support costs associated
11 with coronavirus, and for supporting child care resource
12 and referral services: *Provided further*, That States, Terri-
13 tories, and Tribes are authorized to use funds appro-
14 priated under this heading to provide child care assistance
15 to health care sector employees, emergency responders,
16 sanitation workers, and other workers deemed essential
17 during the response to coronavirus by public officials,
18 without regard to the income eligibility requirements of
19 section 658P(4) of the CCDBG Act: *Provided further*,
20 That the Secretary shall remind States that CCDBG State
21 plans do not need to be amended prior to utilizing existing
22 authorities in the CCDBG Act for the purposes provided
23 herein: *Provided further*, That funds appropriated under
24 this heading in this Act shall be available to eligible child
25 care providers under section 658P(6) of the CCDBG Act,

1 even if such providers were not receiving CCDBG assist-
2 ance prior to the public health emergency as a result of
3 the coronavirus, for the purposes of cleaning and sanita-
4 tion, and other activities necessary to maintain or resume
5 the operation of programs: *Provided further*, That obliga-
6 tions incurred for the purposes provided herein prior to
7 the date of enactment of this Act may be charged to funds
8 appropriated under this heading in this Act: *Provided fur-*
9 *ther*, That such amount is designated by the Congress as
10 being for an emergency requirement pursuant to section
11 251(b)(2)(A)(i) of the Balanced Budget and Emergency
12 Deficit Control Act of 1985.

13 CHILDREN AND FAMILIES SERVICES PROGRAMS

14 For an additional amount for “Children and Families
15 Services Programs”, \$4,302,000,000, to remain available
16 until September 30, 2021, which shall be used as follows:

17 (1) \$1,000,000,000 for making payments under
18 the Head Start Act to be allocated in an amount
19 that bears the same ratio to such portion as the
20 number of enrolled children served by the agency in-
21 volved bears to the number of enrolled children by
22 all Head Start agencies: *Provided*, That none of the
23 funds appropriated in this paragraph shall be in-
24 cluded in the calculation of the “base grant” in sub-
25 sequent fiscal years, as such term is defined in sec-

1 tions 640(a)(7)(A), 641A(h)(1)(B), or 645(d)(3) of
2 the Head Start Act: *Provided further*, That funds
3 appropriated in this paragraph are not subject to
4 the allocation requirements of section 640(a) of the
5 Head Start Act and in addition to allowable uses of
6 fund in 45 CFR 1301–1305, shall be allowable for
7 developing and implementing procedures and sys-
8 tems to improve the coordination, preparedness and
9 response efforts with State, local, tribal, an terri-
10 torial public health departments, and other relevant
11 agencies; cost of meals and snacks not reimbursed
12 by the Secretary of Agriculture; mental health serv-
13 ices and supports; mental health crisis response and
14 intervention services; training and professional devel-
15 opment for staff on infectious disease management;
16 purchasing necessary supplies and contracted serv-
17 ices to sanitize and clean facilities and vehicles, if
18 applicable; and other costs that are necessary to
19 maintain and resume the operation of programs,
20 such as substitute staff, technology infrastructure,
21 or other emergency assistance; *Provided further*,
22 That up to \$600,000,000 shall be available for the
23 purpose of operating supplemental summer pro-
24 grams through non-competitive grant supplements to
25 existing grantees determined to be most ready to op-

1 erate those programs by the Office of Head Start:
2 *Provided further*, That not more than \$15,000,000
3 shall be available for Federal administrative ex-
4 penses and shall remain available through Sep-
5 tember 30, 2021: *Provided further*, That obligations
6 incurred for the purposes provided herein prior to
7 the date of enactment of this subdivision may be
8 charged to funds appropriated under this heading.

9 (2) \$2,500,000,000 for activities to carry out
10 the Community Services Block Grant Act: *Provided*,
11 That of the amount made available in this para-
12 graph in this Act, \$50,000,000 shall be available for
13 Statewide activities in accordance with section
14 675C(b)(1) of such Act: *Provided further*, That of
15 the amount made available in this paragraph in this
16 Act, \$25,000,000 shall be available for grants to
17 support the procurement and distribution of diapers
18 through non-profit organizations: *Provided further*,
19 That of the amount made available in this para-
20 graph in this Act, \$25,000,000 shall be available for
21 administrative expenses in accordance with section
22 675C(b)(2) of such Act: *Provided further*, That each
23 State, territory, or tribe shall allocate not less than
24 xx percent of its formula award to non-profit organi-
25 zations: *Provided further*, That for services furnished

1 under such Act during fiscal years 2020 and 2021,
2 States may apply the last sentence of section 673(2)
3 of such Act by substituting “200 percent” for “125
4 percent”.

5 (3) \$2,000,000, for the National Domestic Vio-
6 lence Hotline as authorized by Section 303(b) of the
7 Family Violence Prevention and Services Act: *Pro-*
8 *vided*, That the Secretary may use amounts made
9 available in the preceding proviso for providing hot-
10 line services remotely.

11 (4) \$100,000,000 for Family Violence Preven-
12 tion and Services formula grants as authorized by
13 Section 303(a) of the Family Violence and Preven-
14 tion and Services Act; *Provided*, That the Secretary
15 may use amounts made available in the preceding
16 proviso for providing temporary housing and in-per-
17 son assistance to victims of family, domestic, and
18 dating violence: *Provided further*, That for funds ob-
19 ligated during the period of any public health emer-
20 gency declared under section 319 of the Public
21 Health Service Act with respect to coronavirus, the
22 Secretary may waive such statutory and regulatory
23 program requirements as the Secretary determines
24 appropriate to respond to the public health emer-

1 agency, including the matching funds requirement in
2 section 306(c)(4) of such Act.

3 (5) \$100,000,000 for carrying out activities
4 under the Runaway and Homeless Youth Act: *Pro-*
5 *vided*, That amounts made available in the preceding
6 proviso shall be used to supplement, not supplant,
7 existing funds and shall be available without regard
8 to matching requirements.

9 (6) \$1,500,000,000 for necessary expenses for
10 grants for assisting low-income households, as de-
11 fined by the grantee, in paying their water and
12 wastewater utility costs: *Provided*, That eligible
13 grantees shall be those identified in section 2003 of
14 the Social Security Act, and funds appropriated in
15 this paragraph shall be allocated among such enti-
16 ties proportionately to the size of the allotment to
17 each such entity under such section;

18 *Provided further*, That such amount is designated by the
19 Congress as being for an emergency requirement pursuant
20 to section 251(b)(2)(A)(i) of the Balanced Budget and
21 Emergency Deficit Control Act of 1985.

22 ADMINISTRATION FOR COMMUNITY LIVING

23 AGING AND DISABILITY SERVICES PROGRAMS

24 For an additional amount for “Aging and Disability
25 Services Programs”, \$1,205,000,000, to remain available

1 until September 30, 2021, to prevent, prepare for, and re-
2 spond to coronavirus: *Provided*, That of the amount made
3 available under this heading in this Act, \$1,070,000,000
4 shall be for activities authorized under the Older Ameri-
5 cans Act of 1965 (“OAA”), including \$200,000,000 for
6 supportive services under part B of title III; \$720,000,000
7 for nutrition services under subparts 1 and 2 of part C
8 of title III; \$30,000,000 for nutrition services under title
9 VI; \$100,000,000 for support services for family care-
10 givers under part E of title III; and \$20,000,000 for elder
11 rights protection activities, including the long-term om-
12 budsman program under title VII of such Act: *Provided*
13 *further*, That of the amount made available under this
14 heading in this Act, \$50,000,000 shall be for aging and
15 disability resource centers authorized in sections 202(b)
16 and 411 of the OAA: *Provided further*, That of the amount
17 made available under this heading in this Act,
18 \$85,000,000 shall be available for centers for independent
19 living that have received grants funded under part C of
20 chapter I of title VII of the Rehabilitation Act of 1973:
21 *Provided further*, That to facilitate State use of funds pro-
22 vided under this heading in this Act, matching require-
23 ments under sections 304(d)(1)(D) and 373(g)(2) of the
24 OAA shall not apply to funds made available under this
25 heading: *Provided further*, That the transfer authority

1 under section 308(b)(4)(A) of the OAA shall apply to
2 funds made available under this heading in this Act by
3 substituting “100 percent” for “40 percent”: *Provided*
4 *further*, That the State Long-Term Care Ombudsman
5 shall have continuing direct access (or other access
6 through the use of technology) to residents of long-term
7 care facilities, during any portion of the public health
8 emergency relating to coronavirus as of the date of enact-
9 ment of this Act and ending on September 30, 2020, to
10 provide services described in section 712(a)(3)(B) of the
11 OAA: *Provided further*, That such amount is designated
12 by the Congress as being for an emergency requirement
13 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
14 et and Emergency Deficit Control Act of 1985.

15 OFFICE OF THE SECRETARY

16 PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY

17 FUND

18 For an additional amount for “Public Health and So-
19 cial Services Emergency Fund”, \$6,077,000,000, to re-
20 main available until September 30, 2024, to prevent, pre-
21 pare for, and respond to coronavirus, domestically or
22 internationally, including the development of necessary
23 countermeasures and vaccines, prioritizing platform-based
24 technologies with U.S.-based manufacturing capabilities,
25 the purchase of vaccines, therapeutics, diagnostics, and

1 necessary medical supplies, as well as medical surge capac-
2 ity, workforce modernization, enhancements to the U.S.
3 Commissioned Corps, telehealth access and infrastructure,
4 initial advanced manufacturing, and related administra-
5 tive activities: *Provided*, That no less than \$1,000,000,000
6 shall be dedicated to the development, translation and
7 demonstration at scale of innovations in manufacturing
8 platforms to support vitally necessary medical counter-
9 measures to support a reliable U.S.-sourced supply chain
10 of: (a) vaccines, (b) therapeutics, (c) small molecule APIs
11 (active pharmaceutical ingredients), including construc-
12 tion costs: *Provided further*, That the Secretary of Health
13 and Human Services shall purchase vaccines developed
14 using funds made available under this heading in this Act
15 to respond to an outbreak or pandemic related to
16 coronavirus in quantities determined by the Secretary to
17 be adequate to address the public health need: *Provided*
18 *further*, That products purchased by the Federal govern-
19 ment with funds made available under this heading, in-
20 cluding vaccines, therapeutics, and diagnostics, shall be
21 purchased in accordance with Federal Acquisition Regula-
22 tion guidance on fair and reasonable pricing: *Provided fur-*
23 *ther*, That the Secretary may take such measures author-
24 ized under current law to ensure that vaccines, thera-
25 peutics, and diagnostics developed from funds provided in

1 this Act will be affordable in the commercial market *Pro-*
2 *vided further*, That in carrying out the preceding proviso,
3 the Secretary shall not take actions that delay the develop-
4 ment of such products: Provided further, That products
5 purchased with funds appropriated in this paragraph may,
6 at the discretion of the Secretary of Health and Human
7 Services, be deposited in the Strategic National Stockpile
8 under section 319F–2 of the Public Health Service Act
9 (“PHS Act”): *Provided further*, That funds appropriated
10 under this heading in this Act may be transferred to, and
11 merged with, the fund authorized by section 319F–4, the
12 Covered Countermeasure Process Fund, of the PHS Act:
13 *Provided further*, That funds appropriated under this
14 heading in this Act may be used for grants for the con-
15 struction, alteration, or renovation of non-Federally owned
16 facilities to improve preparedness and response capability
17 at the State and local level: *Provided further*, That funds
18 appropriated under this heading in this Act may be used
19 for the construction, alteration, or renovation of non-Fed-
20 erally owned facilities for the production of vaccines,
21 therapeutics, and diagnostics where the Secretary deter-
22 mines that such a contract is necessary to secure sufficient
23 amounts of such supplies: *Provided further*, That of the
24 amount provided under this heading in this Act,
25 \$1,635,000,000 shall be for expenses necessary to carry

1 out section 319F–2(a) of the PHS Act: *Provided further*,
2 That of the amount provided under this heading in this
3 Act, not less than \$500,000,000 shall be available to the
4 Biomedical Advanced Research and Development Author-
5 ity for acquisition, construction, or renovation of privately
6 owned U.S.-based next generation manufacturing facili-
7 ties: *Provided further*, That not later than seven days after
8 the date of enactment of this Act, and weekly thereafter
9 until [insert end date], the Secretary shall report to the
10 Committees on Appropriations of the House of Represent-
11 atives and the Senate on the current inventory of personal
12 protective equipment in the Strategic National Stockpile,
13 including the numbers of face shields, gloves, goggles and
14 glasses, gowns, head covers, masks, and respirators, as
15 well as deployment of personal protective equipment dur-
16 ing the previous week, reported by state and other juris-
17 diction: *Provided further*, That after the date that a report
18 is required to be submitted pursuant to the preceding pro-
19 viso, amounts made available for “Department of Health
20 and Human Services—Office of the Secretary—General
21 Departmental Management” in Public Law 116–94 for
22 salaries and expenses of the Immediate Office of the Sec-
23 retary shall be reduced by \$250,000 for each day that
24 such report has not been submitted: *Provided further*,
25 That such amount is designated by the Congress as being

1 for an emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985.

4 For an additional amount for “Public Health and So-
5 cial Services Emergency Fund”, \$100,000,000,000, to re-
6 main available until expended, to prevent, prepare for, and
7 respond to coronavirus, to provide grants to public enti-
8 ties, not-for-profit entities, and Medicare and Medicaid en-
9 rolled suppliers and institutional providers, including for-
10 profit entities to reimburse for health care related ex-
11 penses or lost revenues directly attributable to the public
12 health emergency resulting from the coronavirus: *Pro-*
13 *vided*, That grants shall be awarded in coordination with
14 the Administrator of the Centers for Medicare & Medicaid
15 Services: Provided further, That funds under this para-
16 graph shall not be used to provide grants to reimburse
17 for health care related expenses or lost revenues that have
18 been reimbursed or are eligible for reimbursement from
19 other sources: *Provided further*, That such amount is des-
20 ignated by the Congress as being for an emergency re-
21 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
22 anced Budget and Emergency Deficit Control Act of 1985.

23 For an additional amount for “Public Health and So-
24 cial Services Emergency Fund”, \$4,500,000,000, to re-
25 main available until September 30, 2022, to prevent, pre-

1 pare for, and respond to coronavirus, to reimburse the De-
2 partment of Veterans Affairs for expenses incurred by the
3 Veterans Affairs health care system to provide medical
4 care to civilians: *Provided*, That funds provided under this
5 paragraph shall be made available only if the Secretary
6 of Health and Human Services certifies to the Committees
7 on Appropriations of the House of Representatives and the
8 Senate that such funds are necessary to reimburse the De-
9 partment of Veterans Affairs for expenses incurred to pro-
10 vide health care to civilians: *Provided further*, That the
11 Secretary shall notify the Committees on Appropriations
12 of the House of Representatives and the Senate prior to
13 such certification: *Provided further*, That such amount is
14 designated by the Congress as being for an emergency re-
15 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
16 anced Budget and Emergency Deficit Control Act of 1985.

17 DEPARTMENT OF EDUCATION

18 STATE FISCAL STABILIZATION FUND

19 For an additional amount for “State Fiscal Stabiliza-
20 tion Fund”, \$30,000,000,000, to remain available until
21 September 30, 2022, to prevent, prepare for, and respond
22 to coronavirus: *Provided*, That the Secretary of Education
23 (referred to under this heading as “Secretary”) shall make
24 grants to the Governor of each State for support of ele-
25 mentary, secondary, and postsecondary education and, as

1 applicable, early childhood education programs and serv-
2 ices: *Provided further*, That of the amount made available,
3 the Secretary shall first allocate up to one-half of 1 per-
4 cent to the outlying areas and one-half of 1 percent to
5 the Bureau of Indian Education (BIE) for activities con-
6 sistent with this heading under such terms and conditions
7 as the Secretary may determine: *Provided further*, That
8 of the amount made available, the Secretary shall allocate
9 1 percent of funds to provide grants to States with the
10 highest coronavirus burden to support activities under this
11 heading: *Provided further*, That the Secretary shall issue
12 a notice inviting applications not later than 30 days of
13 enactment of this Act and approve or deny applications
14 not later than 30 days after receipt: *Provided further*, That
15 the Secretary may reserve up to \$30,000,000 for adminis-
16 tration and oversight of the activities under this heading:
17 *Provided further*, That the Secretary shall allocate 61 per-
18 cent of the remaining funds made available to carry out
19 this heading to the States on the basis of their relative
20 population of individuals aged 5 through 24 and allocate
21 39 percent on the basis of their relative number of children
22 counted under section 1124(c) of the Elementary and Sec-
23 ondary Education Act of 1965 (referred to under this
24 heading as “ESEA”) as State grants: *Provided further*,
25 That State grants shall support statewide elementary, sec-

1 ondary, and postsecondary activities; subgrants to local
2 educational agencies; and, subgrants to public institutions
3 of higher education: *Provided further*, That States shall
4 allocate not less than 30 percent of the funds received
5 under the sixth proviso as subgrants to local educational
6 agencies on the basis of their relative number of children
7 counted under section 1124(c) of the ESEA: *Provided fur-*
8 *ther*, That States shall allocate not less than 30 percent
9 of the funds received under the sixth proviso as subgrants
10 to public institutions of higher education on the basis of
11 the relative share of full-time equivalent students who re-
12 ceived Pell Grants at the institution in the previous award
13 year and of the total enrollment of full-time equivalent stu-
14 dents at the institution in the previous award year: *Pro-*
15 *vided further*, That the Governor shall return to the Sec-
16 retary any funds received that the Governor does not
17 award to local educational agencies and public institutions
18 of higher education or otherwise commit within two years
19 of receiving such funds, and the Secretary shall reallocate
20 such funds to the remaining States in accordance with the
21 sixth proviso: *Provided further*, That Governors shall use
22 State grants to maintain or restore State fiscal support
23 for elementary, secondary and postsecondary education:
24 *Provided further*, That funds for local educational agencies
25 may be used for any activity authorized by the ESEA, the

1 Individuals with Disabilities Education Act, the McKin-
2 ney-Vento Homeless Assistance Act (Title VII, Subpart
3 B), the Adult Education and Family Literacy Act or the
4 Carl D. Perkins Career and Technical Education Act of
5 2006 (“the Perkins Act”): *Provided further*, That a State
6 or local educational agency receiving funds under this
7 heading may use the funds for activities coordinated with
8 State, local, tribal, and territorial public health depart-
9 ments to detect, prevent, or mitigate the spread of infec-
10 tious disease or otherwise respond to coronavirus; support
11 online learning by purchasing educational technology and
12 internet access for students, which may include assistive
13 technology or adaptive equipment, that aids in regular and
14 substantive educational interactions between students and
15 their classroom instructor; provide ongoing professional
16 development to staff in how to effectively provide quality
17 online academic instruction; provide assistance for chil-
18 dren and families to promote equitable participation in
19 quality online learning; plan and implement activities re-
20 lated to summer learning, including providing classroom
21 instruction or quality online learning during the summer
22 months; plan for and coordinate during long-term clo-
23 sures, provide technology for quality online learning to all
24 students, and how to support the needs of low-income stu-
25 dents, racial and ethnic minorities, students with disabil-

ities, English learners, students experiencing homelessness, and children in foster care, including how to address learning gaps that are created or exacerbated due to long-term closures; and other activities that are necessary to maintain the operation of and continuity of services in local educational agencies, including maintaining employment of existing personnel: *Provided further*, That a public institution of higher education that receives funds under this heading shall use funds for education and general expenditures and grants to students for expenses directly related to coronavirus and the disruption of campus operations (which may include emergency financial aid to students for food, housing, technology, health care, and child care costs that shall not be required to be repaid by such students) or for the acquisition of technology and services directly related to the need for distance learning and the training of faculty and staff to use such technology and services (which shall not include paying contractors a portion of tuition revenue or for pre-enrollment recruitment activities): *Provided further*, That priority shall be given to under-resourced institutions, institutions with high burden due to the coronavirus, and institutions who do not possess distance education capabilities at the time of enactment of this Act: *Provided further*, That an institution of higher education may not use funds received under this

1 heading to increase its endowment or provide funding for
2 capital outlays associated with facilities related to ath-
3 letics, sectarian instruction, or religious worship: *Provided*
4 *further*, That funds may be used to support hourly work-
5 ers, such as education support professionals, classified
6 school employees, and adjunct and contingent faculty: *Pro-*
7 *vided further*, That a Governor of a State desiring to re-
8 ceive an allocation under this heading shall submit an ap-
9 plication at such time, in such manner, and containing
10 such information as the Secretary may reasonably require:
11 *Provided further*, That a State's application shall include
12 assurances that the State will maintain support for ele-
13 mentary and secondary education in fiscal year 2020, fis-
14 cal year 2021, and fiscal year 2022 at least at the level
15 of such support that is the average of such State's support
16 for elementary and secondary education in the 3 fiscal
17 years preceding the date of enactment of this Act: *Pro-*
18 *vided further*, That a State's application shall include as-
19 surances that the State will maintain State support for
20 higher education (not including support for capital
21 projects or for research and development or tuition and
22 fees paid by students) in fiscal year 2020, fiscal year
23 2021, and fiscal year 2022 at least at the level of such
24 support that is the average of such State's support for
25 higher education (which shall include State and local gov-

1 ernment funding to institutions of higher education and
2 state need-based financial aid) in the 3 fiscal years pre-
3 ceding the date of enactment of this Act: *Provided further*,
4 That in such application, the Governor shall provide base-
5 line data that demonstrates the State's current status in
6 each of the areas described in such assurances in the pre-
7 ceding provisos: *Provided further*, That a State's applica-
8 tion shall include assurances that the State will not con-
9 strue any provisions under this heading as displacing any
10 otherwise applicable provision of any collective-bargaining
11 agreement between an eligible entity and a labor organiza-
12 tion as defined by section 2(5) of the National Labor Rela-
13 tions Act (29 U.S.C. 152(5)) or analogous State law: *Pro-*
14 *vided further*, That a State's application shall include as-
15 surances that the State shall maintain the wages, benefits,
16 and other terms and conditions of employment set forth
17 in any collective-bargaining agreement between the eligible
18 entity and a labor organization, as defined in the pre-
19 ceding proviso: *Provided further*, That a State receiving
20 funds under this heading shall submit a report to the Sec-
21 retary, at such time and in such manner as the Secretary
22 may require, that describes the use of funds provided
23 under this heading: *Provided further*, That no recipient of
24 funds under this heading shall use funds to provide finan-
25 cial assistance to students to attend private elementary or

1 secondary schools, unless such funds are used to provide
2 special education and related services to children with dis-
3 abilities, as authorized by the Individuals with Disabilities
4 Education Act: *Provided further*, That the terms “elemen-
5 tary education” and “secondary education” have the
6 meaning given such terms under State law: *Provided fur-*
7 *ther*, That the term “institution of higher education” has
8 the meaning given such term in section 101 of the Higher
9 Education Act of 1965: *Provided further*, That the term
10 “fiscal year” shall have the meaning given such term
11 under State law: *Provided further*, That such amount is
12 designated by the Congress as being for an emergency re-
13 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
14 anced Budget and Emergency Deficit Control Act of 1985.

15 SAFE SCHOOLS AND CITIZENSHIP EDUCATION

16 For an additional amount for “Safe Schools and Citi-
17 zenship Education”, to supplement funds otherwise avail-
18 able for the “Project School Emergency Response to Vio-
19 lence program”, \$200,000,000, to remain available until
20 September 30, 2020, to prevent, prepare for, and respond
21 to coronavirus, including to help elementary, secondary
22 and postsecondary schools clean and disinfect affected
23 schools, and assist in counseling and distance learning and
24 associated costs: *Provided*, That such amount is des-
25 ignated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 GALLAUDET UNIVERSITY

4 For an additional amount for “Gallaudet University”,
5 \$7,000,000, to remain available until September 30, 2020,
6 to prevent, prepare for, and respond to coronavirus, in-
7 cluding to help defray the expenses (which may include
8 lost revenue, reimbursement for expenses already in-
9 curred, technology costs associated with a transition to
10 distance learning, faculty and staff trainings, and payroll)
11 directly caused by coronavirus and to enable grants to stu-
12 dents for expenses directly related to coronavirus and the
13 disruption of university operations (which may include
14 food, housing, transportation, technology, health care, and
15 child care): *Provided*, That such amount is designated by
16 the Congress as being for an emergency requirement pur-
17 suant to section 251(b)(2)(A)(i) of the Balanced Budget
18 and Emergency Deficit Control Act of 1985.

19 STUDENT AID ADMINISTRATION

20 For an additional amount for “Student Aid Adminis-
21 tration”, \$75,000,000, to remain available until Sep-
22 tember 30, 2020, to prevent, prepare for, and respond to
23 coronavirus in carrying out part D of title I, and subparts
24 1, 3, 9 and 10 of part A, and parts B, C, D, and E of
25 title IV of the HEA, and subpart 1 of part A of title VII

1 of the Public Health Service Act to support essential serv-
2 ices directly related to coronavirus: *Provided*, That not
3 later than 30 days after the date of enactment of this Act,
4 the Secretary shall, using outbound communications, pro-
5 vide all Federal student loan borrowers a notice of their
6 options to lower or delay payments as a result of the
7 coronavirus by enrolling in income-driven repayment,
8 deferment, or forbearance, and including a brief descrip-
9 tion of such options: *Provided further*, That such amount
10 is designated by the Congress as being for an emergency
11 requirement pursuant to section 251(b)(2)(A)(i) of the
12 Balanced Budget and Emergency Deficit Control Act of
13 1985.

14 HIGHER EDUCATION

15 For an additional amount for “Higher Education”,
16 \$9,500,000,000, to remain available until September 30,
17 2020, to prevent, prepare for, and respond to coronavirus,
18 including under parts A and B of title III, part A of title
19 V, subpart 4 of part A of title VII, and part B of title
20 VII of the Higher Education Act, which may be used to
21 defray expenses (including lost revenue, reimbursement
22 for expenses already incurred, technology costs associated
23 with a transition to distance education, faculty and staff
24 trainings, and payroll) incurred by institutions of higher
25 education and for grants to students for any component

1 of the student's cost of attendance (as defined under sec-
2 tion 472 of the Higher Education Act), including food,
3 housing, course materials, technology, health care, and
4 child care as follows:

5 (1) \$1,500,000,000 for parts A and B of title
6 III, part A of title V, and subpart 4 of part A of
7 title VII to address needs directly related to
8 coronavirus: *Provided*, That the Secretary of Edu-
9 cation shall allow institutions to use prior awards
10 under the authorities covered by the preceding pro-
11 viso to prevent, prepare for, and respond to
12 coronavirus;

13 (2) \$8,000,000,000 for part B of title VII of
14 the Higher Education Act for institutions of higher
15 education (as defined in section 101 or 102(c) of the
16 Higher Education Act) to address needs directly re-
17 lated to coronavirus: *Provided*, That such funds shall
18 be available to the Secretary only for payments to
19 help defray the expenses incurred by such institu-
20 tions of higher education that were forced to close
21 campuses or alter delivery of instruction as a result
22 of coronavirus: *Provided further*, That any non-prof-
23 it, private institution of higher education that is not
24 otherwise eligible for a grant of at least \$1,000,000,
25 shall be eligible to receive an amount equal to which-

1 ever is lesser of the total loss of revenue and in-
2 creased costs associated with the coronavirus or
3 \$1,000,000: *Provided further*, That, notwithstanding
4 sections 484 and 741(d)(1) of the Higher Education
5 Act, funds may be used to make payments to such
6 institutions to provide emergency grants to students
7 who attend such institutions for academic years be-
8 ginning on or after July 1, 2019:
9 *Provided further*, That such payments shall be made in
10 accordance with criteria established by the Secretary and
11 made publicly available without regard to section 437 of
12 the General Education Provisions Act, section 553 of title
13 5, United States Code, or part B of title VII of the HEA:
14 *Provided further*, That institutions receiving funds under
15 the heading State Fiscal Stabilization Fund (not including
16 amounts provided through state-based financial aid) shall
17 not be eligible for additional funding for part B of title
18 VII under this heading: *Provided further*, That such pay-
19 ments shall not be used to increase endowments or provide
20 funding for capital outlays associated with facilities re-
21 lated to athletics, sectarian instruction, or religious wor-
22 ship: *Provided further*, That such amounts is designated
23 by the Congress as being for an emergency requirement
24 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
25 et and Emergency Deficit Control Act of 1985.

1 HOWARD UNIVERSITY

2 For an additional amount for “Howard University”,
3 \$13,000,000, to remain available until September 30,
4 2020, to prevent, prepare for, and respond to coronavirus,
5 including to help defray the expenses (which may include
6 lost revenue, reimbursement for expenses already in-
7 curred, technology costs associated with a transition to
8 distance learning, faculty and staff trainings, and payroll)
9 directly caused by coronavirus and to enable grants to stu-
10 dents for expenses directly related to coronavirus and the
11 disruption of university operations (which may include
12 food, housing, transportation, technology, health care, and
13 child care): *Provided*, That such amount is designated by
14 the Congress as being for an emergency requirement pur-
15 suant to section 251(b)(2)(A)(i) of the Balanced Budget
16 and Emergency Deficit Control Act of 1985.

17 DEPARTMENTAL MANAGEMENT

18 PROGRAM ADMINISTRATION

19 For an additional amount for “Program Administra-
20 tion”, \$10,000,000, to remain available until September
21 30, 2020, to prevent, prepare for, and respond to
22 coronavirus: *Provided*, That such funds shall only be used
23 to support network bandwidth and capacity for telework
24 for Departmental staff and the cleaning of facilities as a
25 result of coronavirus: *Provided further*, That such amount

1 is designated by the Congress as being for an emergency
2 requirement pursuant to section 251(b)(2)(A)(i) of the
3 Balanced Budget and Emergency Deficit Control Act of
4 1985.

5 OFFICE OF THE INSPECTOR GENERAL

6 For an additional amount for the “Office of Inspector
7 General”, \$11,000,000, to remain available until Sep-
8 tember 30, 2022, to prevent, prepare for, and respond to
9 coronavirus, including for salaries and expenses necessary
10 for oversight and audit of programs, grants, and projects
11 funded in this Act to respond to coronavirus *Provided*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 RELATED AGENCIES

17 CORPORATION FOR NATIONAL AND COMMUNITY
18 SERVICE

19 For an additional amount for the “Corporation for
20 National and Community Service”, \$250,000,000, to re-
21 main available until September 30, 2020, to prevent, pre-
22 pare for, and respond to coronavirus: *Provided*, That such
23 amount is designated by the Congress as being for an
24 emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 ADMINISTRATIVE PROVISION—CORPORATION FOR
4 NATIONAL AND COMMUNITY SERVICE

5 SEC. 10801. (a)(1) The remaining unobligated bal-
6 ances of funds as of September 30, 2020, from amounts
7 provided to “Corporation for National and Community
8 Service—Operating Expenses” in title IV of Division A
9 of the Further Consolidated Appropriations Act, 2020
10 (Public Law 116–94), are hereby permanently rescinded.

11 (2) In addition to any amounts otherwise provided,
12 there is hereby appropriated on September 30, 2020, for
13 an additional amount for fiscal year 2020, an amount
14 equal to the unobligated balances rescinded pursuant to
15 paragraph (1): *Provided*, That amounts made available
16 pursuant to this paragraph shall remain available until
17 September 30, 2021, and shall be available for the same
18 purposes and under the same authorities that they were
19 originally made available in Public Law 116–94.

20 (b)(1) The remaining unobligated balances of funds
21 as of September 30, 2020, from amounts provided to
22 “Corporation for National and Community Service—Sala-
23 ries and Expenses” in title IV of Division A of the Further
24 Consolidated Appropriations Act, 2020 (Public Law 116–
25 94), are hereby permanently rescinded.

1 (2) In addition to any amounts otherwise provided,
2 there is hereby appropriated on September 30, 2020, for
3 an additional amount for fiscal year 2020, an amount
4 equal to the unobligated balances rescinded pursuant to
5 paragraph (1): *Provided*, That amounts made available
6 pursuant to this paragraph shall remain available until
7 September 30, 2021, and shall be available for the same
8 purposes and under the same authorities that they were
9 originally made available in Public Law 116–94.

10 (c)(1) The remaining unobligated balances of funds
11 as of September 30, 2020, from amounts provided to
12 “Corporation for National and Community Service—Of-
13 fice of Inspector General” in title IV of Division A of the
14 Further Consolidated Appropriations Act, 2020 (Public
15 Law 116–94), are hereby permanently rescinded.

16 (2) In addition to any amounts otherwise provided,
17 there is hereby appropriated on September 30, 2020, for
18 an additional amount for fiscal year 2020, an amount
19 equal to the unobligated balances rescinded pursuant to
20 paragraph (1): *Provided*, That amounts made available
21 pursuant to this paragraph shall remain available until
22 September 30, 2021, and shall be available for the same
23 purposes and under the same authorities that they were
24 originally made available in Public Law 116–94.

1 CORPORATION FOR PUBLIC BROADCASTING

2 For an additional amount for “Corporation for Public
3 Broadcasting”, \$300,000,000, to remain available until
4 September 30, 2020, to prevent, prepare for, and respond
5 to coronavirus, including for fiscal stabilization grants to
6 public telecommunications entities, with no deduction for
7 administrative or other costs of the Corporation, to main-
8 tain programming and services and preserve small and
9 rural stations threatened by declines in non-Federal reve-
10 nues, of which \$50,000,000 shall be used to support the
11 public television system: *Provided* , That such amount is
12 designated by the Congress as being for an emergency re-
13 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
14 anced Budget and Emergency Deficit Control Act of 1985.

15 INSTITUTE OF MUSEUM AND LIBRARY SERVICES

16 For an additional amount for “Institute of Museum
17 and Library Services”, \$500,000,000, to remain available
18 until September 30, 2021, to prevent, prepare for, and re-
19 spond to coronavirus, including grants to States, muse-
20 ums, territories and tribes to expand digital network ac-
21 cess, purchase tablets and other internet-enabled devices,
22 for operational expenses, and provide technical support
23 services: *Provided*, That any matching funds requirements
24 for States, museums, or tribes are waived: *Provided fur-*
25 *ther*, That such amount is designated by the Congress as

1 being for an emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985.

4 RAILROAD RETIREMENT BOARD

5 LIMITATION ON ADMINISTRATION

6 For an additional amount for “Limitation on Admin-
7 istration”, \$10,000,000, to remain available until Sep-
8 tember 30, 2020, to prevent, prepare for, and respond to
9 coronavirus, including the purchase of information tech-
10 nology equipment to improve the mobility of the work-
11 force, and to provide for additional hiring or overtime
12 hours as needed to administer the Railroad Unemploy-
13 ment Insurance Act: *Provided*, That such amount is des-
14 ignated by the Congress as being for an emergency re-
15 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
16 anced Budget and Emergency Deficit Control Act of 1985.

17 SOCIAL SECURITY ADMINISTRATION

18 LIMITATION ON ADMINISTRATIVE EXPENSES

19 For an additional amount for “Limitation on Admin-
20 istrative Expenses”, \$510,000,000, to remain available
21 until September 30, 2021, for necessary expenses to pre-
22 vent, prepare for, and respond to coronavirus, including
23 paying the salaries and benefits of employees affected as
24 a result of office closures, telework, phone and commu-
25 nication services for employees, overtime costs, and sup-

1 plies, and for resources necessary for processing disability
2 and retirement workloads and backlogs, of which the
3 amount made available under this heading in this Act,
4 \$210,000,000 shall be for the purposes of issuing emer-
5 gency assistance payments: *Provided further*, That such
6 amount is designated by the Congress as being for an
7 emergency requirement pursuant to section
8 251(b)(2)(A)(i) of the Balanced Budget and Emergency
9 Deficit Control Act of 1985.

10 GENERAL PROVISIONS—THIS TITLE

11 SEC. 10802. Notwithstanding any other provision of
12 law, funds made available under each heading in this title
13 shall only be used for the purposes specifically described
14 under that heading.

15 SEC. 10803. (a) Funds appropriated in this title may
16 be made available to restore amounts, either directly or
17 through reimbursement, for obligations incurred by agen-
18 cies of the Department of Health and Human Services to
19 prevent, prepare for, and respond to coronavirus, domesti-
20 cally or internationally, prior to the date of enactment of
21 this Act. This subsection shall not apply to obligations in-
22 curred by the Infectious Diseases Rapid Response Reserve
23 Fund.

24 (b) Grants or cooperative agreements with States, lo-
25 calities, territories, tribes, tribal organizations, urban In-

1 dian health organizations, or health service providers to
2 tribes, under this title, to carry out surveillance, epidemi-
3 ology, laboratory capacity, infection control, mitigation,
4 communications, and other preparedness and response ac-
5 tivities to prevent, prepare for, and respond to coronavirus
6 shall include amounts to reimburse costs for these pur-
7 poses incurred between January 20, 2020, and the date
8 of enactment of this Act.

9 SEC. 10804. Funds appropriated by this title may be
10 used by the Secretary of the Health and Human Services
11 to appoint, without regard to the provisions of sections
12 3309 through 3319 of title 5 of the United States Code,
13 candidates needed for positions to perform critical work
14 relating to coronavirus for which—

15 (1) public notice has been given; and

16 (2) the Secretary has determined that such a
17 public health threat exists.

18 SEC. 10805. Funds made available by this title may
19 be used to enter into contracts with individuals for the
20 provision of personal services (as described in section 104
21 of part 37 of title 48, Code of Federal Regulations (48
22 CFR 37.104)) to support the prevention of, preparation
23 for, or response to coronavirus, domestically and inter-
24 nationally, subject to prior notification to the Committees
25 on Appropriations of the House of Representatives and the

1 Senate: Provided, That such individuals may not be
2 deemed employees of the United States for the purpose
3 of any law administered by the Office of Personnel Man-
4 agement: Provided further, That the authority made avail-
5 able pursuant to this section shall expire on September
6 30, 2024.

7 SEC. 10806. Of the funds appropriated by this title
8 under the heading “Public Health and Social Services
9 Emergency Fund”, \$4,000,000 shall be transferred to,
10 and merged with, funds made available under the heading
11 “Office of the Secretary, Office of Inspector General”, and
12 shall remain available until expended, for oversight of ac-
13 tivities supported with funds appropriated to the Depart-
14 ment of Health and Human Services in this Act: Provided,
15 That the Inspector General of the Department of Health
16 and Human Services shall consult with the Committees
17 on Appropriations of the House of Representatives and the
18 Senate prior to obligating such funds: Provided further,
19 That the transfer authority provided by this section is in
20 addition to any other transfer authority provided by law.

21 SEC. 10807. Of the funds provided under the heading
22 “CDC–Wide Activities and Program Support”,
23 \$1,000,000,000, to remain available until expended, shall
24 be available to the Director of the CDC for deposit in the
25 Infectious Diseases Rapid Response Reserve Fund estab-

1 lished by section 231 of division B of Public Law 115–
2 245.

3 SEC. 10808. (a) PREMIUM PAY AUTHORITY.—

4 If services performed by an employee of the Department
5 of Health and Human Services during fiscal year 2020
6 are determined by the head of the agency to be primarily
7 related to preparation, prevention, or response to SARS–
8 CoV–2 or another coronavirus with pandemic potential,
9 any premium pay for such services shall be disregarded
10 in calculating the aggregate of such employee’s basic pay
11 and premium pay for purposes of a limitation under sec-
12 tion 5547(a) of title 5, United States Code, or under any
13 other provision of law, whether such employee’s pay is
14 paid on a biweekly or calendar year basis.

15 (b) OVERTIME AUTHORITY.—Any overtime pay
16 for such services shall be disregarded in calculating any
17 annual limit on the amount of overtime pay payable in
18 a calendar or fiscal year.

19 (c) APPLICABILITY OF AGGREGATE LIMITA-
20 TION ON PAY.—With regard to such services, any pay
21 that is disregarded under either subsection (a) or (b) shall
22 be disregarded in calculating such employee’s aggregate
23 pay for purposes of the limitation in section 5307 of such
24 title 5.

25 (d) LIMITATION OF PAY AUTHORITY.—

1 (1) Pay that is disregarded under subsection
2 (a) or (b) shall not cause the aggregate of the em-
3 ployee's basic pay and premium pay for the applica-
4 ble calendar year to exceed the rate of basic pay
5 payable for a position at level II of the Executive
6 Schedule under section 5313 of title 5, United
7 States Code, as in effect at the end of such calendar
8 year.

9 (2) For purposes of applying this subsection to
10 an employee who would otherwise be subject to the
11 premium pay limits established under section 5547
12 of title 5, United States Code, "premium pay"
13 means the premium pay paid under the provisions of
14 law cited in section 5547(a).

15 (3) For purposes of applying this subsection to
16 an employee under a premium pay limit established
17 under an authority other than section 5547 of title
18 5, United States Code, the agency responsible for
19 administering such limit shall determine what pay-
20 ments are considered premium pay.

21 (e) EFFECTIVE DATE.—This section shall take ef-
22 fect as if enacted on February 2, 2020.

23 (f) TREATMENT OF ADDITIONAL PAY.—If ap-
24 plication of this section results in the payment of addi-
25 tional premium pay to a covered employee of a type that

1 is normally creditable as basic pay for retirement or any
2 other purpose, that additional pay shall not—

3 (1) be considered to be basic pay of the covered
4 employee for any purpose; or

5 (2) be used in computing a lump-sum payment
6 to the covered employee for accumulated and ac-
7 crued annual leave under section 5551 or section
8 5552 of title 5, United States Code.

9 SEC. 10809. (a) Funds appropriated for “Depart-
10 ment of Health and Human Services—Centers for Disease
11 Control and Prevention—CDC—Wide Activities and Pro-
12 gram Support’ ” in title III of the Coronavirus Prepared-
13 ness and Response Supplemental Appropriations Act,
14 2020 (Public Law 116 - 123) shall be paid to “Depart-
15 ment of Homeland Security—Countering Weapons of
16 Mass Destruction Office—Federal Assistance” for costs
17 incurred under other transaction authority and related to
18 screening for coronavirus, domestically or internationally,
19 including costs incurred prior to the enactment of such
20 Act.

21 (b) The amounts repurposed under subsection (a)
22 that were previously designated by the Congress as an
23 emergency requirement pursuant to section
24 251(b)(2)(A)(i) of the Balanced Budget and Emergency
25 Deficit Control Act of 1985 are designated by the Con-

1 gress as an emergency requirement pursuant to such sec-
2 tion of such Act.

1 TITLE IX—LEGISLATIVE BRANCH

2 SENATE

3 CONTINGENT EXPENSES OF THE SENATE

4 SERGEANT AT ARMS AND DOORKEEPER OF THE SENATE

5 For an additional amount for “Sergeant at Arms and
6 Doorkeeper of the Senate”, \$1,000,000, to remain avail-
7 able until expended, to prevent, prepare for, and respond
8 to coronavirus: *Provided*, That such amount is designated
9 by the Congress as being for an emergency requirement
10 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
11 et and Emergency Deficit Control Act of 1985.

12 MISCELLANEOUS ITEMS

13 For an additional amount for “Miscellaneous Items”,
14 \$9,000,000, to remain available until expended, to pre-
15 vent, prepare for, and respond to coronavirus: *Provided*,
16 That such amount is designated by the Congress as being
17 for an emergency requirement pursuant to section
18 251(b)(2)(A)(i) of the Balanced Budget and Emergency
19 Deficit Control Act of 1985.

20 HOUSE OF REPRESENTATIVES

21 SALARIES AND EXPENSES

22 For an additional amount for “Salaries and Ex-
23 penses”, \$25,000,000, to remain available until September
24 30, 2021, except that \$5,000,000 shall remain available
25 until expended, for necessary expenses of the House of

1 Representatives to prevent, prepare for, and respond to
2 coronavirus, to be allocated in accordance with a spend
3 plan submitted to the Committee on Appropriations of the
4 House of Representatives by the Chief Administrative Of-
5 ficer and approved by such Committee: *Provided*, That
6 such amount is designated by the Congress as being for
7 an emergency requirement pursuant to section
8 251(b)(2)(A)(i) of the Balanced Budget and Emergency
9 Deficit Control Act of 1985.

10 JOINT ITEMS

11 OFFICE OF THE ATTENDING PHYSICIAN

12 For an additional amount for “Office of the Attend-
13 ing Physician”, \$400,000, to remain available until ex-
14 pended, to prevent, prepare for, and respond to
15 coronavirus: *Provided*, That such amount is designated by
16 the Congress as being for an emergency requirement pur-
17 suant to section 251(b)(2)(A)(i) of the Balanced Budget
18 and Emergency Deficit Control Act of 1985.

19 CAPITOL POLICE

20 SALARIES

21 For an additional amount for “Salaries”,
22 \$12,000,000, to remain available until September 30,
23 2021, to prevent, prepare for, and respond to coronavirus:
24 *Provided*, That amounts provided in this paragraph may
25 be transferred between Capitol Police “Salaries” and

1 “General Expenses” for the purposes provided herein
2 without the approval requirement of section 1001 of the
3 Legislative Branch Appropriations Act, 2014 (2 U.S.C.
4 1907a): *Provided further*, That such amount is designated
5 by the Congress as being for an emergency requirement
6 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
7 et and Emergency Deficit Control Act of 1985.

8 ARCHITECT OF THE CAPITOL

9 CAPITAL CONSTRUCTION AND OPERATIONS

10 For an additional amount for “Capital Construction
11 and Operations”, \$25,000,000, to remain available until
12 September 30, 2021, for necessary expenses of the Archi-
13 tect of the Capitol to prevent, prepare for, and respond
14 to coronavirus, including the purchase and distribution of
15 cleaning and sanitation products throughout all facilities
16 and grounds under the care of the Architect of the Capitol,
17 wherever located, including any related services and oper-
18 ational costs: *Provided*, That such amount is designated
19 by the Congress as being for an emergency requirement
20 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
21 et and Emergency Deficit Control Act of 1985.

22 LIBRARY OF CONGRESS

23 SALARIES AND EXPENSES

24 For an additional amount for “Salaries and Ex-
25 penses”, \$700,000, to remain available until September

1 30, 2020, to be made available to the Little Scholars Child
2 Development Center, subject to approval by the Commit-
3 tees on Appropriations of the Senate and House of Rep-
4 resentatives, and the Senate Committee on Rules and Ad-
5 ministration, and the Committee on House Administra-
6 tion: *Provided*, That such amount is designated by the
7 Congress as being for an emergency requirement pursuant
8 to section 251(b)(2)(A)(i) of the Balanced Budget and
9 Emergency Deficit Control Act of 1985.

10 GOVERNMENT ACCOUNTABILITY OFFICE

11 SALARIES AND EXPENSES

12 For an additional amount for “Salaries and Ex-
13 penses”, \$20,000,000, to remain available until expended,
14 for audits and investigations relating to coronavirus: *Pro-*
15 *vided*, That, not later than 90 days after the date of enact-
16 ment of this Act, the Government Accountability Office
17 shall submit to the Committees on Appropriations of the
18 House of Representatives and the Senate a spend plan
19 specifying funding estimates and a timeline for such au-
20 dits and investigations: *Provided further*, That such
21 amount is designated by the Congress as being for an
22 emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 GENERAL PROVISIONS—THIS TITLE

2 SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES
3 AND EXPENSES OF SENATE EMPLOYEE CHILD CARE
4 CENTER

5 SEC. 10901. The Secretary of the Senate shall reim-
6 burse the Senate Employee Child Care Center for per-
7 sonnel costs incurred starting on April 1, 2020, for em-
8 ployees of such Center who have been ordered to cease
9 working due to measures taken in the Capitol complex to
10 combat coronavirus, not to exceed \$84,000 per month,
11 from amounts in the appropriations account “MIS-
12 CELLANEOUS ITEMS” within the contingent fund of
13 the Senate.

14 SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES
15 AND EXPENSES OF LITTLE SCHOLARS CHILD DEVEL-
16 OPMENT CENTER

17 SEC. 10902. The Library of Congress shall reimburse
18 Little Scholars Child Development Center for salaries for
19 employees incurred from April 1, 2020, to September 30,
20 2020, for employees of such Center who have been ordered
21 to cease working due to measures taken in the Capitol
22 complex to combat coronavirus, not to exceed \$113,000
23 per month, from amounts in the appropriations account
24 “Library of Congress—Salaries and Expenses”.

1 SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES
2 AND EXPENSES OF HOUSE OF REPRESENTATIVES
3 CHILD CARE CENTER

4 SEC. 10903. (a) AUTHORIZING USE OF REVOLVING
5 FUND OR APPROPRIATED FUNDS.—Section 312(d)(3)(A)
6 of the Legislative Branch Appropriations Act, 1992 (2
7 U.S.C. 2062(d)(3)(A)) is amended—

8 (1) in subparagraph (A), by striking the period
9 at the end and inserting the following: “, and, at the
10 option of the Chief Administrative Officer during an
11 emergency situation, the payment of the salary of
12 other employees of the Center.”; and

13 (2) by adding at the end the following new sub-
14 paragraph:

15 “(C) During an emergency situation, the pay-
16 ment of such other expenses for activities carried out
17 under this section as the Chief Administrative Offi-
18 cer determines appropriate.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply with respect to fiscal year 2020
21 and each succeeding fiscal year.

22 PAYMENTS TO ENSURE CONTINUING AVAILABILITY OF
23 GOODS AND SERVICES DURING THE CORONAVIRUS
24 EMERGENCY

25 SEC. 10904. (a) AUTHORIZATION TO MAKE PAY-
26 MENTS.—Notwithstanding any other provision of law and

1 subject to subsection (b), during an emergency situation,
2 the Chief Administrative Officer of the House of Rep-
3 resentatives may make payments under contracts with
4 vendors providing goods and services to the House in
5 amounts and under terms and conditions other than those
6 provided under the contract in order to ensure that those
7 goods and services remain available to the House through-
8 out the duration of the emergency.

9 (b) CONDITIONS.—

10 (1) APPROVAL REQUIRED.—The Chief Adminis-
11 trative Officer may not make payments under the
12 authority of subsection (a) without the approval of
13 the Committee on House Administration of the
14 House of Representatives.

15 (2) AVAILABILITY OF APPROPRIATIONS.—The
16 authority of the Chief Administrative Officer to
17 make payments under the authority of subsection
18 (a) is subject to the availability of appropriations to
19 make such payments.

20 (c) APPLICABILITY.—This section shall apply with re-
21 spect to fiscal year 2020 and each succeeding fiscal year.

22 AUTHORIZING PAYMENTS UNDER SERVICE CONTRACTS
23 DURING THE CORONAVIRUS EMERGENCY

24 SEC. 10905. (a) AUTHORIZING PAYMENTS.—Not-
25 withstanding section 3324(a) of title 31, United States
26 Code, or any other provision of law and subject to sub-

1 section (b), if the employees of a contractor with a service
2 contract with the Architect of the Capitol are furloughed
3 or otherwise unable to work during closures, stop work
4 orders, or reductions in service arising from or related to
5 the impacts of coronavirus, the Architect of the Capitol
6 may continue to make the payments provided for under
7 the contract for the weekly salaries and benefits of such
8 employees for not more than 16 weeks.

9 (b) AVAILABILITY OF APPROPRIATIONS.—The au-
10 thority of the Architect of the Capitol to make payments
11 under the authority of subsection (a) is subject to the
12 availability of appropriations to make such payments.

13 (c) REGULATIONS.—The Architect of the Capitol
14 shall promulgate such regulations as may be necessary to
15 carry out this section.

16 MASS MAILINGS AS FRANKED MAIL

17 SEC. 10906. (a) WAIVER OF RESTRICTIONS TO RE-
18 SPOND TO THREATS TO LIFE SAFETY.—(1) Section
19 3210(a)(6)(D) of title 39, United States Code, is amended
20 by striking the period at the end of the first sentence and
21 inserting the following: “, and in the case of the Commis-
22 sion, to waive this paragraph in the case of mailings sent
23 in response to or to address threats to life safety.”.

24 (2) EFFECTIVE DATE.—The amendments made by
25 this subsection shall apply with respect to mailings sent
26 on or after the date of the enactment of this Act.

1 TECHNICAL CORRECTION

2 SEC. 10907. In the matter preceding the first proviso
3 under the heading “Library of Congress—Salaries and
4 Expenses” in division E of the Further Consolidated Ap-
5 propriations Act, 2020 (Public Law 116–94), strike
6 “\$504,164,000” and insert “\$510,164,000”.

1 TITLE X
2 MILITARY CONSTRUCTION, VETERANS AFFAIRS,
3 AND RELATED AGENCIES
4 DEPARTMENT OF VETERANS AFFAIRS
5 VETERANS BENEFITS ADMINISTRATION
6 GENERAL OPERATING EXPENSES, VETERANS BENEFITS
7 ADMINISTRATION

8 For an additional amount for “General Operating
9 Expenses, Veterans Benefits Administration”,
10 \$13,000,000, to remain available until September 30,
11 2021, to prevent, prepare for, and respond to coronavirus:
12 *Provided*, That such amount is designated by the Congress
13 as being for an emergency requirement pursuant to sec-
14 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
15 gency Deficit Control Act of 1985.

16 VETERANS HEALTH ADMINISTRATION
17 MEDICAL SERVICES

18 For an additional amount for “Medical Services”,
19 \$14,432,000,000, to remain available until September 30,
20 2021, to prevent, prepare for, and respond to coronavirus,
21 including related impacts on health care delivery: *Pro-*
22 *vided*, That such amount is designated by the Congress
23 as being for an emergency requirement pursuant to sec-
24 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
25 gency Deficit Control Act of 1985.

1 MEDICAL COMMUNITY CARE

2 For an additional amount for “Medical Community
3 Care”, \$2,100,000,000, to remain available until Sep-
4 tember 30, 2021, to prevent, prepare for, and respond to
5 coronavirus, including related impacts on health care de-
6 livery: *Provided*, That such amount is designated by the
7 Congress as being for an emergency requirement pursuant
8 to section 251(b)(2)(A)(i) of the Balanced Budget and
9 Emergency Deficit Control Act of 1985.

10 MEDICAL SUPPORT AND COMPLIANCE

11 For an additional amount for “Medical Support and
12 Compliance”, \$100,000,000, to remain available until
13 September 30, 2021, to prevent, prepare for, and respond
14 to coronavirus, including related impacts on health care
15 delivery: *Provided*, That such amount is designated by the
16 Congress as being for an emergency requirement pursuant
17 to section 251(b)(2)(A)(i) of the Balanced Budget and
18 Emergency Deficit Control Act of 1985.

19 MEDICAL FACILITIES

20 For an additional amount for “Medical Facilities”,
21 \$605,613,000, to remain available until September 30,
22 2021, to prevent, prepare for, and respond to coronavirus,
23 including related impacts on health care delivery: *Pro-*
24 *vided*, That such amount is designated by the Congress
25 as being for an emergency requirement pursuant to sec-

1 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
2 gency Deficit Control Act of 1985.

3 DEPARTMENTAL ADMINISTRATION

4 GENERAL ADMINISTRATION

5 For an additional amount for “General Administra-
6 tion”, \$6,000,000, to remain available until September 30,
7 2021, to prevent, prepare for, and respond to coronavirus:
8 *Provided*, That such amount is designated by the Congress
9 as being for an emergency requirement pursuant to sec-
10 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
11 gency Deficit Control Act of 1985.

12 INFORMATION TECHNOLOGY SYSTEMS

13 For an additional amount for “Information Tech-
14 nology Systems”, \$3,000,000,000, to remain available
15 until September 30, 2021, to prevent, prepare for, and re-
16 spond to coronavirus, including related impacts on health
17 care delivery: *Provided*, That such amount is designated
18 by the Congress as being for an emergency requirement
19 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
20 et and Emergency Deficit Control Act of 1985.

21 OFFICE OF INSPECTOR GENERAL

22 For an additional amount for “Office of Inspector
23 General”, \$14,300,000, to remain available until Sep-
24 tember 30, 2022, for oversight of activities funded by this
25 title and administered by the Department of Veterans Af-

1 fairs: *Provided*, That such amount is designated by the
2 Congress as being for an emergency requirement pursuant
3 to section 251(b)(2)(A)(i) of the Balanced Budget and
4 Emergency Deficit Control Act of 1985.

5 ARMED FORCES RETIREMENT HOME

6 TRUST FUND

7 For an additional amount for “Armed Forces Retire-
8 ment Home Trust Fund”, \$2,800,000, to remain available
9 until September 30, 2021, to prevent, prepare for, and re-
10 spond to coronavirus, to be paid from funds available in
11 the Armed Forces Retirement Home Trust Fund: *Pro-*
12 *vided*, That of the amounts made available under this
13 heading from funds available in the Armed Forces Retire-
14 ment Home Trust Fund, \$2,800,000 shall be paid from
15 the general fund of the Treasury to the Trust Fund: *Pro-*
16 *vided further*, That the Chief Executive Officer of the
17 Armed Forces Retirement Home shall submit to the Com-
18 mittees on Appropriations of the House of Representatives
19 and the Senate monthly reports detailing obligations, ex-
20 penditures, and planned activities: *Provided further*, That
21 such amount is designated by the Congress as being for
22 an emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 TITLE XI—DEPARTMENT OF STATE, FOREIGN
2 OPERATIONS, AND RELATED PROGRAMS

3 DEPARTMENT OF STATE

4 ADMINISTRATION OF FOREIGN AFFAIRS

5 DIPLOMATIC PROGRAMS

6 For an additional amount for “Diplomatic Pro-
7 grams”, \$315,000,000, to remain available until Sep-
8 tember 30, 2022, for necessary expenses to prevent, pre-
9 pare for, and respond to coronavirus, including for evacu-
10 ation expenses, emergency preparedness, and maintaining
11 consular operations: *Provided*, That such amount is des-
12 ignated by the Congress as being for an emergency re-
13 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
14 anced Budget and Emergency Deficit Control Act of 1985.

15 UNITED STATES AGENCY FOR INTERNATIONAL
16 DEVELOPMENT

17 FUNDS APPROPRIATED TO THE PRESIDENT

18 OPERATING EXPENSES

19 For an additional amount for “Operating Expenses”,
20 \$95,000,000, to remain available until September 30,
21 2022, for necessary expenses to prevent, prepare for, and
22 respond to coronavirus: *Provided*, That such amount is
23 designated by the Congress as being for an emergency re-
24 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
25 anced Budget and Emergency Deficit Control Act of 1985.

1 BILATERAL ECONOMIC ASSISTANCE

2 FUNDS APPROPRIATED TO THE PRESIDENT

3 INTERNATIONAL DISASTER ASSISTANCE

4 For an additional amount for “International Disaster
5 Assistance”, \$300,000,000, to remain available until ex-
6 pended, for necessary expenses to prevent, prepare for,
7 and respond to coronavirus: *Provided*, That such amount
8 is designated by the Congress as being for an emergency
9 requirement pursuant to section 251(b)(2)(A)(i) of the
10 Balanced Budget and Emergency Deficit Control Act of
11 1985.

12 DEPARTMENT OF STATE

13 MIGRATION AND REFUGEE ASSISTANCE

14 For an additional amount for “Migration and Ref-
15 ugee Assistance”, \$300,000,000, to remain available until
16 expended, for necessary expenses to prevent, prepare for,
17 and respond to coronavirus: *Provided*, That such amount
18 is designated by the Congress as being for an emergency
19 requirement pursuant to section 251(b)(2)(A)(i) of the
20 Balanced Budget and Emergency Deficit Control Act of
21 1985.

22 INDEPENDENT AGENCIES

23 PEACE CORPS

24 For an additional amount for “Peace Corps”,
25 \$90,000,000, to remain available until September 30,

1 2022, for necessary expenses to prevent, prepare for, and
2 respond to coronavirus: *Provided*, That such amount is
3 designated by the Congress as being for an emergency re-
4 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
5 anced Budget and Emergency Deficit Control Act of 1985.

6 GENERAL PROVISIONS — THIS TITLE

7 (INCLUDING TRANSFER OF FUNDS)

8 SEC. 11101. The authorities and limitations of sec-
9 tion 402 of the Coronavirus Preparedness and Response
10 Supplemental Appropriations Act (division A of Public
11 Law 116–123) shall apply to funds appropriated by this
12 title as follows:

13 (1) subsections (a), (d), (e) and (f) shall apply
14 to funds under the heading “Diplomatic Programs”;
15 and

16 (2) subsections (c), (d), (e), and (f) shall apply
17 to funds under the heading “International Disaster
18 Assistance”.

19 SEC. 11102. Funds appropriated by this title under
20 the headings “Diplomatic Programs”, “Operating Ex-
21 penses”, and “Peace Corps” may be used to reimburse
22 such accounts administered by the Department of State,
23 the United States Agency for International Development,
24 and the Peace Corps for obligations incurred to prevent,

1 prepare for, and respond to coronavirus prior to the date
2 of enactment of this Act.

3 SEC. 11103. Section 7064(a) of the Department of
4 State, Foreign Operations, and Related Programs Appro-
5 priations Act, 2020 (division G of Public Law 116–94),
6 is amended by striking “\$100,000,000” and inserting in
7 lieu thereof “\$110,000,000” , and by adding before the
8 period at the end the following “: *Provided*, That no
9 amounts may be used that were designated by the Con-
10 gress for Overseas Contingency Operations/Global War on
11 Terrorism pursuant to the Concurrent Resolution on the
12 Budget or the Balanced Budget and Emergency Deficit
13 Control Act of 1985”.

14 SEC. 11104. The reporting requirements of section
15 406(b) of the Coronavirus Preparedness and Response
16 Supplemental Appropriations Act, 2020 (division A of
17 Public Law 116–123) shall apply to funds appropriated
18 by this title: *Provided*, That the requirement to jointly
19 submit such reports shall not apply to the Director of the
20 Peace Corps: *Provided further*, That reports required by
21 such section may be consolidated and shall include infor-
22 mation on all funds made available to such executive agen-
23 cy to prevent, prepare for, and respond to coronavirus.

24 SEC. 11105. Notwithstanding any other provision of
25 law, and in addition to leave authorized under any other

1 provision of law, the Secretary of State, the Administrator
2 of the United States Agency for International Develop-
3 ment, or the head of another Federal agency with employ-
4 ees under Chief of Mission Authority, may, in order to
5 prevent, prepare for, and respond to coronavirus, provide
6 additional paid leave to address employee hardships result-
7 ing from coronavirus: *Provided*, That this authority shall
8 apply to leave taken since January 29, 2020, and may
9 be provided abroad and domestically: *Provided further*,
10 That the head of such agency shall consult with the Com-
11 mittee on Appropriations and the Committee on Foreign
12 Affairs of the House of Representatives and the Com-
13 mittee on Appropriations and the Committee on Foreign
14 Relations of the Senate prior to the initial implementation
15 of such authority: *Provided further*, That the authority
16 made available pursuant to this section shall expire on
17 September 30, 2022.

18 SEC. 11106. The Secretary of State, to prevent, pre-
19 pare for, and respond to coronavirus, may exercise the au-
20 thorities of section 3(j) of the State Department Basic Au-
21 thorities Act of 1956 (22 U.S.C. 2670(j)) to provide med-
22 ical services or related support for private United States
23 citizens, nationals, and permanent resident aliens abroad,
24 or third country nationals connected to United States per-
25 sons or the diplomatic or development missions of the

1 United States abroad who are unable to obtain such serv-
2 ices or support otherwise: *Provided*, That such assistance
3 shall be provided on a reimbursable basis to the extent
4 feasible: *Provided further*, That such reimbursements may
5 be credited to the applicable Department of State appro-
6 priation, to remain available until expended: *Provided fur-*
7 *ther*, That the Secretary shall prioritize providing medical
8 services or related support to individuals eligible for the
9 health program under section 904 of the Foreign Service
10 Act of 1980 (22 U.S.C. 4084): *Provided further*, That the
11 authority made available pursuant to this section shall ex-
12 pire on September 30, 2022.

13 SEC. 11107. Notwithstanding section 6(b) of the De-
14 partment of State Authorities Act of 2006 (Public Law
15 109–472), during fiscal years 2020 and 2021, passport
16 and immigrant visa surcharges collected in any fiscal year
17 pursuant to the fourth paragraph under the heading “Dip-
18 lomatic and Consular Programs” in title IV of the Consoli-
19 dated Appropriations Act, 2005 (division B of Public Law
20 108–447 (8 U.S.C. 1714)) may be obligated and expended
21 on the costs of providing consular services: *Provided*, That
22 such funds should be prioritized for American citizen serv-
23 ices.

24 SEC. 11108. The Secretary of State is authorized to
25 enter into contracts with individuals for the provision of

1 personal services (as described in section 104 of part 37
2 of title 48, Code of Federal Regulations and including pur-
3 suant to section 904 of the Foreign Service Act of 1980
4 (22 U.S.C. 4084)) to prevent, prepare for, and respond
5 to coronavirus, within the United States, subject to prior
6 consultation with, and the regular notification procedures
7 of, the Committee on Appropriations and the Committee
8 on Foreign Affairs of the House of Representatives and
9 the Committee on Appropriations and the Committee on
10 Foreign Relations of the Senate: *Provided*, That such indi-
11 viduals may not be deemed employees of the United States
12 for the purpose of any law administered by the Office of
13 Personnel Management: *Provided further*, That not later
14 than 15 days after utilizing this authority, the Secretary
15 of State shall provide a report to such committees on the
16 overall staffing needs for the Office of Medical Services:
17 *Provided further*, That the authority made available pursu-
18 ant to this section shall expire on September 30, 2022.

19 SEC. 11109. The matter under the heading “Emer-
20 gencies in the Diplomatic and Consular Service” in title
21 I of the Department of State, Foreign Operations, and
22 Related Programs Appropriations Act, 2020 (division G
23 of Public Law 116–94) is amended by striking
24 “\$1,000,000” and inserting in lieu thereof “\$5,000,000”.

1 SEC. 11110. The first proviso under the heading
2 “Millennium Challenge Corporation” in title III of the De-
3 partment of State, Foreign Operations, and Related Pro-
4 grams Appropriations Act, 2020 (division G of Public Law
5 116–94) is amended by striking “\$105,000,000” and in-
6 serting in lieu thereof “\$107,000,000”.

7 SEC. 11111. Notwithstanding any other provision of
8 law, any oath of office required by law may, in particular
9 circumstances that could otherwise pose health risks, be
10 administered remotely, subject to appropriate verification:
11 *Provided*, That prior to exercising the authority of this
12 section, the Secretary of State shall submit a report to
13 the Committee on Appropriations and the Committee on
14 Foreign Relations of the Senate and the Committee on
15 Appropriations and the Committee on Foreign Affairs of
16 the House of Representatives describing the process and
17 procedures for administering such oaths, including appro-
18 priate verification: *Provided further*, That the authority
19 made available pursuant to this section shall expire on
20 September 30, 2021.

21 SEC. 11112. (a) PURPOSES.—For purposes of
22 strengthening the ability of foreign countries to prevent,
23 prepare for, and respond to coronavirus and to the adverse
24 economic impacts of coronavirus, in a manner that would
25 protect the United States from the spread of coronavirus

1 and mitigate an international economic crisis resulting
2 from coronavirus that may pose a significant risk to the
3 economy of the United States, each paragraph of sub-
4 section (b) shall take effect upon enactment of this Act.

5 (b) CORONAVIRUS RESPONSES.—

6 (1) INTERNATIONAL DEVELOPMENT ASSOCIA-
7 TION REPLENISHMENT.—The International Develop-
8 ment Association Act (22 U.S.C. 284 et seq.) is
9 amended by adding at the end the following new sec-
10 tion:

11 **“SEC. 31 NINETEENTH REPLENISHMENT.**

12 “(a) IN GENERAL.—The United States Governor of
13 the International Development Association is authorized
14 to contribute on behalf of the United States
15 \$3,004,200,000 to the nineteenth replenishment of the re-
16 sources of the Association, subject to obtaining the nec-
17 essary appropriations.

18 “(b) AUTHORIZATION OF APPROPRIATIONS.—In
19 order to pay for the United States contribution provided
20 for in subsection (a), there are authorized to be appro-
21 priated, without fiscal year limitation, \$3,004,200,000 for
22 payment by the Secretary of the Treasury.”.

23 (2) INTERNATIONAL FINANCE CORPORATION
24 AUTHORIZATION.—The International Finance Cor-

1 poration Act (22 U.S.C. 282 et seq.) is amended by
2 adding at the end the following new section:

3 **“SEC. 18 CAPITAL INCREASES AND AMENDMENT TO THE**
4 **ARTICLES OF AGREEMENT.**

5 “(a) VOTES AUTHORIZED.—The United States Gov-
6 ernor of the Corporation is authorized to vote in favor of—

7 “(1) a resolution to increase the authorized cap-
8 ital stock of the Corporation by 16,999,998 shares,
9 to implement the conversion of a portion of the re-
10 tained earnings of the Corporation into paid-in cap-
11 ital, which will result in the United States being
12 issued an additional 3,771,899 shares of capital
13 stock, without any cash contribution;

14 “(2) a resolution to increase the authorized cap-
15 ital stock of the Corporation on a general basis by
16 4,579,995 shares; and

17 “(3) a resolution to increase the authorized cap-
18 ital stock of the Corporation on a selective basis by
19 919,998 shares.

20 “(b) AMENDMENT OF THE ARTICLES .—The United
21 States Governor of the Corporation is authorized to agree
22 to and accept an amendment to article II, section 2(c)(ii)
23 of the Articles of Agreement of the Corporation that would
24 increase the vote by which the Board of Governors of the
25 Corporation may increase the capital stock of the Corpora-

1 tion from a four-fifths majority to an eighty-five percent
2 majority.”.

3 (3) AFRICAN DEVELOPMENT BANK.—The Afri-
4 can Development Bank Act (22 U.S.C. 290i et seq.)
5 is amended by adding at the end the following new
6 section:

7 **“SEC. 1345 SEVENTH CAPITAL INCREASE.**

8 “(a) SUBSCRIPTION AUTHORIZED.—

9 “(1) IN GENERAL.—The United States Gov-
10 ernor of the Bank may subscribe on behalf of the
11 United States to 532,023 additional shares of the
12 capital stock of the Bank.

13 “(2) LIMITATION.—Any subscription by the
14 United States to the capital stock of the Bank shall
15 be effective only to such extent and in such amounts
16 as are provided in advance in appropriations Acts.

17 “(b) AUTHORIZATIONS OF APPROPRIATIONS.—

18 “(1) IN GENERAL.—In order to pay for the in-
19 crease in the United States subscription to the Bank
20 under subsection (a), there are authorized to be ap-
21 propriated, without fiscal year limitation,
22 \$7,286,587,008 for payment by the Secretary of the
23 Treasury.

24 “(2) SHARE TYPES.—Of the amount authorized
25 to be appropriated under paragraph (1)—

1 “(A) \$437,190,016 shall be for paid in
2 shares of the Bank; and

3 “(B) \$6,849,396,992 shall be for callable
4 shares of the Bank.”.

5 (4) AFRICAN DEVELOPMENT FUND.—The Afri-
6 can Development Fund Act (22 U.S.C. 290g et seq.)
7 is amended by adding at the end the following new
8 section:

9 **“SEC. 226 FIFTEENTH REPLENISHMENT.**

10 “(a) IN GENERAL.—The United States Governor of
11 the Fund is authorized to contribute on behalf of the
12 United States \$513,900,000 to the fifteenth replenish-
13 ment of the resources of the Fund, subject to obtaining
14 the necessary appropriations.

15 “(b) AUTHORIZATION OF APPROPRIATIONS.—In
16 order to pay for the United States contribution provided
17 for in subsection (a), there are authorized to be appro-
18 priated, without fiscal year limitation, \$513,900,000 for
19 payment by the Secretary of the Treasury.”.

20 (5) INTERNATIONAL MONETARY FUND AUTHOR-
21 IZATION FOR NEW ARRANGEMENTS TO BORROW.—

22 (A) IN GENERAL.—Section 17 of the
23 Bretton Woods Agreements Act (22 U.S.C.
24 286e–2) is amended—

25 (i) in subsection (a)—

1 (I) by redesignating paragraphs
2 (3), (4), and (5) as paragraphs (4),
3 (5), and (6), respectively;

4 (II) by inserting after paragraph
5 (2) the following new paragraph:

6 “(3) In order to carry out the purposes of a
7 one-time decision of the Executive Directors of the
8 International Monetary Fund (the Fund) to expand
9 the resources of the New Arrangements to Borrow,
10 established pursuant to the decision of January 27,
11 1997, referred to in paragraph (1), the Secretary of
12 the Treasury is authorized to make loans, in an
13 amount not to exceed the dollar equivalent of
14 28,202,470,000 of Special Drawing Rights, in addi-
15 tion to any amounts previously authorized under this
16 section, except that prior to activation of the New
17 Arrangements to Borrow, the Secretary of the
18 Treasury shall report to Congress whether supple-
19 mentary resources are needed to forestall or cope
20 with an impairment of the international monetary
21 system and whether the Fund has fully explored
22 other means of funding to the Fund.”; and

23 (III) in paragraph (5), as so re-
24 designated, by striking “paragraph
25 (3)” and inserting “paragraph (4)”.

1 (ii) in paragraph (6), as so redesign-
2 nated, by striking “December 16, 2022”
3 and inserting “December 31, 2025”; and
4 (iii) in subsection (e)(1) by striking
5 “(a)(2),” each place such term appears
6 and inserting “(a)(2), (a)(3)”.

7 (c) The amounts provided by the amendments made
8 by this section are designated by the Congress as being
9 for an emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 TECHNICAL CORRECTIONS

13 SEC. 11113. (a) ENVIRONMENT COOPERATION COM-
14 MISSIONS; NORTH AMERICAN DEVELOPMENT BANK.—
15 Section 601 of the United States-Mexico-Canada Agree-
16 ment Implementation Act (Public Law 116–113; 134
17 Stat. 78) is amended by inserting “, other than sections
18 532 and 533 of such Act and part 2 of subtitle D of title
19 V of such Act (as amended by section 831 of this Act),”
20 before “is repealed”.

21 (b) PROTECTIVE ORDERS.—Section 422 of the
22 United States-Mexico-Canada Agreement Implementation
23 Act (134 Stat. 64) is amended in subsection (a)(2)(A) by
24 striking “all that follows through ‘, the administering au-
25 thority’ ” and inserting “all that follows through ‘Agree-
26 ment, the administering authority’ ”.

1 (c) DISPUTE SETTLEMENT.—Subsection (j) of sec-
2 tion 504 of the United States-Mexico-Canada Agreement
3 Implementation Act (134 Stat. 76) is amended in the item
4 proposed to be inserted into the table of contents of such
5 Act relating to section 414 by striking “determination”
6 and inserting “determinations”.

7 (d) EFFETIVE DATE.—Each amendment made by
8 this section shall take effect as if included in the enact-
9 ment of the United States-Mexico-Canada Agreement Im-
10 plementation Act.

11 (e) NORTH AMERICAN DEVELOPMENT BANK: LIM-
12 ITATION ON CALLABLE CAPITAL SUBSCRIPTIONS.—The
13 Secretary of the Treasury may subscribe without fiscal
14 year limitation to the callable capital portion of the United
15 States share of capital stock of the North American Devel-
16 opment Bank in an amount not to exceed \$1,020,000,000.
17 The authority in the preceding sentence shall be in addi-
18 tion to any other authority provided by previous Acts.

19 (f) The amounts provided by the amendments made
20 by this section are designated by the Congress as being
21 for an emergency requirement pursuant to section
22 251(b)(2)(A)(i) of the Balanced Budget and Emergency
23 Deficit Control Act of 1985.

24 SEC. 11114. Notwithstanding any other provision of
25 law, funds made available under each heading in this title

- 1 shall only be used for the purposes specifically described
- 2 under that heading.

1 TITLE XII
2 TRANSPORTATION, HOUSING AND URBAN
3 DEVELOPMENT, AND RELATED AGENCIES
4 DEPARTMENT OF TRANSPORTATION
5 OFFICE OF THE SECRETARY
6 SALARIES AND EXPENSES

7 For an additional amount for “Salaries and Ex-
8 penses”, \$1,753,000, to remain available until September
9 30, 2020, to prevent, prepare for, and respond to
10 coronavirus, including necessary expenses for operating
11 costs and capital outlays: *Provided*, That such amounts
12 are in addition to any other amounts made available for
13 this purpose: *Provided further*, That obligations of
14 amounts under this heading in this Act shall not be sub-
15 ject to the limitation on obligations under the heading
16 “Office of the Secretary—Working Capital Fund” in divi-
17 sion H of the Further Consolidated Appropriations Act,
18 2020 (Public Law 116–94): *Provided further*, That such
19 amount is designated by the Congress as being for an
20 emergency requirement pursuant to section
21 251(b)(2)(A)(i) of the Balanced Budget and Emergency
22 Deficit Control Act of 1985.

23 PAYMENT TO AIR CARRIERS

24 In addition to funds made available to the “Payment
25 to Air Carriers” program in Public Law 116–94 to carry

1 out the essential air service program under sections 41731
2 through 41742 of title 49, United States Code,
3 \$100,000,000, to be derived from the general fund and
4 made available to the Essential Air Service and Rural Im-
5 provement Fund, to remain available until expended: *Pro-*
6 *vided*, That in determining between or among carriers
7 competing to provide service to a community, the Sec-
8 retary may consider the relative subsidy requirements of
9 the carriers: *Provided further*, That basic essential air
10 service minimum requirements shall not include the 15-
11 passenger capacity requirement under section 41732(b)(3)
12 of such title: *Provided further*, That none of the funds in
13 this Act or any other Act shall be used to enter into a
14 new contract with a community located less than 40 miles
15 from the nearest small hub airport before the Secretary
16 has negotiated with the community over a local cost share:
17 *Provided further*, That amounts authorized to be distrib-
18 uted for the essential air service program under section
19 41742(b) of title 49, United States Code, shall be made
20 available from amounts otherwise provided to the Admin-
21 istrator of the Federal Aviation Administration: *Provided*
22 *further*, That the Administrator may reimburse such
23 amounts from fees credited to the account established
24 under section 45303 of such title: *Provided further*, That
25 such amount is designated by the Congress as being for

1 an emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985.

4 OFFICE OF AIRLINE INDUSTRY FINANCIAL OVERSIGHT

5 For the necessary expenses of the Office of Airline
6 Industry Financial Oversight, as authorized in [section
7 [301] of title [III of division R]] of the Take Responsi-
8 bility for Workers and Families Act, \$3,000,000: Pro-
9 vided, That such amount is designated by the Congress
10 as being for an emergency requirement pursuant to sec-
11 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
12 gency Deficit Control Act of 1985.

13 AIRLINE ASSISTANCE TO RECYCLE AND SAVE PROGRAM

14 For the necessary expenses of the Airline Assistance
15 to Recycle and Save Program, as authorized in [section
16 702 of title VII of division R] of the Take Responsibility
17 for Workers and Families Act, \$1,000,000,000 to remain
18 available until expended: Provided, That such amount is
19 designated by the Congress as being for an emergency re-
20 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
21 anced Budget and Emergency Deficit Control Act of 1985.

22 PANDEMIC RELIEF FOR AVIATION WORKERS

23 For necessary expenses for providing pandemic relief
24 for aviation workers, \$40,000,000,000, to remain available
25 until September 30, 2021 of which \$37,000,000,000 shall

1 be for the purposes authorized in [section [101(a)(1)(A)]
2 of title [I] of division R] of the Take Responsibility for
3 Workers and Families Act, and \$3,000,000,000, shall be
4 for the purposes authorized in [section [101(a)(1)(B)] of
5 title [I] of division R] of the Take Responsibility for
6 Workers and Families Act: *Provided*, That such amount
7 is designated by the Congress as being for an emergency
8 requirement pursuant to section 251(b)(2)(A)(i) of the
9 Balanced Budget and Emergency Deficit Control Act of
10 1985.

11 In addition, for the cost of making direct loans and
12 loan guarantees in accordance with the terms and condi-
13 tions in [sections [101–103 and 105] of title [I] of divi-
14 sion R] of the Take Responsibility for Workers and Fami-
15 lies Act, such sums as may be necessary to remain avail-
16 able until September 30, 2021: *Provided*, That such costs,
17 including the cost of modifying such loans, shall be defined
18 by section 502 of the Congressional Budget Act of 1974:
19 *Provided further*, That subject to section 502 of the Con-
20 gressional Budget Act of 1974, during fiscal years 2020
21 and 2021, the aggregate sum of the principle for direct
22 loans and guaranteed loans shall not exceed
23 \$21,000,000,000: *Provided further*, That such amount is
24 designated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 FEDERAL AVIATION ADMINISTRATION
4 OPERATIONS
5 (AIRPORT AND AIRWAY TRUST FUND)

6 Of the amounts made available from the Airport and
7 Airway Trust Fund for “Federal Aviation Administra-
8 tion—Operations” in title XI of subdivision 1 of division
9 B of the Bipartisan Budget Act of 2018 (Public Law 115–
10 123), not more than \$25,000,000 may be used to prevent,
11 prepare for, and respond to coronavirus: *Provided*, That
12 amounts repurposed under this heading in this Act that
13 were previously designated by the Congress as an emer-
14 gency requirement pursuant to the Balanced Budget and
15 Emergency Deficit Control Act of 1985 are designated by
16 the Congress as an emergency requirement pursuant to
17 section 251(b)(2)(A)(i) of the Balanced Budget and
18 Emergency Deficit Control Act of 1985.

19 GRANTS-IN-AID FOR AIRPORTS

20 For an additional amount for “Grants-In-Aid for Air-
21 ports”, to enable the Secretary of Transportation to make
22 grants in accordance with the terms and conditions in sec-
23 tion 401 of title IV division R of the Take Responsibility
24 for Workers and Families Act, \$10,000,000,000, to re-
25 main available until expended: *Provided*, That amounts

1 made available under this heading in this Act shall be de-
2 rived from the general fund: *Provided further*, That such
3 amount is designated by the Congress as being for an
4 emergency requirement pursuant to section
5 251(b)(2)(A)(i) of the Balanced Budget and Emergency
6 Deficit Control Act of 1985.

7 RESEARCH, ENGINEERING, AND DEVELOPMENT

8 For an additional amount for “Research, Engineer-
9 ing, and Development”, as authorized in [section 705 of
10 title VII of division R] of the Take Responsibility for
11 Workers and Families Act, \$100,000,000, to remain avail-
12 able until expended: *Provided*, That such amount is des-
13 ignated by the Congress as being for an emergency re-
14 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
15 anced Budget and Emergency Deficit Control Act of 1985.

16 FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

17 MOTOR CARRIER SAFETY OPERATIONS AND PROGRAMS

18 Of prior year unobligated contract authority and liq-
19 uidating cash provided for Motor Carrier Safety in the
20 Transportation Equity Act for the 21st Century (Public
21 Law 105–178), SAFETEA–LU (Public Law 109–59), or
22 any other Act, in addition to amounts already appro-
23 priated in fiscal year 2020 for “Motor Carrier Safety Op-
24 erations and Programs” \$150,000 in additional obligation
25 limitation is provided and repurposed for obligations in-

1 curred to support activities to prevent, prepare for, and
2 respond to coronavirus: *Provided*, That such amount is
3 designated by the Congress as being for an emergency re-
4 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
5 anced Budget and Emergency Deficit Control Act of 1985.

6 FEDERAL RAILROAD ADMINISTRATION

7 SAFETY AND OPERATIONS

8 For an additional amount for “Safety and Oper-
9 ations”, \$250,000, to remain available until September
10 30, 2021, to prevent, prepare for, and respond to
11 coronavirus: *Provided*, That such amount is designated by
12 the Congress as being for an emergency requirement pur-
13 suant to section 251(b)(2)(A)(i) of the Balanced Budget
14 and Emergency Deficit Control Act of 1985.

15 NORTHEAST CORRIDOR GRANTS TO THE NATIONAL

16 RAILROAD PASSENGER CORPORATION

17 (INCLUDING TRANSFER OF FUNDS)

18 For an additional amount for “Northeast Corridor
19 Grants to the National Railroad Passenger Corporation”,
20 \$492,000,000, to remain available until September 30,
21 2021, to prevent, prepare for, and respond to coronavirus,
22 including to enable the Secretary of Transportation to
23 make or amend existing grants to the National Railroad
24 Passenger Corporation for activities associated with the
25 Northeast Corridor as authorized by section 11101(a) of

1 the Fixing America’s Surface Transportation Act (division
2 A of Public Law 114–94): *Provided*, That amounts made
3 available under this heading in this Act may be trans-
4 ferred to and merged with “National Network Grants to
5 the National Railroad Passenger Corporation” to prevent,
6 prepare for, and respond to coronavirus: *Provided further*,
7 That such amount is designated by the Congress as being
8 for an emergency requirement pursuant to section
9 251(b)(2)(A)(i) of the Balanced Budget and Emergency
10 Deficit Control Act of 1985.

11 NATIONAL NETWORK GRANTS TO THE NATIONAL
12 RAILROAD PASSENGER CORPORATION
13 (INCLUDING TRANSFER OF FUNDS)

14 For an additional amount for “National Network
15 Grants to the National Railroad Passenger Corporation”,
16 \$526,000,000, to remain available until September 30,
17 2021, to prevent, prepare for, and respond to coronavirus,
18 including to enable the Secretary of Transportation to
19 make or amend existing grants to the National Railroad
20 Passenger Corporation for activities associated with the
21 National Network as authorized by section 11101(b) of
22 the Fixing America’s Surface Transportation Act (division
23 A of Public Law 114–94): *Provided*, That a State shall
24 not be required to pay the National Railroad Passenger
25 Corporation more than 80 percent of the amount paid in

1 fiscal year 2019 under section 209 of the Passenger Rail
2 Investment and Improvement Act of 2008 (Public Law
3 110–432) and that not less than \$239,000,000 of the
4 amounts made available under this heading in this Act
5 shall be made available for use in lieu of any increase in
6 a State’s payment: *Provided further*, That amounts made
7 available under this heading in this Act may be trans-
8 ferred to and merged with the “Northeast Corridor Grants
9 to the National Railroad Passenger Corporation” to pre-
10 vent, prepare for, and respond to coronavirus: *Provided*
11 *further*, That such amount is designated by the Congress
12 as being for an emergency requirement pursuant to sec-
13 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
14 gency Deficit Control Act of 1985.

15 FEDERAL TRANSIT ADMINISTRATION

16 TRANSIT INFRASTRUCTURE GRANTS

17 For an additional amount for “Transit Infrastructure
18 Grants” \$25,000,000,000, to remain available until Sep-
19 tember 30, 2021, to prevent, prepare for, and respond to
20 coronavirus: *Provided*, That the Secretary of Transpor-
21 tation shall provide funds appropriated under this heading
22 in this Act as if such funds were provided under section
23 5307 of title 49, United States Code, and apportion such
24 funds in accordance with section 5336 of such title (other
25 than subsections (h)(1) and (h)(4)), sections 5311, 5337,

1 and 5340 of title 49, United States Code, and apportion
2 such funds in accordance with such sections, except that
3 funds apportioned under section 5337 shall be added to
4 funds apportioned under section 5307 for administration
5 under section 5307: *Provided further*, That the Secretary
6 shall allocate the amounts provided in the preceding pro-
7 viso under sections 5307, 5311, 5337, and 5340 of title
8 49, United States Code, among such sections in the same
9 ratio as funds were provided in the fiscal year 2020 appor-
10 tionments: *Provided further*, That funds apportioned
11 under this heading shall be apportioned not later than 7
12 days after the date of enactment of this Act: *Provided fur-*
13 *ther*, That funds shall be apportioned using the fiscal year
14 2020 apportionment formulas: *Provided further*, That not
15 more than three-quarters of 1 percent of the funds for
16 transit infrastructure grants shall be available for admin-
17 istrative expenses and ongoing program management over-
18 sight as authorized under sections 5334 and 5338(f)(2)
19 of title 49, United States Code, and shall be in addition
20 to any other appropriations for such purpose: *Provided*
21 *further*, That notwithstanding subsection (a)(1) or (b) of
22 section 5307 of title 49, United States Code, funds pro-
23 vided under this heading are available for the operating
24 expenses of transit agencies related to the response to a
25 public health emergency as described in section 319 of the

1 Public Health Service Act, including, beginning on Janu-
2 ary 31, 2020, reimbursement for operating costs to main-
3 tain service and lost revenue due to the public health
4 emergency, the purchase of personal protective equipment,
5 and paying the administrative leave of operations per-
6 sonnel due to reductions in service: *Provided further*, That
7 such operating expenses are not required to be included
8 in a transportation improvement program, long-range
9 transportation, statewide transportation plan, or a state-
10 wide transportation improvement program: *Provided fur-*
11 *ther*, That the Secretary shall not waive the requirements
12 of section 5333 of title 49, United States Code, for funds
13 appropriated under this heading or for funds previously
14 made available under section 5307 of title 49, United
15 States Code, or sections 5311, 5337, or 5340 of such title
16 as a result of the coronavirus: *Provided further*, That un-
17 less otherwise specified, applicable requirements under
18 chapter 53 of title 49, United States Code, shall apply to
19 funding made available under this heading, except that the
20 Federal share of the costs for which any grant is made
21 under this heading shall be, at the option of the recipient,
22 up to 100 percent: *Provided further*, That the amount
23 made available under this heading shall be derived from
24 the general fund and shall not be subject to any limitation
25 on obligations for transit programs set forth in any Act:

1 *Provided further*, That such amount is designated by the
2 Congress as being for an emergency requirement pursuant
3 to section 251(b)(2)(A)(i) of the Balanced Budget and
4 Emergency Deficit Control Act of 1985.

5 MARITIME ADMINISTRATION
6 OPERATIONS AND TRAINING

7 For an additional amount for “Operations and Train-
8 ing”, \$3,134,000, to remain available until September 30,
9 2021, to prevent, prepare for, and respond to coronavirus:
10 *Provided*, That of the amounts made available under this
11 heading in this Act, \$1,000,000 shall be for the operations
12 of the United States Merchant Marine Academy: *Provided*
13 *further*, That such amount is designated by the Congress
14 as being for an emergency requirement pursuant to sec-
15 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
16 gency Deficit Control Act of 1985.

17 OFFICE OF INSPECTOR GENERAL
18 SALARIES AND EXPENSES

19 For an additional amount for “Office of Inspector
20 General”, \$5,000,000, to remain available through Sep-
21 tember 30, 2021: *Provided*, That the amount made avail-
22 able under this heading in this Act shall be for necessary
23 expenses of the Office of Inspector General to carry out
24 the provisions of the Inspector General Act of 1978, as
25 amended: *Provided further*, That the amounts made avail-

1 able under this heading in this Act shall be used to con-
2 duct audits and investigations of activities carried out with
3 amounts made available in this Act to the Department of
4 Transportation to prevent, prepare for, and respond to
5 coronavirus: *Provided further*, That the Inspector General
6 shall have all the necessary authority, in carrying out the
7 duties specified in the Inspector General Act, as amended
8 (5 U.S.C. App 3), to investigate allegations of fraud, in-
9 cluding false statements to the Government (18 U.S.C.
10 1001), by any person or entity that is subject to regulation
11 by the Department of Transportation: *Provided further*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 GENERAL PROVISIONS—DEPARTMENT OF
17 TRANSPORTATION

18 SEC. 11201. For amounts made available by this Act
19 under the headings “Northeast Corridor Grants to the Na-
20 tional Railroad Passenger Corporation” and “National
21 Network Grants to the National Railroad Passenger Cor-
22 poration”, the Secretary of Transportation may not waive
23 the requirements under section 24312 of title 49, United
24 States Code, and section 24305(f) of title 49, United
25 States Code: *Provided*, That for amounts made available

1 by this Act under such headings the Secretary shall re-
2 quire the National Railroad Passenger Corporation to
3 comply with the Railway Retirement Act of 1974 (45
4 U.S.C. 231 et seq.), the Railway Labor Act (45 U.S.C.
5 151 et seq.), and the Railroad Unemployment Insurance
6 Act (45 U.S.C. 351 et seq.): *Provided further*, That not
7 later than 7 days after the date of enactment of this Act
8 and each subsequent 7 days thereafter, the Secretary shall
9 notify the House and Senate Committees on Appropria-
10 tions, the Committee on Transportation and Infrastruc-
11 ture of the House of Representatives, and the Committee
12 on Commerce, Science, and Transportation of the Senate
13 of any National Railroad Passenger Corporation employee
14 furloughs as a result of efforts to prevent, prepare for,
15 and respond to coronavirus: *Provided further*, That in the
16 event of any National Railroad Passenger Corporation em-
17 ployee furloughs as a result of efforts to prevent, prepare
18 for, and respond to coronavirus, the Secretary shall re-
19 quire the National Railroad Passenger Corporation to pro-
20 vide such employees the opportunity to be recalled to their
21 previously held positions as intercity passenger rail service
22 is restored to March 1, 2020 levels and not later than the
23 date on which intercity passenger rail service has been
24 fully restored to March 1, 2020 levels.

1 DEPARTMENT OF HOUSING AND URBAN
2 DEVELOPMENT
3 MANAGEMENT AND ADMINISTRATION
4 ADMINISTRATIVE SUPPORT OFFICES

5 For an additional amount for “Administrative Sup-
6 port Offices”, \$10,000,000, to remain available until Sep-
7 tember 30, 2021, to prevent, prepare for, and respond to
8 coronavirus: *Provided*, That such amount is designated by
9 the Congress as being for an emergency requirement pur-
10 suant to section 251(b)(2)(A)(i) of the Balanced Budget
11 and Emergency Deficit Control Act of 1985.

12 PROGRAM OFFICES

13 For an additional amount for “Program Offices”,
14 \$10,000,000, to remain available until September 30,
15 2030, to prevent, prepare for, and respond to coronavirus:
16 *Provided*, That of the sums appropriated under this head-
17 ing in this Act—

18 (1) \$2,500,000 shall be available for the Office
19 of Public and Indian Housing;

20 (2) \$5,000,000 shall be available for the Office
21 of Community Planning and Development; and

22 (3) \$2,500,000 shall be available for the Office
23 of Housing:

24 *Provided further*, That such amount is designated by the
25 Congress as being for an emergency requirement pursuant

1 to section 251(b)(2)(A)(i) of the Balanced Budget and
2 Emergency Deficit Control Act of 1985.

3 PUBLIC AND INDIAN HOUSING

4 TENANT-BASED RENTAL ASSISTANCE

5 For an additional amount for “Tenant-Based Rental
6 Assistance”, \$1,500,000,000, to remain available until ex-
7 pended, to provide additional funds for public housing
8 agencies to maintain operations and take other necessary
9 actions to prevent, prepare for, and respond to
10 coronavirus: *Provided*, That of the amounts made avail-
11 able under this heading in this Act, \$1,000,000,000 shall
12 be available for additional administrative and other ex-
13 penses of public housing agencies in administering their
14 section 8 programs, including Mainstream vouchers, in re-
15 sponse to coronavirus: *Provided further*, That such other
16 expenses shall be new eligible activities to be defined by
17 the Secretary and shall be activities to support or maintain
18 the health and safety of assisted individuals and families,
19 and costs related to retention and support of current par-
20 ticipating landlords: *Provided further*, That amounts made
21 available under paragraph (3) of this heading in division
22 H of the Further Consolidated Appropriations Act, 2020
23 (Public Law 116–94) may be used for the other expenses
24 as described in the preceding proviso in addition to their
25 other available uses: *Provided further*, That of the

1 amounts made available under this heading in this Act,
2 \$500,000,000 shall be available for adjustments in the cal-
3 endar year 2020 section 8 renewal funding allocations, in-
4 cluding Mainstream vouchers, for public housing agencies
5 that experience a significant increase in voucher per-unit
6 costs due to extraordinary circumstances or that, despite
7 taking reasonable cost savings measures, as determined by
8 the Secretary, would otherwise be required to terminate
9 rental assistance for families as a result of insufficient
10 funding: *Provided further*, That the Secretary shall allo-
11 cate amounts provided in the preceding proviso based on
12 need, as determined by the Secretary: *Provided further*,
13 That for any amounts provided under this heading in prior
14 Acts for tenant-based rental assistance contracts, includ-
15 ing necessary administrative expenses, under section 811
16 of the Cranston-Gonzalez National Affordable Housing
17 Act (42 U.S.C. 8013) that remain available for this pur-
18 pose after funding renewals and administrative expenses,
19 the Secretary shall award no less than 50 percent of the
20 remaining amounts for the same purpose within 60 days
21 of enactment of this Act: *Provided further*, That the Sec-
22 retary may waive, or specify alternative requirements for,
23 any provision of any statute or regulation that the Sec-
24 retary administers in connection with the use of the
25 amounts made available under this heading and the same

1 heading of Public Law 116–94 (except for requirements
2 related to fair housing, nondiscrimination, labor stand-
3 ards, and the environment), upon a finding by the Sec-
4 retary that any such waivers or alternative requirements
5 are necessary for the safe and effective administration of
6 these funds to prevent, prepare for, and respond to
7 coronavirus: *Provided further*, That the Secretary shall no-
8 tify the public through the Federal Register or other ap-
9 propriate means to ensure the most expeditious allocation
10 of this funding of any such waiver or alternative require-
11 ment in order for such waiver or alternative requirement
12 to take effect, and that such public notice may be provided
13 at a minimum on the Internet at the appropriate Govern-
14 ment web site or through other electronic media, as deter-
15 mined by the Secretary: *Provided further*, That any such
16 waivers or alternative requirements shall remain in effect
17 for the time and duration specified by the Secretary in
18 such public notice and may be extended if necessary upon
19 additional notice by the Secretary: *Provided further*, That
20 such amount is designated by the Congress as being for
21 an emergency requirement pursuant to section
22 251(b)(2)(A)(i) of the Balanced Budget and Emergency
23 Deficit Control Act of 1985.

1 PUBLIC HOUSING OPERATING FUND

2 For an additional amount for “Public Housing Oper-
3 ating Fund” for 2020 payments to public housing agen-
4 cies for the operation and management of public housing,
5 as authorized by section 9(e) of the United States Housing
6 Act of 1937 (42 U.S.C. 1437g(e)), \$720,000,000, to re-
7 main available until September 30, 2021: *Provided*, That
8 such amount shall be combined with the amount appro-
9 priated for the same purpose under the same heading of
10 Public Law 116–94, and distributed to all public housing
11 agencies pursuant to the Operating Fund formula at part
12 990 of title 24, Code of Federal Regulations: *Provided fur-*
13 *ther*, That for the period from the enactment of this Act
14 through December 31, 2020, such combined total amount
15 may be used for eligible activities under subsections (d)(1)
16 and (e)(1) of such section 9 and for other expenses to pre-
17 vent, prepare for, and respond to coronavirus, including
18 activities to support or maintain the health and safety of
19 assisted individuals and families, and activities to support
20 education and child care for impacted families: *Provided*
21 *further*, That amounts made available under the headings
22 “Public Housing Operating Fund” and “Public Housing
23 Capital Fund” in prior Acts, except for any set-asides list-
24 ed under such headings, may be used for all of the pur-
25 poses described in the preceding proviso: *Provided further*,

1 That the expanded uses and funding flexibilities described
2 in the previous two provisos shall be available to all public
3 housing agencies through December 31, 2020, except that
4 the Secretary may extend the period under which such
5 flexibilities shall be available in additional 12 month incre-
6 ments upon a finding that individuals and families as-
7 sisted by the public housing program continue to require
8 expanded services due to the coronavirus pandemic: *Pro-*
9 *vided further*, That the Secretary may waive, or specify
10 alternative requirements for, any provision of any statute
11 or regulation that the Secretary administers in connection
12 with the use of such combined total amount of funds made
13 available under the headings “Public Housing Operating
14 Fund” and “Public Housing Capital Fund” in prior Acts
15 (except for requirements related to fair housing, non-
16 discrimination, labor standards, and the environment),
17 upon a finding by the Secretary that any such waivers or
18 alternative requirements are necessary for the safe and ef-
19 fective administration of these funds to prevent, prepare
20 for, and respond to coronavirus: *Provided further*, That the
21 Secretary shall notify the public through the Federal Reg-
22 ister or other appropriate means to ensure the most expe-
23 ditious allocation of this funding of any such waiver or
24 alternative requirement in order for such waiver or alter-
25 native requirement to take effect, and that such public no-

1 tice may be provided at a minimum on the Internet at
2 the appropriate Government web site or through other
3 electronic media, as determined by the Secretary: *Provided*
4 *further*, That any such waivers or alternative requirements
5 shall remain in effect for the time and duration specified
6 by the Secretary in such public notice and may be ex-
7 tended if necessary upon additional notice by the Sec-
8 retary: *Provided further*, That amounts repurposed under
9 this heading that were previously designated by the Con-
10 gress as an emergency requirement pursuant to the Bal-
11 anced Budget and Emergency Deficit Control Act of 1985
12 are designated by the Congress as an emergency require-
13 ment pursuant to section 251(b)(2)(A)(i) of the Balanced
14 Budget and Emergency Deficit Control Act of 1985 *Pro-*
15 *vided further*, That such amount is designated by the Con-
16 gress as being for an emergency requirement pursuant to
17 section 251(b)(2)(A)(i) of the Balanced Budget and
18 Emergency Deficit Control Act of 1985.

19 NATIVE AMERICAN PROGRAMS

20 For an additional amount for “Native American Pro-
21 grams”, \$350,000,000, to remain available until Sep-
22 tember 30, 2024, to prevent, prepare for, and respond to
23 coronavirus, of which—

24 (1) \$250,000,000 shall be for the Native Amer-
25 ican Housing Block Grants program, as authorized

1 under title I of the Native American Housing Assist-
2 ance and Self-Determination Act of 1996
3 (“NAHASDA”) (25 U.S.C. 4111 et seq.): *Provided*,
4 That amounts made available in this paragraph shall
5 be distributed according to the same funding for-
6 mula used in fiscal year 2020: *Provided further*,
7 That such amounts may be used to cover the cost
8 of and reimbursement of allowable costs to prevent,
9 prepare for, and respond to coronavirus incurred by
10 a recipient regardless of the date on which such
11 costs were incurred: *Provided further*, That the Sec-
12 retary may waive, or specify alternative require-
13 ments for, any provision of any statute or regulation
14 that the Secretary administers in connection with
15 the use of amounts made available in this paragraph
16 and in paragraph (1) under this heading in division
17 H of the Further Consolidated Appropriations Act,
18 2020 (Public Law 116–94) (except for requirements
19 related to fair housing, nondiscrimination, labor
20 standards, and the environment), upon a finding by
21 the Secretary that any such waivers or alternative
22 requirements are necessary to expedite or facilitate
23 the use of such amounts, including to prevent, pre-
24 pare for, and respond to coronavirus: *Provided fur-*
25 *ther*, That any such waivers shall apply retroactively

1 to activities to prevent, prepare for, and respond to
2 coronavirus carried out with any amounts described
3 in the preceding proviso; and

4 (2) \$100,000,000 shall be for grants to Indian
5 tribes for carrying out the Indian Community Devel-
6 opment Block Grant program, as authorized under
7 title I of the Housing and Community Development
8 Act of 1974 (42 U.S.C. 5301 et seq.) with respect
9 to Indian tribes for use to respond to emergencies
10 that constitute imminent threats to health and safe-
11 ty: *Provided*, That, notwithstanding section
12 106(a)(1) of such Act, the Secretary shall prioritize,
13 without competition, allocations of such amounts for
14 activities and projects to prevent, prepare for, and
15 respond to coronavirus: *Provided further*, That not
16 to exceed 20 percent of any grant made with
17 amounts made available in this paragraph shall be
18 expended for planning and management development
19 and administration: *Provided further*, That such
20 amounts may be used to cover the cost of and reim-
21 bursement of allowable costs to prevent, prepare for,
22 and respond to coronavirus incurred by a recipient
23 regardless of the date on which such costs were in-
24 curred: *Provided further*, That, notwithstanding sec-
25 tion 105(a)(8) of the Housing and Community De-

1 velopment Act of 1974 (42 U.S.C. 5301 et seq.),
2 there shall be no percent limitation on the use of
3 amounts for public services activities to prevent, pre-
4 pare for, and respond to coronavirus: *Provided fur-*
5 *ther*, That the preceding proviso shall apply to all
6 such activities funded with amounts made available
7 in this paragraph and in paragraph (4) under this
8 heading in division H of the Further Consolidated
9 Appropriations Act, 2020 (Public Law 116–94):
10 *Provided further*, That the Secretary may waive, or
11 specify alternative requirements for, any provision of
12 any statute or regulation that the Secretary admin-
13 isters in connection with the use of amounts made
14 available in this paragraph and in paragraph (4)
15 under this heading in division H of the Further Con-
16 solidated Appropriations Act, 2020 (Public Law
17 116–94) (except for requirements related to fair
18 housing, nondiscrimination, labor standards, and the
19 environment), upon a finding by the Secretary that
20 any such waivers or alternative requirements are
21 necessary to expedite or facilitate the use of such
22 amounts, including to prevent, prepare for, and re-
23 spond to coronavirus: *Provided further*, That any
24 such waivers shall apply retroactively to activities to
25 prevent, prepare for, and respond to coronavirus car-

1 ried out with any amounts described in the pre-
2 ceding proviso:

3 *Provided further*, That such amount is designated by the
4 Congress as being for an emergency requirement pursuant
5 to section 251(b)(2)(A)(i) of the Balanced Budget and
6 Emergency Deficit Control Act of 1985.

7 COMMUNITY PLANNING AND DEVELOPMENT

8 HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

9 For an additional amount for carrying out the
10 “Housing Opportunities for Persons with AIDS” pro-
11 gram, as authorized by the AIDS Housing Opportunity
12 Act (42 U.S.C. 12901 et seq.), \$130,000,000, to remain
13 available until September 30, 2021, except that amounts
14 allocated pursuant to section 854(c)(5) of such Act shall
15 remain available until September 30, 2022, to provide ad-
16 ditional funds to maintain operations and for rental assist-
17 ance, supportive services, and other necessary actions, in
18 order to prevent, prepare for, and respond to the
19 coronavirus: *Provided*, That not less than \$100,000,000
20 of the amount provided under this heading in this Act
21 shall be allocated pursuant to the formula in section 854
22 of such Act using the same data elements as utilized pur-
23 suant to that same formula in fiscal year 2020: *Provided*
24 *further*, That up to \$20,000,000 of the amount provided
25 under this heading in this Act shall be to provide an addi-

1 tional one-time, non-renewable award to grantees cur-
2 rently administering existing contracts for permanent sup-
3 portive housing that initially were funded under section
4 854(c)(5) of such Act from funds made available under
5 this heading in fiscal year 2010 and prior years: *Provided*
6 *further*, That such awards shall be made proportionally to
7 their existing grants: *Provided further*, That, notwith-
8 standing section 858(b)(3)(B) of such Act (42 U.S.C.
9 12907(b)(3)(B)), housing payment assistance for rent,
10 mortgage, or utilities payments may be provided for a pe-
11 riod of up to 24 months: *Provided further*, That such
12 awards are not required to be spent on permanent sup-
13 portive housing: *Provided further*, That, to protect persons
14 who are living with HIV/AIDS, such amounts provided
15 under this heading in this Act may be used to self-isolate,
16 quarantine, or to provide other coronavirus infection con-
17 trol services as recommended by the Centers for Disease
18 Control and Prevention for household members not living
19 with HIV/AIDS: *Provided further*, That such amounts
20 may be used to provide relocation services, including to
21 provide lodging at hotels, motels, or other locations in
22 order to satisfy the objectives of the preceding proviso:
23 *Provided further*, That, notwithstanding section 856(g) of
24 such Act (42 U.S.C. 12905(g)), a grantee may use up to
25 6 percent of its award under this Act for administrative

1 purposes, and a project sponsor may use up to 10 percent
2 of its sub-award under this Act for administrative pur-
3 poses: *Provided further*, That such amounts provided
4 under this heading in this Act may be used to reimburse
5 allowable costs consistent with the purposes of this head-
6 ing incurred by a grantee or project sponsor regardless
7 of the date on which such costs were incurred: *Provided*
8 *further*, That any regulatory waivers the Secretary may
9 issue may be deemed to be effective as of the date a grant-
10 ee began preparing for coronavirus: *Provided further*, That
11 any additional activities or authorities authorized under
12 this heading in this Act may also apply at the discretion
13 and upon notice of the Secretary to all amounts made
14 available under this same heading in Public Law 116–94
15 if such amounts are used by grantees for the purposes de-
16 scribed under this heading: *Provided further*, That up to
17 2 percent of amounts made available under this heading
18 in this Act may be used, without competition, to increase
19 prior awards made to existing technical assistance pro-
20 viders to provide an immediate increase in capacity build-
21 ing and technical assistance available to grantees under
22 this heading and under the same heading in prior Acts:
23 *Provided further*, That such amount is designated by the
24 Congress as being for an emergency requirement pursuant

1 to section 251(b)(2)(A)(i) of the Balanced Budget and
2 Emergency Deficit Control Act of 1985.

3 COMMUNITY DEVELOPMENT FUND

4 For an additional amount for “Community Develop-
5 ment Fund”, \$15,000,000,000, for assistance under the
6 community development block grant program under title
7 I of the Housing and Community Development Act of
8 1974 (42 U.S.C. 5301 et seq.) to prevent, prepare for,
9 and respond to coronavirus, to remain available until Sep-
10 tember 30, 2022: *Provided*, That up to \$8,000,000,000
11 of the amount made available under this heading shall be
12 distributed pursuant to section 106 of such Act (42 U.S.C.
13 5306) to grantees that received allocations pursuant to
14 that same formula in fiscal year 2020, and that such allo-
15 cations shall be made within 30 days of enactment of this
16 Act: *Provided further*, That, in addition to amounts allo-
17 cated pursuant to the preceding proviso, an additional
18 \$5,000,000,000 shall be allocated directly to States to pre-
19 vent, prepare for, and respond to coronavirus within the
20 State, including activities within entitlement and non-
21 entitlement communities, based on public health needs,
22 risk of transmission of coronavirus, number of coronavirus
23 cases compared to the national average, and economic and
24 housing market disruptions, and other factors, as deter-
25 mined by the Secretary, using best available data and that

1 such allocations shall be made within 45 days of enact-
2 ment of this Act: *Provided further*, That any remaining
3 amounts shall be distributed directly to the State or unit
4 of general local government, at the discretion of the Sec-
5 retary, according to a formula based on factors to be de-
6 termined by the Secretary, prioritizing risk of trans-
7 mission of coronavirus, number of coronavirus cases com-
8 pared to the national average, and economic and housing
9 market disruptions resulting from coronavirus: *Provided*
10 *further*, That such allocations may be made on a rolling
11 basis as additional needs develop and data becomes avail-
12 able: *Provided further*, That the Secretary shall make all
13 such allocations based on the best available data at the
14 time of allocation: *Provided further*, That amounts made
15 available in the preceding provisos may be used to reim-
16 burse allowable costs consistent with the purposes of this
17 heading in this Act incurred by a State or locality regard-
18 less of the date on which such costs were incurred: *Pro-*
19 *vided further*, That section 116(b) of such Act (42 U.S.C.
20 5316(b)) and any implementing regulations, which require
21 grantees to submit their final statements of activities no
22 later than August 16 of a given fiscal year, shall not apply
23 to final statements submitted in accordance with sections
24 104(a)(2) and (a)(3) of such Act (42 U.S.C. 5304(a)(2)
25 and (a)(3)) and comprehensive housing affordability strat-

egies submitted in accordance with section 105 of the
Cranston-Gonzalez National Affordable Housing Act (42
U.S.C. 12705) for fiscal years 2019 and 2020: *Provided*
further, That such final statements and comprehensive
housing affordability strategies shall instead be submitted
not later than August 16, 2021: *Provided further*, That
the Secretary may waive, or specify alternative require-
ments for, any provision of any statute or regulation that
the Secretary administers in connection with the use of
amounts made available under this heading and for fiscal
years 2019 and 2020 (except for requirements related to
fair housing, nondiscrimination, labor standards, and the
environment), if the Secretary finds that good cause exists
for the waiver or alternative requirement and such waiver
or alternative requirement would not be inconsistent with
the overall purpose of title I of the Housing and Commu-
nity Development Act of 1974 , including for the purposes
of addressing the impact of coronavirus: *Provided further*,
That any such waiver or alternative requirement shall not
take effect before the expiration of the 5-day period that
begins on the date on which the Secretary notifies the pub-
lic through the Federal Register or other appropriate
means, including by means of the Internet at the appro-
priate Government web site or through other electronic
media, as determined by the Secretary: *Provided further*,

1 That of the amounts made available under this heading,
2 up to \$10,000,000 shall be made available for capacity
3 building and technical assistance to support the use of
4 such amounts to expedite or facilitate infectious disease
5 response: *Provided further*, That, notwithstanding sections
6 104(a)(2), (a)(3), and (c) of the Housing and Community
7 Development Act of 1974 (42 U.S.C. 5304(a)(2), (a)(3),
8 and (c)) and section 105 of the Cranston-Gonzalez Na-
9 tional Affordable Housing Act (42 U.S.C. 12705), a
10 grantee may not be required to amend its statement of
11 activities in order to engage in activities to prevent, pre-
12 pare, and respond to coronavirus or the economic and
13 housing disruption caused by such virus, but shall make
14 public a report within 180 days of the end of the crisis
15 which fully accounts for those activities: *Provided further*,
16 That a grantee may not be required to hold in-person pub-
17 lic hearings in connection with citizen participation plan,
18 but shall provide citizens with notice and a reasonable op-
19 portunity to comment of no less than 15 days: *Provided*
20 *further*, That such procedures shall apply to grants from
21 amounts made available under this heading and for fiscal
22 years 2019 and 2020: *Provided further*, That, during the
23 period that national or local health authorities recommend
24 social distancing and limiting public gatherings for public
25 health reasons, a grantee may carry out virtual public

1 hearings to fulfill applicable public hearing requirements
2 for all grants from funds made available under this head-
3 ing in this and prior Acts: *Provided further*, That any such
4 virtual hearings shall provide reasonable notification and
5 access for citizens in accordance with the grantee's certifi-
6 cations, timely responses from local officials to all citizen
7 questions and issues, and public access to all questions
8 and responses: *Provided further*, That, notwithstanding
9 subsection 105(a)(8) of the Housing and Community De-
10 velopment Act of 1974 (42 U.S.C. 5305(a)(8)), there shall
11 be no percent limitation for the use of funds for public
12 services activities to prevent, prepare, and respond to
13 coronavirus or the economic and housing disruption
14 caused by it: *Provided further*, That the preceding proviso
15 shall apply to all such activities carried out with grants
16 of funds made available under this heading and for fiscal
17 years 2019 and 2020: *Provided further*, That the Sec-
18 retary shall ensure there are adequate procedures in place
19 to prevent any duplication of benefits as defined by section
20 312 of the Robert T. Stafford Disaster Relief and Emer-
21 gency Assistance Act (42 U.S.C. 5155) and act in accord-
22 ance with section 1210 of the Disaster Recovery Reform
23 Act of 2018 (division D of Public Law 115–254; 132 Stat.
24 3442) and section 312 of the Robert T. Stafford Disaster
25 Relief and Emergency Assistance Act (42 U.S.C. 5115):

1 *Provided further*, That such amount is designated by the
2 Congress as being for an emergency requirement pursuant
3 to section 251(b)(2)(A)(i) of the Balanced Budget and
4 Emergency Deficit Control Act of 1985.

5 HOMELESS ASSISTANCE GRANTS

6 For an additional amount for “Homeless Assistance
7 Grants”, \$5,000,000,000, to remain available until Sep-
8 tember 30, 2022, for the Emergency Solutions Grants pro-
9 gram as authorized under subtitle B of title IV of the
10 McKinney-Vento Homeless Assistance Act (42 U.S.C.
11 11371 et seq.), as amended, to prevent, prepare for, and
12 respond to coronavirus among individuals and families
13 who are homeless, receiving homeless assistance, or at risk
14 of homelessness and to support additional homeless assist-
15 ance and homelessness prevention activities to mitigate the
16 impacts created by coronavirus: *Provided*, That up to
17 \$1,500,000,000 of the amount appropriated under this
18 heading in this Act shall be distributed pursuant to 24
19 CFR 576.3 to grantees that received allocations pursuant
20 to that same formula in fiscal year 2020, and that such
21 allocations shall be made within 30 days of enactment of
22 this Act: *Provided further*, That, in addition to amounts
23 allocated in the preceding proviso, an additional
24 \$1,500,000,000 shall be allocated directly to a State or
25 unit of general local government by a formula to be devel-

1 oped by the Secretary and that such allocations shall be
2 made within 45 days of enactment of this Act: *Provided*
3 *further*, That such formula shall allocate such amounts for
4 the benefit of unsheltered homeless, sheltered homeless,
5 and those at risk of homelessness to geographical areas
6 with the greatest need based on the risk of increasing
7 transmission of coronavirus, rising rates of sheltered and
8 unsheltered homelessness, and disruptions to economic
9 and housing markets and other factors, as determined by
10 the Secretary: *Provided further*, That not less than every
11 60 days thereafter, the Secretary shall allocate a minimum
12 of an additional \$500,000,000: *Provided further*, That
13 amounts in the preceding proviso shall be allocated by a
14 formula to be developed by the Secretary which takes into
15 consideration the factors contained in the third proviso
16 under this heading, in addition to the best available data
17 on the number of coronavirus cases and disruptions in eco-
18 nomic and housing markets, and other factors as deter-
19 mined by the Secretary: *Provided further*, That such
20 amounts may be used to reimburse allowable costs con-
21 sistent with the purposes of this heading incurred by a
22 State or locality regardless of the date on which such costs
23 were incurred: *Provided further*, That individuals and fam-
24 ilies who are very low-income (as such term is defined in
25 section 3(b) of the United States Housing Act of 1937

1 (42 U.S.C. 1437a(b)) shall be considered “at risk of home-
2 lessness” and eligible for homelessness prevention assist-
3 ance if they meet the criteria in subparagraphs (B) and
4 (C) of section 401(1) of the McKinney-Vento Homeless
5 Act (42 U.S.C. 11360(1)(B) and (C)): *Provided further*,
6 That any individuals and families who are low-income (as
7 such term is defined in section 3(b) of the United States
8 Housing Act of 1937 (42 U.S.C. 1437a(b)) shall be eligi-
9 ble for rental assistance: *Provided further*, That recipients
10 may deviate from applicable procurement standards when
11 procuring goods and services consistent with the purposes
12 of this heading: *Provided further*, That a recipient may
13 use up to 10 percent of its allocation for administrative
14 purposes: *Provided further*, That the use of such amounts
15 shall not be subject to the consultation, citizen participa-
16 tion, or match requirements that otherwise apply to the
17 Emergency Solutions Grants program, except that a re-
18 cipient must publish how it has and will utilize its alloca-
19 tion at a minimum on the Internet at the appropriate Gov-
20 ernment web site or through other electronic media: *Pro-*
21 *vided further*, That the spending cap established pursuant
22 to section 415(b) of the McKinney-Vento Homeless Act
23 (42 U.S.C. 11374) shall not apply to such amounts: *Pro-*
24 *vided further*, That such amounts may be used to provide
25 temporary emergency shelters (through leasing of existing

1 property, temporary structures, or other means) for the
2 purposes described under this heading, and that such tem-
3 porary emergency shelters shall not be subject to the min-
4 imum periods of use required by section 416(c)(1) of such
5 Act (42 U.S.C. 11375(c)(1)): *Provided further*, That Fed-
6 eral habitability and environmental review standards and
7 requirements shall not apply to the use of such amounts
8 for those temporary emergency shelters that have been de-
9 termined by Federal, State, or local health officials to be
10 necessary to prevent and mitigate the spread of
11 coronavirus: *Provided further*, That such amounts may be
12 used for training on infectious disease prevention and
13 mitigation and to provide hazard pay, including for time
14 worked prior to enactment of this Act, for staff working
15 directly to prevent and mitigate the spread of coronavirus
16 among persons who are homeless or at risk of homeless-
17 ness, and that such activities shall not be considered ad-
18 ministrative costs for purposes of the 10 percent cap: *Pro-*
19 *vided further*, That in administering the amounts made
20 available under this heading in this Act, the Secretary may
21 waive, or specify alternative requirements for, any provi-
22 sion of any statute or regulation (except for any require-
23 ments related to fair housing, nondiscrimination, labor
24 standards, and the environment) that the Secretary ad-
25 ministers in connection with the obligation or use by the

1 recipient of these amounts, if the Secretary finds that
2 good cause exists for the waiver or alternative requirement
3 and such waiver or alternative requirement is consistent
4 with the purposes described under this heading: *Provided*
5 *further*, That any such waivers shall be deemed to be effective as of the date a State or unit of local government
6 began preparing for coronavirus and shall apply to the use
7 of amounts provided under this heading and amounts provided under the same heading in fiscal year 2020 used
8 by recipients for the purposes described under this heading: *Provided further*, That the Secretary shall notify the
9 public through the Federal Register or other appropriate
10 means, 5 days before the effective date, of any such waiver
11 or alternative requirement, and that such public notice
12 may be provided on the Internet at the appropriate Government web site or through other electronic media, as
13 determined by the Secretary: *Provided further*, That up
14 to 1 percent of amounts made available under this heading
15 in this Act may be used to increase prior awards made
16 to existing technical assistance providers with experience
17 in providing health care services in order to provide an
18 immediate increase in capacity building and technical assistance to recipients of the Emergency Solutions Grants
19 program under this heading and under the same heading
20 in fiscal years 2018, 2019 and 2020: *Provided further*,

1 That none of the funds provided under this heading may
2 be used to require people experiencing homelessness to re-
3 ceive treatment or perform any other prerequisite activi-
4 ties as a condition for receiving shelter, housing, or other
5 services: *Provided further*, That such amount is designated
6 by the Congress as being for an emergency requirement
7 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
8 et and Emergency Deficit Control Act of 1985.

9 EMERGENCY RENTAL ASSISTANCE

10 For and additional amount for “Emergency Rental
11 Assistance”, as authorized in section 105 of title I of divi-
12 sion I of the Take Responsibility for Workers and Families
13 Act, \$100,000,000,000, to remain available until ex-
14 pended: *Provided*, That such amount is designated by the
15 Congress as being for an emergency requirement pursuant
16 to section 251(b)(2)(A)(i) of the Balanced Budget and
17 Emergency Deficit Control Act of 1985.

18 HOUSING ASSISTANCE FUND

19 For an additional amount for the “Housing Assist-
20 ance Fund”, as authorized in section 108 of title I of divi-
21 sion I of the Take Responsibility for Workers and Families
22 Act, \$35,000,000,000, to remain available until expended:
23 *Provided*, That such amount is designated by the Congress
24 as being for an emergency requirement pursuant to sec-

tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOUSING PROGRAMS

ASSISTED HOUSING STABILITY

For an additional amount for assistance to owners or sponsors of properties receiving project-based assistance pursuant to section 202 of the Housing Act of 1959 (12 U.S.C. 17012), section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), or section 8 of the United States Housing Act of 1937, as amended, (42 U.S.C. 1437f), \$1,100,000,000, to remain available until expended, unless otherwise specified: *Provided*, That such amounts shall be used to prevent, prepare for, and respond to coronavirus: *Provided further*, That of the amounts made available under this heading in this Act:

(1) \$1,000,000,000 shall be for “Project-Based Rental Assistance” to supplement funds already available for expiring or terminating section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for amendments to section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for contracts entered into pursuant to section 441 of the McKinney-Vento Homeless Assistance Act (42

1 U.S.C. 11401), for renewal of section 8 contracts for
2 units in projects that are subject to approved plans
3 of action under the Emergency Low Income Housing
4 Preservation Act of 1987 or the Low-Income Hous-
5 ing Preservation and Resident Homeownership Act
6 of 1990, and for administrative and other expenses
7 associated with project-based activities and assist-
8 ance funded under this paragraph;

9 (2) \$75,000,000, to remain available until Sep-
10 tember 30, 2022, shall be for “Housing for the El-
11 derly” to supplement funds already available for
12 project rental assistance for the elderly under section
13 202(c)(2) of such Housing Act of 1959, including
14 amendments to contracts for such assistance and re-
15 newal of expiring contracts for such assistance for
16 up to a 1-year term, for senior preservation rental
17 assistance contracts, including renewals, as author-
18 ized by section 811(e) of the American Housing and
19 Economic Opportunity Act of 2000, as amended,
20 and for supportive services associated with the hous-
21 ing for the elderly as authorized by such section
22 202: *Provided further*, That funds made available
23 under this paragraph shall be used to provide emer-
24 gency assistance for continuation of contracts for
25 project rental assistance and amendment to such

1 contracts, supportive services, existing service coordi-
2 nators, one-time grants to hire additional service co-
3 ordinators, other staffing, rent supports, and emer-
4 gency preparedness relating to coronavirus; and

5 (3) \$25,000,000, to remain available until Sep-
6 tember 30, 2023, shall be for “Housing for Persons
7 with Disabilities” to supplement funds already avail-
8 able for project rental assistance for supportive
9 housing for persons with disabilities under section
10 811(d)(2) of such Cranston-Gonzalez National Af-
11 fordable Housing Act, for project assistance con-
12 tracts pursuant to section 202(h) of the Housing
13 Act of 1959 (Public Law 86–372; 73 Stat. 667), in-
14 cluding amendments to contracts for such assistance
15 and renewal of expiring contracts for such assistance
16 for up to a 1-year term, for project rental assistance
17 to State housing finance agencies and other appro-
18 priate entities as authorized under section 811(b)(3)
19 of the Cranston-Gonzalez National Housing Act, and
20 for supportive services associated with the housing
21 for persons with disabilities as authorized by section
22 811(b)(1) of such Act:

23 *Provided further*, That for the purposes of addressing the
24 impact of coronavirus, the Secretary may waive, or specify
25 alternative requirements for, any provision of any statute

1 or regulation that the Secretary administers in connection
2 with the use of amounts made available under this heading
3 in this Act (except for requirements related to fair hous-
4 ing, nondiscrimination, labor standards, and the environ-
5 ment) upon a finding by the Secretary that any such waiv-
6 ers or alternative requirements are necessary to expedite
7 or facilitate the use of such amounts: *Provided further*,
8 That the Secretary shall notify the public through the
9 Federal Register or other appropriate means of any such
10 waiver or alternative requirement in order for such waiver
11 or alternative requirement to take effect, and that such
12 public notice may be provided at minimum on the Internet
13 at the appropriate Government web site or through other
14 electronic media, as determined by the Secretary: *Provided*
15 *further*, That up to 1 percent of the amounts provided
16 under paragraphs (1), (2) and (3) may be used to make
17 new awards or increase prior awards made to existing
18 technical assistance providers, without competition, to pro-
19 vide an immediate increase in capacity building and tech-
20 nical assistance available to recipients of amounts identi-
21 fied in the preceding proviso, to remain available until
22 September 30, 2024: *Provided further*, That such amount
23 is designated by the Congress as being for an emergency
24 requirement pursuant to section 251(b)(2)(A)(i) of the

1 Balanced Budget and Emergency Deficit Control Act of
2 1985.

3 FAIR HOUSING AND EQUAL OPPORTUNITY

4 FAIR HOUSING ACTIVITIES

5 For an additional amount for “Fair Housing Activi-
6 ties”, \$7,000,000, to remain available until September 30,
7 2021, for contracts, grants, and other assistance, as au-
8 thorized by title VIII of the Civil Rights Act of 1968, as
9 amended by the Fair Housing Amendments Act of 1988,
10 and section 561 of the Housing and Community Develop-
11 ment Act of 1987, to prevent, prepare for, and respond
12 to coronavirus, of which \$4,000,000 shall be for the Fair
13 Housing Assistance Program Partnership for Special En-
14 forcement grants to address fair housing issues relating
15 to coronavirus, and \$3,000,000 shall be for the Fair Hous-
16 ing Initiatives Program for education and outreach activi-
17 ties under such section 561 to educate the public about
18 fair housing issues related to coronavirus: *Provided*, That
19 such amount is designated by the Congress as being for
20 an emergency requirement pursuant to section
21 251(b)(2)(A)(i) of the Balanced Budget and Emergency
22 Deficit Control Act of 1985.

23 OFFICE OF INSPECTOR GENERAL

24 For an additional amount for “Office of Inspector
25 General”, \$5,000,000, to remain available until September

1 30, 2021: *Provided*, That the amount made available
2 under this heading in this Act shall be for necessary sala-
3 ries and expenses of the Office of Inspector General in
4 carrying out the Inspector General Act of 1978 and to
5 conduct audits and investigations of activities carried out
6 with amounts made available in this Act to the Depart-
7 ment of Housing and Urban Development to prevent, pre-
8 pare for, and respond to coronavirus: *Provided further*,
9 That the Inspector General shall have independent author-
10 ity over all personnel issues within this office: *Provided*
11 *further*, That such amount is designated by the Congress
12 as being for an emergency requirement pursuant to sec-
13 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
14 gency Deficit Control Act of 1985.

1 TITLE XIII

2 GENERAL PROVISIONS—THIS DIVISION

3 SEC. 11301. Not later than 30 days after the date
4 of enactment of this Act, the head of each executive agen-
5 cy that receives funding in this Act, or that received fund-
6 ing in the Coronavirus Preparedness and Response Sup-
7 plemental Appropriations Act, 2020 (division A of Public
8 Law 116–123) or the Second Coronavirus Preparedness
9 and Response Supplemental Appropriations Act, 2020 (di-
10 vision A of Public Law 116–127), shall provide a report
11 detailing the anticipated uses of all such funding to the
12 Committees on Appropriations of the House of Represent-
13 atives and the Senate: *Provided*, That each report shall
14 include estimated personnel and administrative costs, as
15 well as the total amount of funding apportioned, allotted,
16 obligated, and expended, to date: *Provided further*, That
17 each such report shall be updated and submitted to such
18 Committees every 60 days until all funds are expended
19 or expire: *Provided further*, That reports submitted pursu-
20 ant to this section shall satisfy the requirements of section
21 1701 of division A of Public Law 116–127.

22 SEC. 11302. Each amount appropriated or made
23 available by this Act is in addition to amounts otherwise
24 appropriated for the fiscal year involved.

1 SEC. 11303. In this Act, the term “coronavirus”
2 means SARS-CoV-2 or another coronavirus with pan-
3 demic potential.

4 SEC. 11304. No part of any appropriation contained
5 in this Act shall remain available for obligation beyond
6 the current fiscal year unless expressly so provided herein.

7 SEC. 11305. Unless otherwise provided for by this
8 Act, the additional amounts appropriated by this Act to
9 appropriations accounts shall be available under the au-
10 thorities and conditions applicable to such appropriations
11 accounts for fiscal year 2020.

12 SEC. 11306. Each amount designated in this Act by
13 the Congress as being for an emergency requirement pur-
14 suant to section 251(b)(2)(A)(i) of the Balanced Budget
15 and Emergency Deficit Control Act of 1985 shall be avail-
16 able (or rescinded or transferred, if applicable) only if the
17 President subsequently so designates all such amounts
18 and transmits such designations to the Congress.

19 SEC. 11307. Any amount appropriated by this Act,
20 designated by the Congress as an emergency requirement
21 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
22 et and Emergency Deficit Control Act of 1985 and subse-
23 quently so designated by the President, and transferred
24 pursuant to transfer authorities provided by this Act shall
25 retain such designation.

1 SEC. 11308. Notwithstanding any other provision of
2 law, and subject to the availability of appropriations,
3 funds made available by this Act or any other Act may
4 be used to modify the terms and conditions of a contract,
5 or other agreement, without consideration, to authorize a
6 federal agency to reimburse at contract billing rates not
7 to exceed an average of 40 hours per week any contractor
8 paid leave, including sick leave, the contractor provides to
9 its employees to ensure the effective response to the de-
10 clared national emergency for the coronavirus pandemic
11 event. Such authority shall apply only to a contractor
12 whose employees cannot perform work on a federally-
13 owned or leased facility or site due to federal government
14 directed closures or other restrictions, and who cannot
15 telework because their job duties cannot be performed re-
16 motely during the declared national emergency for the
17 coronavirus pandemic event. This authority also shall
18 apply to subcontractors. The amounts made available by
19 this section are designated by the Congress as an emer-
20 gency requirement pursuant to section 251(b)(2)(A)(i) of
21 the Balanced Budget and Emergency Deficit Control Act
22 of 1985.

23 This division may be cited as the “Emergency Pen-
24 sion Plan Relief Act of 2020”.

1 **DIVISION B—EMERGENCY FAM-**
2 **ILY AND MEDICAL LEAVE EX-**
3 **PANSION ACT**

4 REFERENCES

5 SEC. 20001.

6 Except as otherwise expressly provided, whenever in
7 this division an amendment or repeal is expressed in terms
8 of an amendment to, or repeal of, a section or other provi-
9 sion, the reference shall be considered to be made to a
10 section or other provision of the Family and Medical Leave
11 Act of 1993 (29 U.S.C. 2601 et seq.), as amended by the
12 Emergency Family and Medical Leave Expansion Act
13 (Public Law 116–127).

14 EMPLOYER CLARIFICATION

15 SEC. 20002.

16 Section 101(4) is amended by adding at the end the
17 following:

18 “(C) CLARIFICATION.—Subparagraph
19 (A)(i) shall not apply with respect to a public
20 agency described in subparagraph (A)(iii).”.

21 EMERGENCY LEAVE EXTENSION

22 SEC. 20003.

23 Section 102(a)(1)(F) is amended by striking “De-
24 cember 31, 2020” and inserting “December 31, 2021”.

25 EMERGENCY LEAVE DEFINITIONS

26 SEC. 20004.

1 (a) ELIGIBLE EMPLOYEE.—Section 110(a)(1) is
2 amended in subparagraph (A), by striking “sections
3 101(2)(A) and 101(2)(B)(ii)” and inserting “section
4 101(2)”.

5 (b) EMPLOYER THRESHOLD.—Section 110(a)(1)(B)
6 is amended by striking “fewer than 500 employees” and
7 inserting “1 or more employees”.

8 (c) PARENT.—Section 110(a)(1) is amended by add-
9 ing at the end the following:

10 “(C) PARENT.—In lieu of the definition in
11 section 101(7), the term ‘parent’, with respect
12 to an employee, means any of the following:

13 “(i) A biological, foster, or adoptive
14 parent of the employee.

15 “(ii) A stepparent of the employee.

16 “(iii) A parent-in-law of the employee.

17 “(iv) A parent of a domestic partner
18 of the employee.

19 “(v) A legal guardian or other person
20 who stood in loco parentis to an employee
21 when the employee was a child.”.

22 (d) QUALIFYING NEED RELATED TO A PUBLIC
23 HEALTH EMERGENCY.—Section 110(a)(2)(A) is amended
24 to read as follows:

1 “(A) QUALIFYING NEED RELATED TO A
2 PUBLIC HEALTH EMERGENCY.—The term
3 ‘qualifying need related to a public health emer-
4 gency’, with respect to leave, means that the
5 employee is unable to perform the functions of
6 the position of such employee due to a need for
7 leave for any of the following:

8 “(i) To comply with a recommenda-
9 tion or order by a public official having ju-
10 risdiction or a health care provider on the
11 basis that the physical presence of the em-
12 ployee on the job would jeopardize the
13 health of others because of—

14 “(I) the exposure of the employee
15 to COVID-19; or

16 “(II) exhibition of symptoms of
17 COVID-19 by the employee.

18 “(ii) To care for a family member of
19 an eligible employee with respect to whom
20 a public official having jurisdiction or a
21 health care provider makes a determina-
22 tion that the presence of such family mem-
23 ber in the community would jeopardize the
24 health of other individuals in the commu-
25 nity because of—

1 “(I) the exposure of the family
2 member to COVID–19; or

3 “(II) exhibition of symptoms of
4 COVID–19 by the family member.

5 “(iii) To care for the son or daughter
6 of such employee if the school or place of
7 care has been closed, or the child care pro-
8 vider of such son or daughter is unavail-
9 able, due to a public health emergency.

10 “(iv) To care for a family member
11 who meets criteria of 101(12)(B) or is a
12 senior citizen, if the place of care for such
13 family member is closed, or the direct care
14 provider is unavailable, due to a public
15 health emergency.”.

16 (e) FAMILY MEMBER.—Section 110(a)(2) is amended
17 by adding at the end the following:

18 “(E) FAMILY MEMBER.—The term ‘family
19 member’, with respect to an employee, means
20 any of the following:

21 “(i) A parent of the employee.

22 “(ii) A spouse of the employee.

23 “(iii) A sibling of the employee.

1 “(iv) Next of kin of the employee or
2 a person for whom the employee is next of
3 kin.

4 “(v) A son or daughter of the em-
5 ployee.

6 “(vi) A grandparent or grandchild of
7 the employee.

8 “(vii) An domestic partner of the em-
9 ployee.

10 “(F) DOMESTIC PARTNER.—

11 “(i) IN GENERAL.—The term ‘domes-
12 tic partner’, with respect to an individual,
13 means another individual with whom the
14 individual is in a committed relationship.

15 “(ii) COMMITTED RELATIONSHIP DE-
16 FINED.—The term ‘committed relationship’
17 means a relationship between 2 individuals,
18 each at least 18 years of age, in which
19 each individual is the other individual’s
20 sole domestic partner and both individuals
21 share responsibility for a significant meas-
22 ure of each other’s common welfare. The
23 term includes any such relationship be-
24 tween 2 individuals that is granted legal
25 recognition by a State or political subdivi-

1 sion of a State as a marriage or analogous
2 relationship, including a civil union or do-
3 mestic partnership.”.

4 REGULATORY AUTHORITIES

5 SEC. 20005.

6 (a) IN GENERAL.—Section 110(a) is amended by
7 striking paragraph (3).

8 (b) FORCE OR EFFECT OF REGULATIONS.—Any reg-
9 ulation issued under section 110(a)(3), as in effect on the
10 day before the date of the enactment of this Act, shall
11 have no force or effect.

12 RELATIONSHIP TO PAID LEAVE

13 SEC. 20006.

14 Section 110(b) is amended—

15 (1) in paragraph (1)—

16 (A) in the header, by striking “10 DAYS”
17 and inserting “2 WORKWEEKS”; and

18 (B) in subparagraph (A), by striking “10
19 days” and inserting “2 workweeks”;

20 (C) in subparagraph (B), by inserting, “,
21 including leave provided under section 5102 of
22 the Emergency Paid Sick Leave Act (Public
23 Law 116–127),” after “medical or sick leave”;
24 and

25 (D) by inserting at the end the following:

1 “(C) EMPLOYER REQUIREMENT.—An em-
2 ployer may not require an employee to sub-
3 stitute any leave described in subparagraph (B)
4 for leave under section 102(a)(1)(F).

5 “(D) RELATIONSHIP TO OTHER FAMILY
6 AND MEDICAL LEAVE.—Leave taken under sub-
7 paragraph (F) of section 102(a)(1) shall not
8 count towards the 12 weeks of leave to which
9 an employee is entitled under subparagraphs
10 (A) through (E) of such section.”; and
11 (2) in paragraph (2)(A), by striking “10 days”
12 and inserting “2 workweeks”.

13 WAGE RATE

14 SEC. 20007.

15 Section 110(2)(B)(I) is amended to read as follows:

16 “(I) an amount that is not less
17 than the greater of—

18 “(aa) the minimum wage
19 rate in effect under section
20 6(a)(1) of the Fair Labor Stand-
21 ards Act of 1938 (29 U.S.C.
22 206(a)(1));

23 “(bb) the minimum wage
24 rate in effect for such employee
25 in the applicable State or locality,

1 whichever is greater, in which the
2 employee is employed; or

3 “(cc) two thirds of an em-
4 ployee’s regular rate of pay (as
5 determined under section 7(e) of
6 the Fair Labor Standards Act of
7 1938 (29 U.S.C. 207(e)); and”.

8 NOTICE

9 SEC. 20008.

10 Section 110(c) is amended by inserting “or sub-
11 section (a)(2)(A)(iv)” after “for the purpose described in
12 subsection (a)(2)(A)(iii)”.

13 CERTIFICATION

14 SEC. 20009.

15 Section 110 is amended by adding at the end the fol-
16 lowing:

17 “(e) CERTIFICATION.—

18 “(1) IN GENERAL.—An employer may require
19 that a request for leave under section 102(a)(1)(F)
20 be supported by documentation described in para-
21 graph (2). An employer may not require such docu-
22 mentation before the date that is 3 weeks after the
23 date on which the employee takes such leave.

24 “(2) SUFFICIENT CERTIFICATION.—The fol-
25 lowing documentation shall be sufficient certifi-
26 cation:

1 “(A) With respect to leave taken for the
2 purposes described in clause (i) or (ii) of sub-
3 section (a)(2)(A)—

4 “(i) a recommendation or order from
5 a public official having jurisdiction or a
6 health care provider that the relevant indi-
7 vidual has symptoms of COVID–19 or
8 should be quarantined; or

9 “(ii) documentation or evidence that
10 the relevant individual has been exposed to
11 COVID–19.

12 “(B) With respect to leave taken for pur-
13 poses described in clause (iii) or (iv) of such
14 subsection, notice of closure or unavailability
15 from the school, place of care, child care pro-
16 vider, or direct care provider of the family
17 member.”.

18 AMENDMENTS TO THE EMERGENCY FAMILY AND

19 MEDICAL LEAVE EXPANSION ACT

20 SEC. 20010.

21 The Emergency Family and Medical Leave Expan-
22 sion Act (Public Law 116–127) is amended—

23 (1) in section 3103(b), by striking “Employees”
24 and inserting, “Notwithstanding section
25 102(a)(1)(A) of the Family and Medical Leave Act
26 of 1993 (29 U.S.C. 2612(a)(1)(A)), employees”; and

1 (2) by striking sections 3104 and 3105.

1 **DIVISION C—EMERGENCY PAID**
2 **SICK LEAVE ACT AMENDMENTS**

3 **SEC. 30001. REFERENCES.**

4 Except as otherwise expressly provided, whenever in
5 this division an amendment or repeal is expressed in terms
6 of an amendment to, or repeal of, a section or other provi-
7 sion, the reference shall be considered to be made to a
8 section or other provision of division E of the Families
9 First Coronavirus Response Act (Public Law 116–127).

10 **SEC. 30002. PAID SICK TIME REQUIREMENT.**

11 (a) USES.—Section 5102(a) is amended to read as
12 follows:

13 “(a) IN GENERAL.—An employer shall provide to
14 each employee employed by the employer paid sick time
15 for any of the following uses:

16 “(1) To self-isolate because the employee is di-
17 agnosed with COVID–19.

18 “(2) To obtain a medical diagnosis or care if
19 such employee is experiencing the symptoms of
20 COVID–19.

21 “(3) To comply with a recommendation or
22 order by a public official with jurisdiction or a
23 health care provider on the basis that the physical
24 presence of the employee on the job would jeopardize
25 the health of others because of—

1 “(A) the exposure of the employee to
2 COVID–19; or

3 “(B) exhibition of symptoms of COVID–19
4 by the employee.

5 “(4) To care for or assist a family member of
6 the employee—

7 “(A) who—

8 “(i) is self-isolating because such fam-
9 ily member has been diagnosed with
10 COVID–19; or

11 “(ii) is experiencing symptoms of
12 COVID–19 and needs to obtain medical di-
13 agnosis or care.

14 “(B) with respect to whom a public official
15 with jurisdiction or a health care provider
16 makes a determination that the presence of the
17 family member in the community would jeop-
18 ardize the health of other individuals in the
19 community because of—

20 “(i) the exposure of such family mem-
21 ber to the COVID–19; or

22 “(ii) exhibition of symptoms of
23 COVID–19 by such family member.

24 “(5) To care for the son or daughter of such
25 employee if the school or place of care has been

1 closed, or the child care provider of such son or
2 daughter is unavailable, due to COVID-19.”.

3 (b) EMPLOYERS WITH EXISTING POLICIES.—Section
4 5102 by adding at the end the following:

5 “(f) EMPLOYERS WITH EXISTING POLICIES.—With
6 respect to an employer that provides paid leave on the day
7 before the date of enactment of this Act—

8 “(1) the paid sick time under this Act shall be
9 made available to employees of the employer in addi-
10 tion to such paid leave; and

11 “(2) the employer may not change such paid
12 leave on or after such date of enactment to avoid
13 being subject to paragraph (1).”.

14 **SEC. 30003. PROHIBITED ACTS.**

15 Section 5104(1) is amended by striking “and” at the
16 end and inserting “or”.

17 **SEC. 30004. SUNSET.**

18 Section 5109 is amended by striking “December 31,
19 2020” and inserting “December 31, 2021”.

20 **SEC. 30005. DEFINITIONS.**

21 (a) EMPLOYEE.—Section 5110(1)(A)(i) is amended
22 by striking “ paragraph (5)(A)” and inserting “paragraph
23 (2)(A)”;

24 (b) EMPLOYER.—Section 5110(2)(B) is amended—

1 (1) by amending subclause (I) of clause (i) to
2 read as follows:

3 “(I) means any person engaged
4 in commerce or in any industry or ac-
5 tivity affecting commerce that employs
6 1 or more employees;”; and

7 (2) by amending clause (ii) to read as follows:

8 “(ii) PUBLIC AGENCY AND NON-PROF-
9 IT ORGANIZATIONS.—For purposes of
10 clause (i)(I), a public agency and a non-
11 profit organization shall be considered to
12 be a person engaged in commerce or in an
13 industry or activity affecting commerce.”.

14 (c) FMLA TERMS.—Section 5110(4) is amended to
15 read as follows:

16 “(4) FMLA TERMS.—The terms ‘health care
17 provider’, ‘next of kin’, ‘son or daughter’, and
18 ‘spouse’ have the meanings given such terms in sec-
19 tion 101 of the Family and Medical Leave Act of
20 1993 (29 U.S.C. 2611).”.

21 (d) PAID SICK LEAVE.—Section 5110(5) is amend-
22 ed—

23 (1) in subparagraph (A)—

24 (A) in clause (i), by striking “section 2(a)”
25 and inserting “section 5102(a)”; and

1 (B) in clause (ii), by striking “exceed” and
2 all that follows and inserting “exceed \$511 per
3 day and \$5,110 in the aggregate.”;

4 (2) in subparagraph (B)—

5 (A) by striking the following:

6 “(B) REQUIRED COMPENSATION.—

7 “(i) IN GENERAL.—Subject to sub-
8 paragraph (A)(ii),”; and inserting the fol-
9 lowing:

10 “(B) REQUIRED COMPENSATION.—Subject
11 to subparagraph (A)(ii),”; and

12 (B) by striking clause (ii); and

13 (3) in subparagraph (C), by striking “ section
14 2(a)” and inserting “section 5102(a)”.

15 (a) ADDITIONAL DEFINITIONS.—Section 5110 is
16 amended by adding at the end the following:

17 “(6) DOMESTIC PARTNER.—

18 “(A) IN GENERAL.—The term ‘domestic
19 partner’, with respect to an individual, means
20 another individual with whom the individual is
21 in a committed relationship.

22 “(B) COMMITTED RELATIONSHIP DE-
23 FINED.—The term ‘committed relationship’
24 means a relationship between 2 individuals,
25 each at least 18 years of age, in which each in-

1 dividual is the other individual's sole domestic
2 partner and both individuals share responsi-
3 bility for a significant measure of each other's
4 common welfare. The term includes any such
5 relationship between 2 individuals that is grant-
6 ed legal recognition by a State or political sub-
7 division of a State as a marriage or analogous
8 relationship, including a civil union or domestic
9 partnership.

10 “(7) FAMILY MEMBER.—The term ‘family
11 member’, with respect to an employee, means any of
12 the following:

13 “(A) A parent of the employee.

14 “(B) A spouse of the employee.

15 “(C) A son or daughter of the employee.

16 “(D) A sibling of the employee;

17 “(E) A next of kin of the employee or a
18 person for whom the employee is next of kin;

19 “(F) A grandparent or grandchild of the
20 employee; or

21 “(G) A domestic partner of the employee.

22 “(8) FFCRA TERMS.—The terms ‘child care
23 provider’ and ‘school’ have the meanings given such
24 terms in section 110(a)(2) of the Family and Med-
25 ical and Leave Act of 1993.

1 “(9) PARENT.—The term ‘parent’, with respect
2 to an employee, means any of the following:

3 “(A) A biological, foster, or adoptive par-
4 ent of the employee.

5 “(B) A stepparent of the employee.

6 “(C) A parent-in-law of the employee.

7 “(D) A parent of a domestic partner of the
8 employee.

9 “(E) A legal guardian or other person who
10 stood in loco parentis to an employee when the
11 employee was a child.”.

12 **SEC. 30006. REGULATORY AUTHORITIES.**

13 (a) IN GENERAL.—Division E is amended by striking
14 section 5111.

15 (b) FORCE OR EFFECT OF REGULATIONS.—Any reg-
16 ulation issued under section 5111 of division E of the
17 Families First Coronavirus Response Act (Public Law
18 116–127), as in effect on the day before the date of the
19 enactment of this Act, shall have no force or effect.

1 **DIVISION D—COVID-19 WORK-**
2 **ERS FIRST PROTECTION ACT**
3 **OF 2020**

4 **SEC. 40001. SHORT TITLE.**

5 This division may be cited as the “COVID–19 Work-
6 ers First Protection Act of 2020”.

7 **SEC. 40002. EMERGENCY TEMPORARY AND PERMANENT**
8 **STANDARDS.**

9 (a) EMERGENCY TEMPORARY STANDARD.—

10 (1) IN GENERAL.—In consideration of the grave
11 risk presented by COVID–19 and the need to
12 strengthen protections for employees, pursuant to
13 section 6(c)(1) of the Occupational Safety and
14 Health Act of 1970 (29 U.S.C. 655(c)(1)) and not-
15 withstanding the provisions of law and the Executive
16 Order listed in paragraph (7), not later than 7 days
17 after the date of enactment of this Act, the Sec-
18 retary of Labor shall, in consultation with the Direc-
19 tor of the Centers for Disease Control and Preven-
20 tion, the Director of the National Institute for Occu-
21 pational Safety and Health, the Commissioner of the
22 Food and Drug Administration, and the persons de-
23 scribed in paragraph (2), promulgate an emergency
24 temporary standard to protect from occupational ex-
25 posure to SARS–CoV–2—

1 (A) employees of health care sector em-
2 ployers;

3 (B) employees of employers in the para-
4 medic and emergency medical services, includ-
5 ing such services provided by firefighters and
6 other emergency responders; and

7 (C) employees in other sectors and occupa-
8 tions whom the Centers for Disease Control and
9 Prevention or the Occupational Safety and
10 Health Administration identifies as having ele-
11 vated risk.

12 (2) CONSULTATION.—In developing the stand-
13 ard under this subsection, the Secretary shall con-
14 sult with professional associations and representa-
15 tives of the employees in the occupations and sectors
16 described in subparagraphs (A) through (C) of para-
17 graph (1) and the employers of such employees.

18 (3) ENFORCEMENT DISCRETION.—If the Sec-
19 retary of Labor determines it is not feasible for an
20 employer to comply with a requirement of the stand-
21 ard promulgated under this subsection (such as a
22 shortage of the necessary personal protective equip-
23 ment), the Secretary may exercise discretion in the
24 enforcement of such requirement if the employer
25 demonstrates that the employer—

1 (A) is exercising due diligence to come into
2 compliance with such requirement; and

3 (B) is implementing alternative methods
4 and measures to protect employees.

5 (4) EXTENSION OF STANDARD.—Notwith-
6 standing paragraphs (2) and (3) of section 6(c) of
7 the Occupational Safety and Health Act of 1970 (29
8 U.S.C. 655(c)), the emergency temporary standard
9 promulgated under this subsection shall be in effect
10 until the date on which the final standard promul-
11 gated under subsection (b) is in effect.

12 (5) STATE PLAN ADOPTION.—With respect to a
13 State with a State plan that has been approved by
14 the Secretary of Labor under section 18 of the Oc-
15 cupational Safety and Health Act of 1970 (29
16 U.S.C. 667), not later than 14 days after the date
17 of enactment of this Act, such State shall promul-
18 gate an emergency temporary standard that is at
19 least as effective in protecting from occupational ex-
20 posure to SARS-CoV-2 the employees in the occu-
21 pations and sectors described in subparagraphs (A)
22 through (C) of paragraph (1) as the emergency tem-
23 porary standard promulgated under this subsection.

24 (6) EMPLOYER DEFINED.—For purposes of the
25 standard promulgated under this subsection, the

1 term “employer” under section 3 of the Occupa-
2 tional Safety and Health Act of 1970 (29 U.S.C.
3 652) includes any State or political subdivision of a
4 State, except for those already subject to the juris-
5 diction of a State plan approved under Section 18(b)
6 of the Occupational Safety and Health Act of 1970.

7 (7) INAPPLICABLE PROVISIONS OF LAW AND
8 EXECUTIVE ORDER.—The requirements of chapter 6
9 of title V, United States Code (commonly referred to
10 as the “Regulatory Flexibility Act”), subchapter I of
11 chapter 35 of title 44, United States Code (com-
12 monly referred to as the “Paperwork Reduction
13 Act”), and Executive Order 12866 (58 Fed. Reg.
14 190; relating to regulatory planning and review), as
15 amended, shall not apply to the standard promul-
16 gated under this subsection.

17 (b) PERMANENT STANDARD.—Not later than 24
18 months after the date of enactment of this Act, the Sec-
19 retary of Labor shall promulgate a final standard—

20 (1) to protect employees from occupational ex-
21 posure to infectious pathogens, including novel
22 pathogens; and

23 (2) that shall be effective and enforceable in the
24 same manner and to the same extent as a standard

1 promulgated under section 6(b) of the Occupational
2 Safety and Health Act of 1970 (29 U.S.C. 655(b)).

3 (c) REQUIREMENTS.—Each standard promulgated
4 under this section shall—

5 (1) require the employers of the employees in
6 the occupations and sectors described in subpara-
7 graphs (A) through (C) of subsection (a)(1) to de-
8 velop and implement a comprehensive infectious dis-
9 ease exposure control plan;

10 (2) provide no less protection for novel patho-
11 gens than precautions mandated by standards
12 adopted by a State plan that has been approved by
13 the Secretary of Labor under section 18 of the Oc-
14 cupational Safety and Health Act of 1970 (29
15 U.S.C. 667); and

16 (3) incorporate, as appropriate—

17 (A) guidelines issued by the Centers for
18 Disease Control and Prevention, and the Na-
19 tional Institute for Occupational Safety and
20 Health, which are designed to prevent the
21 transmission of infectious agents in healthcare
22 settings; and

23 (B) relevant scientific research on novel
24 pathogens.

1 **SEC. 40003. SURVEILLANCE, TRACKING, AND INVESTIGA-**
2 **TION OF WORK-RELATED CASES OF COVID-19**
3 **AMONG HEALTH CARE WORKERS.**

4 The Director of the Centers for Disease Control and
5 Prevention, in conjunction with the Director of the Na-
6 tional Institute for Occupational Safety and Health,
7 shall—

8 (1) collect and analyze case reports and other
9 data on COVID-19, to identify and evaluate the ex-
10 tent, nature, and source of COVID-19 among em-
11 ployees in the occupations and sectors described in
12 subparagraphs (A) through (C) of section 2(a)(1);

13 (2) investigate, as appropriate, individual cases
14 of COVID-19 among such employees to evaluate the
15 source of exposure and adequacy of infection and ex-
16 posure control programs and measures;

17 (3) provide regular periodic reports on COVID-
18 19 disease among such employees to the public; and

19 (4) based on such reports and investigations
20 make recommendations on needed actions or guid-
21 ance to protect such employees from COVID-19.

22 **DIVISION E—COVID-19 WORK-**
23 **FORCE EMERGENCY RE-**
24 **SPONSE ACT OF 2020**

25 **SEC. 50001. SHORT TITLE.**

26 (a) **SHORT TITLE.**—This Act may be cited as the .

1 **SEC. 50002. DEFINITIONS.**

2 In this Act:

3 (1) CORONAVIRUS.—The term “coronavirus”
4 means coronavirus as defined in section 506 of the
5 Coronavirus Preparedness and Response Supple-
6 mental Appropriations Act, 2020 (Public Law 116–
7 123).

8 (2) COVID–19 NATIONAL EMERGENCY.—The
9 term “COVID–19 national emergency” means the
10 national emergency declared by the President under
11 the National Emergencies Act (50 U.S.C. 1601 et
12 seq.) on March 13, 2020, with respect to the
13 coronavirus.

14 (3) SECRETARY.—The term “Secretary” means
15 the Secretary of Labor.

16 (4) WIOA TERMS.—Except as otherwise pro-
17 vided, the terms in this Act have the meanings given
18 the terms in section 3 of the Workforce Innovation
19 and Opportunity Act (29 U.S.C. 3102).

20 **SEC. 50003. WORKFORCE RESPONSE ACTIVITIES.**

21 (a) IN GENERAL.—The purpose of this section is to
22 provide the increased flexibility needed for State and local
23 areas to provide continuity of services during the COVID–
24 19 national emergency.

25 (b) ADMINISTRATIVE COSTS.—Notwithstanding sec-
26 tion 128(b)(4) of the Workforce Innovation and Oppor-

1 tunity Act (29 U.S.C. 3163(b)(4)), of the funds allocated
2 to a local area, including a single State local area, under
3 subtitle B of title I of such Act (29 U.S.C. 3151 et seq.)
4 that remain unobligated for program year 2019, an
5 amount up to 20 percent may be used for the administra-
6 tive costs of carrying out local workforce investment activi-
7 ties under chapter 2 or chapter 3 of subtitle B of title
8 I of such Act (29 U.S.C. 3151 et seq.), as long as any
9 amount used under this subsection that exceeds the
10 amount authorized for administrative costs under section
11 128(b)(4)(A) of such Act (29 U.S.C. 3163(b)(4)) is used
12 to respond to the COVID–19 national emergency.

13 (c) RAPID RESPONSE ACTIVITIES.—

14 (1) STATEWIDE RAPID RESPONSE.—Of the re-
15 served by a Governor under section 128(a) of the
16 Workforce Innovation and Opportunity Act (29
17 U.S.C. 3163(a)) for statewide activities that remain
18 unobligated for program year 2019, such funds may
19 be used for the statewide rapid response activities
20 described in section 134(a)(2)(A) of such Act (29
21 U.S.C. 3174(a)(2)(A)) for responding to the
22 COVID–19 national emergency.

23 (2) LOCAL BOARDS.—Of the funds reserved by
24 a Governor under section 133(a)(2) of such Act (29
25 U.S.C. 3173(a)(2)) that remain unobligated for pro-

1 gram year 2019, such funds may be distributed by
2 the Governor not later than 30 days after the date
3 of enactment of this Act to local boards most im-
4 pacted by the coronavirus, at the determination of
5 the Governor, for rapid response activities related to
6 responding to the COVID–19 national emergency.

7 **SEC. 50004. NATIONAL DISLOCATED WORKER GRANTS.**

8 (a) IN GENERAL.—The Secretary shall award grants
9 under section 170 of the Workforce Innovation and Oppor-
10 tunity Act (29 U.S.C. 3225) for the purposes—

11 (1) described subsections (b)(1) and (d) of such
12 section 170 related to the COVID–19 national emer-
13 gency; and

14 (2) of responding to subsequent emergency or
15 disasters or mass layoffs as described in section
16 170(a)(1) of such Act.

17 (b) COVID–19 NATIONAL EMERGENCY RE-
18 SPONSE.—

19 (1) IN GENERAL.—Of funds made available
20 under this section, national dislocated worker grants
21 may be awarded by the Secretary as described in
22 section 170 of the Workforce Innovation and Oppor-
23 tunity Act (29 U.S.C. 3225) to respond to the
24 COVID–19 national emergency.

1 (2) USES OF FUNDS.—Any grant awarded
2 under this section shall used for activities directly
3 supporting the response to the COVID–19 national
4 emergency, and recovery efforts related to such
5 emergency, which shall include the following:

6 (A) TRAINING AND TEMPORARY EMPLOY-
7 MENT.—Training and temporary employment to
8 respond to the COVID–19 national emergency,
9 such as positions or assignments—

10 (i) delivering medicine, food, or other
11 supplies to older individuals, individuals
12 with disabilities, and other individuals with
13 respiratory conditions and other chronic
14 medical disorders;

15 (ii) helping set up quarantine areas
16 and providing assistance to quarantined in-
17 dividuals, including transportation;

18 (iii) organizing and coordinating re-
19 covery, quarantine, or other related activi-
20 ties;

21 (iv) cleaning public buildings, public
22 transportation facilities or equipment, or
23 sanitizing quarantine or treatment areas
24 after their use, or other related cleanup or
25 sanitizing activities; and

1 (v) in the sector directly responding to
2 the COVID–19 national emergency such as
3 childcare, health care, public service, and
4 transportation.

5 (B) LAYOFF RESPONSE.—Activities re-
6 sponding to layoffs of 50 or more individuals
7 laid off by one employer, or areas where there
8 are significant layoffs that significantly increase
9 unemployment in a given community, such as in
10 the hospitality, transportation, manufacturing,
11 and retail industry sectors or occupations.

12 (c) PRIORITY.—In awarding grants under this sec-
13 tion, the Secretary shall give priority to State or local
14 areas most impacted by the COVID–19 national emer-
15 gency as determined by the Secretary.

16 (d) AUTHORIZATION OF APPROPRIATIONS.—There
17 are authorized to be appropriated to carry this section
18 \$500,000,000 to be expended through fiscal year 2022.

19 **SEC. 50005. STATE DISLOCATED WORKER GRANTS RE-**
20 **SPONDING TO THE COVID–19 EMERGENCY.**

21 (a) DISTRIBUTION OF FUNDS.—

22 (1) STATES.—From the amounts appropriated
23 under subsection (d), the Secretary shall make allot-
24 ments to States in accordance with section 132(b)(2)
25 of the Workforce Innovation and Opportunity Act.

1 (2) LOCAL AREAS.—Not later than 30 days
2 after a State receives an allotment under paragraph
3 (1), the State shall allocate such funds to local areas
4 in accordance with section 133(b)(2)(B) of the
5 Workforce Innovation and Opportunity Act.

6 (b) REQUIRED USES.—Each State and local area
7 shall use the funds received under this section to engage
8 in the dislocated worker response activities described in
9 section 133(b)(2)(B) of the Workforce Innovation and Op-
10 portunity Act (29 U.S.C. 3173(b)(2)(B)) to support layoff
11 aversion and provide necessary supports to unemployed in-
12 dividuals and to employers facing layoffs due to the im-
13 pacts of the COVID–19 national emergency.

14 (c) COVID–19 DISLOCATED WORKER EMERGENCY
15 RESPONSE.—The dislocated worker response activities
16 shall include the following:

17 (1) RAPID RESPONSE ACTIVITIES.—The State,
18 in coordination with impacted local areas, shall carry
19 out rapid response activities as described in section
20 134(a)(2)(A) of the Workforce Innovation and Op-
21 portunity Act (29 U.S.C. 3174) to engage with em-
22 ployers and employees where layoffs have occurred
23 or are occurring as a result of the COVID–19 na-
24 tional emergency, such as short-time compensation
25 programs.

1 (2) DISLOCATED WORKER ACTIVITIES.—Coordi-
2 nating projects for individuals impacted by mass lay-
3 offs as a result of the COVID–19 national emer-
4 gency, including activities targeted at immediate re-
5 employment, career navigation services, supportive
6 services, provision of information on in-demand and
7 declining industries, access to digital literacy skills
8 training, and other layoff support or further layoff
9 aversion strategies through adult employment and
10 training activities.

11 (d) AUTHORIZATION OF APPROPRIATIONS.—There
12 are authorized to be appropriated to carry out the activi-
13 ties described in this section \$2,000,000,000 to be ex-
14 pended through the end of fiscal year 2022.

15 **SEC. 50006. YOUTH WORKFORCE INVESTMENT ACTIVITIES**
16 **RESPONDING TO THE COVID-19 NATIONAL**
17 **EMERGENCY.**

18 (a) DISTRIBUTION OF FUNDS.—

19 (1) STATES.—From the amounts appropriated
20 under subsection (d), the Secretary shall make allot-
21 ments to States in accordance with section 127(b) of
22 the Workforce Innovation and Opportunity Act.

23 (2) LOCAL AREAS.—Not later than 30 days
24 after a State receives an allotment under paragraph
25 (1), the State shall allocate such funds to local areas

1 in accordance with section 128 of the Workforce In-
2 novation and Opportunity Act.

3 (b) USES OF FUNDS.—

4 (1) IN GENERAL.—In using the funds received
5 under this section, each State and local area shall
6 prioritize providing summer and year-round employ-
7 ment for youth, especially for youth age 21 and
8 under, who may be disproportionately impacted by
9 diminished labor market opportunities for summer
10 jobs or year round employment due to the economic
11 impacts of the COVID–19 national emergency.

12 (2) YOUTH WORKFORCE INVESTMENT ACTIVI-
13 TIES.—

14 (A) SUMMER EMPLOYMENT OPPORTUNI-
15 TIES FOR AT-RISK YOUTH.—Of the funds re-
16 ceived under this section, not less than 50 per-
17 cent of funds shall be used to support summer
18 youth employment for in-school and out-of-
19 school youth with a priority for out-of-school
20 youth and youth with multiple barriers to em-
21 ployment, and shall include support for em-
22 ployer partnerships for youth employment and
23 subsidized youth employment.

24 (B) OTHER ACTIVITIES.—Any amounts not
25 used to carry out the activities described in sub-

1 paragraph (A) shall be used by State and local
2 boards for purposes of—

3 (i) supporting in-school and out-of-
4 school youth attach or reattach to edu-
5 cation and career pathways

6 (ii) education and training activities
7 to support credential attainment;

8 (iii) subsidized employment;

9 (iv) work-readiness training and edu-
10 cational programs aligned to career path-
11 ways;

12 (v)(I) engage or establish industry or
13 sector partnerships to determine job needs
14 for youth employment; and

15 (II) conducting outreach to youth and
16 employers;

17 (vi) coaching and mentoring services
18 for participating youth, including career
19 exploration, career counseling, career plan-
20 ning, and college planning services for par-
21 ticipating youth;

22 (vii) coaching and mentoring services
23 for employers on how to successfully em-
24 ploy each participating youth in meaning-
25 ful work;

1 (viii) providing supportive services to
2 youth to enable participation in the pro-
3 gram, including follow-up services for not
4 less than 12 months after the completion
5 of participation, as appropriate;

6 (ix) coordinating activities under this
7 section with State and local education
8 agencies around academic calendars in re-
9 sponse to the COVID-19 national emer-
10 gency; and

11 (x) the activities described in section
12 129(b) of the Workforce Innovation and
13 Opportunity Act (29 U.S.C. 3164).

14 (c) GENERAL PROVISIONS.—

15 (1) LOCAL PLAN.—Activities carried out under
16 this section shall not conflict with the local plan sub-
17 mitted by the local board under section 108 of the
18 Workforce Innovation and Opportunity Act (29
19 U.S.C. 3123), as determined by the Governor.

20 (2) EMPLOYER SHARE OF WAGES.—Any funds
21 dedicated to youth placement in summer or year-
22 round employment under this section shall require
23 not less than 25 percent of the wages of each eligible
24 youth participating in the program to be paid by the
25 employer, except this requirement may be waived for

1 not more than 10 percent of eligible youth partici-
2 pating in the program that have a barrier to employ-
3 ment, which may waived for employers facing finan-
4 cial hardship due to the COVID–19 national emer-
5 gency.

6 (d) AUTHORIZATION OF APPROPRIATIONS.—There
7 are authorized to be appropriated to carry out the activi-
8 ties described in this section \$1,500,000,000 to be ex-
9 pended through the end of fiscal year 2022.

10 **SEC. 50007. ADULT EMPLOYMENT AND TRAINING ACTIVI-**
11 **TIES RESPONDING TO THE COVID–19 NA-**
12 **TIONAL EMERGENCY.**

13 (a) DISTRIBUTION OF FUNDS.—

14 (1) STATES.—From the amounts appropriated
15 under subsection (d), the Secretary shall make allot-
16 ments to States in accordance with section 132(b)(1)
17 of the Workforce Innovation and Opportunity Act.

18 (2) LOCAL AREAS.—Not later than 30 days
19 after a State receives an allotment under paragraph
20 (1), the State shall allocate such funds to local areas
21 in accordance with section 128 of the Workforce In-
22 novation and Opportunity Act.

23 (b) USES OF FUNDS.—

24 (1) IN GENERAL.—Each State and local area
25 shall use the funds received under this section to en-

1 gage in adult employment and training activities as
2 described in section 134 of the Workforce Innovation
3 and Opportunity Act (29 U.S.C. 3174) to provide
4 necessary supports to workers underemployed or
5 most at-risk of unemployment, and coordinate with
6 employers facing economic hardship or employment
7 challenges due to the economic impacts of the
8 COVID–19 national emergency.

9 (2) COVID–19 ADULT EMPLOYMENT AND
10 TRAINING ACTIVITIES.—

11 (A) PRIORITY.—In using funds received
12 under this section, a State and local area shall
13 prioritize training and employment and layoff
14 aversion strategies and services for workers and
15 employers facing economic hardships due to the
16 COVID–19 national emergency, including sup-
17 portive services and career planning by carrying
18 out the activities described in subparagraphs
19 (B) and (C).

20 (B) SERVICES TO EMPLOYERS IMPACTED
21 BY THE COVID–19 NATIONAL EMERGENCY.—

22 The activities described in this subparagraph
23 are activities supporting employee retention
24 strategies for employers facing economic hard-
25 ship as a result of the COVID–19 national

1 emergency, such as on-the-job training, cus-
2 tomized training, and incumbent worker train-
3 ing, with funds used to reimburse employers for
4 50 percent of wages while incumbent workers
5 are in training, and Short-Time Compensation
6 programs.

7 (C) UNDEREMPLOYMENT AND EMPLOY-
8 MENT SUPPORTS.—The activities described in
9 this subparagraph are activities supporting
10 strategies to provide support to workers facing
11 underemployment, individuals seeking work, or
12 who are adversely impacted by economic
13 changes within their communities due to the
14 COVID–19 national emergency, including—

15 (i) work-based learning opportunities
16 including internships, paid work experience
17 opportunities, transitional employment, or
18 apprenticeships;

19 (ii) career navigation supports to en-
20 able workers to find new potential path-
21 ways to in-demand careers and the nec-
22 essary training to support those career
23 pathways;

24 (iii) provision of virtual services and
25 employment and training activities during

1 the period of the COVID–19 national
2 emergency; and

3 (iv) other services and activities as de-
4 scribed under section 134 of the Workforce
5 Innovation and Opportunity Act (29
6 U.S.C. 3174).

7 (c) LOCAL PLAN.—Activities carried out under this
8 section shall not conflict with the local plan submitted by
9 the local board under section 108 of the Workforce Inno-
10 vation and Opportunity Act (29 U.S.C. 3123), as deter-
11 mined by the Governor.

12 (d) AUTHORIZATION OF APPROPRIATIONS.—There
13 are authorized to be appropriated to carry out this section
14 \$1,000,000,000 to be expended through the end of fiscal
15 year 2022.

16 **SEC. 50008. EMPLOYMENT SERVICE COVID–19 NATIONAL**
17 **EMERGENCY RESPONSE FUND.**

18 (a) IN GENERAL.—From the funds appropriated
19 under subsection (c), the Secretary make allotments to
20 States in accordance with section 6 of the Wagner-Peyser
21 Act (29 U.S.C. 49e)

22 (b) USES OF FUNDS.—Funds under this section will
23 provide States additional supports for supporting employ-
24 ment service public employees in providing reemployment
25 services for unemployed and underemployed workers em-

1 ployers impacted by the COVID–19 national emergency,
2 including those receiving unemployment insurance as a re-
3 sult of the emergency, providing for services such as reem-
4 ployment services, job search assistance, job matching
5 services based on experience of workers, and helping em-
6 ployers dealing with layoffs.

7 (c) AUTHORIZATION OF APPROPRIATIONS.—There
8 are authorized to be appropriated to carry out the activi-
9 ties described in this section \$50,000,000 to be expended
10 through the end of fiscal year 2022 and distributed as de-
11 scribed in.

12 **SEC. 50009. GENERAL PROVISION.**

13 (a) SUPPLEMENT AND NOT SUPPLANT.—Any funds
14 made available for this Act shall supplement and not sup-
15 plant other State or local public funds expended for em-
16 ployment and training programs or other activities funded
17 under the Workforce Innovation and Opportunity Act (29
18 U.S.C. 3164).

19 (b) EVALUATIONS.—All activities carried out under
20 this Act shall be subject to—

21 (1) performance accountability as described in
22 section 116 of the Workforce Innovation and Oppor-
23 tunity Act (29 U.S.C. 3141); and

24 (2) rigorous evaluation of such program using
25 research approaches appropriate to the level of de-

1 velopment and maturity of the program, including
2 random assignment or quasi-experimental impact
3 evaluations, implementation evaluations, pre-experi-
4 mental studies, and feasibility studies.

5 (c) AUTHORIZATION OF APPROPRIATIONS.—There
6 are authorized to be appropriated such sums as necessary
7 for Program Administration and Departmental Manage-
8 ment of the Department of Labor to support the adminis-
9 tration of the funds for this Act.

1 **DIVISION F—FAMILY SUPPORT**
2 **PROVISIONS**

3 **SEC. 60001. CONTINUED SAFE OPERATION OF CHILD WEL-**
4 **FARE PROGRAMS AND SUPPORT FOR OLDER**
5 **FOSTER YOUTH.**

6 (a) FUNDING INCREASES.—

7 (1) GENERAL PROGRAM.—The dollar amount
8 specified in section 477(h)(1) of the Social Security
9 Act for fiscal year 2020 is deemed to be
10 \$185,900,000.

11 (2) EDUCATION AND TRAINING VOUCHERS.—
12 The dollar amount specified in section 477(h)(2) of
13 such Act for fiscal year 2020 is deemed to be
14 \$78,000,000.

15 (b) PROGRAMMATIC FLEXIBILITY.—With respect to
16 the period that begins on March 1, 2020, and ends with
17 the close of calendar year 2020:

18 (1) ELIMINATION OF AGE LIMITATIONS ON ELI-
19 GIBILITY FOR ASSISTANCE.—Eligibility for services
20 or assistance under a State program operated pursu-
21 ant to section 477 of the Social Security Act shall
22 be provided without regard to the age of the recipi-
23 ent.

24 (2) SUSPENSION OF WORK AND EDUCATION RE-
25 QUIREMENTS UNDER THE EDUCATION AND TRAIN-

1 ING VOUCHER PROGRAM.—Section 477(i)(3) of the
2 Social Security Act shall be applied and adminis-
3 tered without regard to any work or education re-
4 quirement.

5 (3) AUTHORITY TO WAIVE LIMITATION ON PER-
6 CENTAGE OF FUNDS USED FOR HOUSING ASSIST-
7 ANCE.—The Secretary of Health and Human Serv-
8 ices (in this subsection referred to as the “Sec-
9 retary”) may apply and administer section 477 of
10 the Social Security Act without regard to subsection
11 (b)(3)(B) of such section.

12 (4) AUTHORITY TO WAIVE RULES CONFLICTING
13 WITH NEEDED ASSISTANCE AND SERVICES.—The
14 Secretary may waive any requirement imposed by or
15 under part B or E of title IV of the Social Security
16 Act (including any limitation on the ability of con-
17 tractors pursuant to such part B or E to apply for
18 no-cost contract extensions) that the Secretary
19 deems to be in conflict with using funds made avail-
20 able pursuant to this section or other statutes for
21 the provision of financial, education, work, housing,
22 and other assistance and services needed in response
23 to the public health emergency declared by the Sec-
24 retary pursuant to section 319 of the Public Health
25 Service Act on January 31, 2020, entitled “Deter-

1 mination that a Public Health Emergency Exists
2 Nationwide as the Result of the 2019 Novel
3 Coronavirus”.

4 (5) AUTHORITY OF STATES TO DETERMINE
5 HOW DAILY ACTIVITIES MAY BE CONDUCTED RE-
6 MOTELY.—The Secretary may allow a State to de-
7 termine how daily activities under the State plan de-
8 veloped under part B of title IV of the Social Secu-
9 rity Act and the State program funded under section
10 477 of such Act may be conducted through elec-
11 tronic means to comply with public health guidelines
12 relating to social distancing, including conducting
13 any required court proceedings pertaining to chil-
14 dren in care. In making any such determination, the
15 State shall work to ensure that the safety and health
16 of each child in care remains paramount.

17 (6) COUNTING OF REMOTE CASEWORKER VISITS
18 AS IN-PERSON VISITS.—In the case of a foster child
19 who has attained 18 years of age and with respect
20 to whom foster care maintenance payments are
21 being made under a State plan approved under part
22 E of title IV of the Social Security Act, caseworker
23 contact with the child that includes visual and audi-
24 tory contact and which is conducted solely by elec-
25 tronic means is deemed an in-person visit to the

1 child by the caseworker for purposes of section
2 424(f)(1)(A) of such Act if the child is visited by the
3 caseworker in person not less than once every 6
4 months while in such care.

5 (7) ELIMINATION OF EDUCATION AND EMPLOY-
6 MENT REQUIREMENTS FOR CERTAIN FOSTER
7 YOUTH.—The Secretary may waive the applicability
8 of subclauses (I) through (IV) of section
9 475(8)(B)(iv) of the Social Security Act.

10 (c) STATE DEFINED.—In subsection (a), the term
11 “State” has the meaning given the term in section
12 1101(a) of the Social Security Act for purposes of title
13 IV of the Social Security Act, and includes an Indian tribe,
14 tribal organization, or tribal consortium with an applica-
15 tion and plan approved under this section 477(j) of such
16 Act for fiscal year 2020.

17 **SEC. 60002. ALLOWING HOME VISITING PROGRAMS TO CON-**
18 **TINUE SERVING FAMILIES SAFELY.**

19 (a) IN GENERAL.—For purposes of section 511 of the
20 Social Security Act, during the period that begins on Feb-
21 ruary 1, 2020, and ends with the close of calendar year
22 2020—

23 (1) a virtual home visit shall be considered a
24 home visit;

1 (2) funding for, and staffing levels of, a pro-
2 gram conducted pursuant to such section shall not
3 be reduced on account of reduced enrollment in the
4 program; and

5 (3) funds provided for such a program may be
6 used—

7 (A) to train home visitors in conducting a
8 virtual home visit and in emergency prepared-
9 ness and response planning for families served;

10 (B) for the acquisition by families enrolled
11 in the program of such technological means as
12 are needed to conduct and support a virtual
13 home visit; and

14 (C) to provide emergency supplies (such as
15 diapers, formula, non-perishable food, water,
16 hand soap and hand sanitizer) to families
17 served.

18 (b) VIRTUAL HOME VISIT DEFINED.—In subsection
19 (a), the term “virtual home visit” means a visit that is
20 conducted solely by electronic means.

21 (c) AUTHORITY TO DELAY DEADLINES.—

22 (1) IN GENERAL.—The Secretary of Health and
23 Human Services may extend the deadline by which
24 a requirement of section 511 of the Social Security

1 Act must be met, by such period of time as the Sec-
2 retary deems appropriate.

3 (2) GUIDANCE.—The Secretary shall provide to
4 eligible entities funded under section 511 of the So-
5 cial Security Act information on the parameters
6 used in extending a deadline under paragraph (1) of
7 this subsection.

8 **SEC. 60003. EMERGENCY FLEXIBILITY FOR CHILD SUPPORT**
9 **PROGRAMS.**

10 (a) IN GENERAL.—With respect to the period that
11 begins on March 1, 2020, and ends with the close of cal-
12 endar year 2021:

13 (1) The Secretary of Health and Human Serv-
14 ices (in this subsection referred to as the “Sec-
15 retary”) may increase any percentage in effect for
16 purposes of section 455(a)(1) of the Social Security
17 Act to not more than 100 percent.

18 (2) On application of an Indian tribe therefor,
19 the Secretary may waive any matching funds re-
20 quirement imposed on the tribe under section 455(f)
21 of such Act.

22 (3) Paragraphs (2) and (8) of section 409(a) of
23 such Act shall have no force or effect.

24 (4) The Secretary may exempt a State from
25 any requirement of section 466 of such Act.

1 (5) The Secretary may not impose a penalty or
2 take any other adverse action against a State pursu-
3 ant to section 452(g)(1) of such Act for failure to
4 achieve a paternity establishment percentage of less
5 than 90 percent.

6 (6) The Secretary may not find that the pater-
7 nity establishment percentage for a State is not
8 based on reliable data for purposes of section
9 452(g)(1) of such Act, and the Secretary may not
10 determine that the data which a State submitted
11 pursuant to section 452(a)(4)(C)(i) of such Act and
12 which is used in determining a performance level is
13 not complete or reliable for purposes of section
14 458(b)(5)(B) of such Act, on the basis of the failure
15 of the State to submit OCSE Form 396 or 34 in a
16 timely manner.

17 (7) The Secretary may not impose a penalty or
18 take any other adverse action against a State for
19 failure to comply with section 454A(g)(1)(A)(i) of
20 such Act.

21 (8) The Secretary may not disapprove a State
22 plan submitted pursuant to part D of title IV of
23 such Act for failure of the plan to meet the require-
24 ment of section 454(1) of such Act, and may not im-
25 pose a penalty or take any other adverse action

tion 412(c) of the Social Security Act shall have no force or effect during the applicable period, and the penalties established under such section shall not apply with respect to conduct engaged in during the period.

(c) PENALTY FOR NONCOMPLIANCE.—

(1) IN GENERAL.—If the Secretary of Health and Human Services finds that a State or an Indian tribe has imposed a work requirement as a condition of receiving assistance, or a time limit on the provision of assistance, under a program funded under part A of title IV of the Social Security Act or any program funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i) of such Act) during the applicable period, or has imposed a penalty for failure to comply with a work requirement during the period, the Secretary shall reduce the grant payable to the State under section 403(a)(1) of such Act or the grant payable to the tribe under section 412(a)(1) of such Act, as the case may be, for fiscal year 2021 by an amount equal to 5 percent of the State or tribal family assistance grant, as the case may be.

(2) APPLICABILITY OF CERTAIN PROVISIONS.—

For purposes of subsections (c) and (d) of section 409 of the Social Security Act, paragraph (1) of this

1 subsection shall be considered to be included in sec-
2 tion 409(a) of such Act.

3 (d) DEFINITIONS.—In this section:

4 (1) APPLICABLE PERIOD.—The term “applica-
5 ble period” means the period that begins on March
6 1, 2020, and ends with the close of calendar year
7 2020.

8 (2) WORK REQUIREMENT.—The term “work re-
9 quirement” means a requirement to engage in a
10 work activity (as defined in section 407(d) of the So-
11 cial Security Act).

12 (3) OTHER TERMS.—Each other term has the
13 meaning given the term in section 419 of the Social
14 Security Act.

**DIVISION G—HEALTH
PROVISIONS
TITLE ____—CHILD CARE FOR
ESSENTIAL WORKERS**

**SEC. 7 ____ 01. STATE FUNDING TO ENSURE THAT ESSENTIAL
WORKERS CAN ACCESS CHILD CARE.**

(a) INCREASE IN FUNDING.—

(1) IN GENERAL.—The amount specified in subsection (c) of section 2003 of the Social Security Act for purposes of subsections (a) and (b) of such section is deemed to be \$2,550,000,000 for fiscal year 2020, of which \$850,000,000 shall be obligated by States during calendar year 2020 in accordance with subsection (b) of this section.

(2) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$850,000,000 for fiscal year 2020 to carry out this section.

(b) RULES GOVERNING USE OF ADDITIONAL
FUNDS.—

(1) IN GENERAL.—Funds are used in accordance with this subsection if—

(A) the funds are used for—

(i) child care services for a child of an
essential worker; or

1 (ii) daytime care services or other
2 adult protective services for an individual
3 who—

4 (I) is a dependent, or a member
5 of the household of, an essential work-
6 er; and

7 (II) requires the services;

8 (B) the funds are provided to reimburse an
9 essential worker for the cost of obtaining the
10 services (including child care services obtained
11 on or after the date the Secretary of Health
12 and Human Services declared a public health
13 emergency pursuant to section 319 of the Pub-
14 lic Health Service Act on January 31, 2020, en-
15 titled “Determination that a Public Health
16 Emergency Exists Nationwide as the Result of
17 the 2019 Novel Coronavirus”), to a provider of
18 child care services, or to establish a temporary
19 child care facility operated by a State or local
20 government;

21 (C) eligibility for the funds or services, and
22 the amount of funds or services provided, is not
23 conditioned on a means test;

24 (D) the funds are used subject to the limi-
25 tations in section 2005 of the Social Security

1 Act, except that, for purposes of this subpara-
2 graph—

3 (i) paragraphs (3), (5), and (8) of sec-
4 tion 2005(a) of such Act shall not apply;
5 and

6 (ii)(I) the limitation in section
7 2005(a)(7) of such Act shall not apply
8 with respect to any standard which the
9 State involved determines would impede
10 the ability of the State to provide emer-
11 gency temporary care to a child, depend-
12 ent, or household member referred to in
13 subparagraph (A) of this paragraph; and

14 (II) if the State determines that such
15 a standard would be so impeding, the
16 State shall report the determination to the
17 Secretary, separately from the annual re-
18 port to the Secretary by the State;

19 (E) the funds are used to supplement, not
20 supplant, State general revenue funds for child
21 care assistance;

22 (F) the funds are not used for child care
23 costs that are—

24 (i) covered by funds provided under
25 the Child Care and Development Block

1 Grant Act of 1990 or section 418 of the
2 Social Security Act; or

3 (ii) reimbursable by the Federal
4 Emergency Management Agency; and

5 (G) the funds are used in consultation with
6 the lead agency for administration of the Child
7 Care and Development Fund.

8 (2) ESSENTIAL WORKER DEFINED.—In para-
9 graph (1), the term “essential worker” means—

10 (A) a health sector employee;

11 (B) an emergency response worker;

12 (C) a sanitation worker;

13 (D) a worker at a business which a State
14 or local government official has determined
15 must remain open to serve the public during the
16 emergency referred to in paragraph (1)(B); and

17 (E) any other worker who cannot telework,
18 and whom the State deems to be essential dur-
19 ing the emergency referred to in paragraph
20 (1)(B).

1 **DIVISION H—EMERGENCY**
 2 **CORONAVIRUS PANDEMIC**
 3 **UNEMPLOYMENT COMPENSA-**
 4 **TION ACT OF 2020**

5 **SEC. 80001. SHORT TITLE.**

6 This division may be cited as the .

7 **SEC. 80002. TABLE OF CONTENTS.**

8 The table of contents for this division is as follows:

Sec. 1. Short title.

Sec. 2. Table of contents.

TITLE I—FEDERAL BENEFIT ENHANCEMENTS

Sec. 101. Emergency increase in unemployment compensation benefits.

Sec. 102. Temporary financing of short-time compensation payments in States
with programs in law.

Sec. 103. Temporary financing of short-time compensation agreements.

Sec. 104. Emergency flexibility for short-time compensation.

Sec. 105. Grants for short-time compensation programs.

Sec. 106. Emergency extended benefit period for 2020.

**TITLE II—EXPANDED ELIGIBILITY FOR UNEMPLOYMENT
COMPENSATION**

Sec. 201. Pandemic Self-Employment and Job Entrant Compensation.

**TITLE III—RELIEF FOR GOVERNMENTAL AND NONPROFIT
ENTITIES**

Sec. 301. Emergency unemployment relief for governmental entities and non-
profit organizations.

TITLE IV—EMERGENCY ASSISTANCE FOR RAIL WORKERS

Sec. 401. Treatment of payments from the Railroad Unemployment Insurance
Account.

Sec. 402. Waiver of the 7-day waiting period for benefits under the Railroad
Unemployment Insurance Act.

Sec. 403. Enhanced benefits under the Railroad Unemployment Insurance Act.

1 **TITLE I—FEDERAL BENEFIT**
2 **ENHANCEMENTS**

3 **SEC. 80101. EMERGENCY INCREASE IN UNEMPLOYMENT**
4 **COMPENSATION BENEFITS.**

5 (a) FEDERAL-STATE AGREEMENTS.—Any State
6 which desires to do so may enter into and participate in
7 an agreement under this section with the Secretary of
8 Labor (hereinafter in this section referred to as the “Sec-
9 retary”). Any State which is a party to an agreement
10 under this section may, upon providing 30 days’ written
11 notice to the Secretary, terminate such agreement.

12 (b) PROVISIONS OF AGREEMENT.—

13 (1) IN GENERAL.—Any agreement under this
14 section shall provide the following:

15 (A) FEDERAL PANDEMIC UNEMPLOYMENT
16 COMPENSATION.—The State agency of the
17 State will make payments of regular compensa-
18 tion to individuals in amounts and to the extent
19 that they would be determined if the State law
20 of the State were applied, with respect to any
21 week for which the individual is (disregarding
22 this section) otherwise entitled under the State
23 law to receive regular compensation, as if such
24 State law had been modified in a manner such
25 that the amount of regular compensation (in-

1 including dependents' allowances) payable for any
2 week shall be equal to—

3 (i) the amount determined under the
4 State law (before the application of this
5 paragraph), plus

6 (ii) an additional amount of \$600 (in
7 this section referred to as “Federal Pan-
8 demic Unemployment Compensation”).

9 (B) FEDERAL PANDEMIC SHORT-TIME
10 COMPENSATION.—In the case of a State that
11 provides under the State law for the payment of
12 short-time compensation under a short-time
13 compensation program (as defined in section
14 3306(v) of the Internal Revenue Code of 1986),
15 the State agency of the State will make pay-
16 ments of compensation (as defined in subsection
17 (h) of such section) to employees participating
18 in such program in amounts and to the extent
19 that they would be determined under such pro-
20 gram if the State law of the State were applied,
21 with respect to any week for which the indi-
22 vidual is (disregarding this section) otherwise
23 eligible under the program under the State law
24 to receive such compensation, as if such State
25 law had been modified in a manner such that

1 the amount of compensation payable for any
2 week shall be equal to the amount determined
3 under the State law (before the application of
4 this paragraph) plus \$300 (in this section re-
5 ferred to as “Federal Pandemic Short-Time
6 Compensation”).

7 (2) ALLOWABLE METHODS OF PAYMENT.—Any
8 Federal Pandemic Unemployment Compensation or
9 Federal Pandemic Short-Time Compensation pro-
10 vided for in accordance with paragraph (1) shall be
11 payable either—

12 (A) as an amount which is paid at the
13 same time and in the same manner as any com-
14 pensation otherwise payable for the week in-
15 volved; or

16 (B) at the option of the State, by pay-
17 ments which are made separately from, but on
18 the same weekly basis as, any compensation
19 otherwise payable.

20 (c) NONREDUCTION RULE.—An agreement under
21 this section shall not apply (or shall cease to apply) with
22 respect to a State upon a determination by the Secretary
23 that the method governing the computation of regular
24 compensation under the State law of that State has been
25 modified in a manner such that the maximum benefit enti-

1 tlement and the average weekly benefit amount of regular
2 compensation (or short-time compensation in the case of
3 a State described in subsection (b)(1)(B)) which will be
4 payable during the period of the agreement (determined
5 disregarding any Federal Pandemic Unemployment Com-
6 pensation or Federal Pandemic Short-Time Compensa-
7 tion) will be less than the maximum benefit entitlement
8 and the average weekly benefit amount of regular com-
9 pensation (or short-time compensation) which would oth-
10 erwise have been payable during such period under the
11 State law, as in effect on January 1, 2020.

12 (d) PAYMENTS TO STATES.—

13 (1) IN GENERAL.—

14 (A) FULL REIMBURSEMENT.—There shall
15 be paid to each State which has entered into an
16 agreement under this section an amount equal
17 to 100 percent of—

18 (i) the total amount of Federal Pan-
19 demic Unemployment Compensation paid
20 to individuals by the State pursuant to
21 such agreement;

22 (ii) the total amount of Federal Pan-
23 demic Short-Time Compensation paid to
24 individuals by the State pursuant to such
25 agreement; and

1 (iii) any additional administrative ex-
2 penses incurred by the State by reason of
3 such agreement (as determined by the Sec-
4 retary).

5 (B) TERMS OF PAYMENTS.—Sums payable
6 to any State by reason of such State's having
7 an agreement under this section shall be pay-
8 able, either in advance or by way of reimburse-
9 ment (as determined by the Secretary), in such
10 amounts as the Secretary estimates the State
11 will be entitled to receive under this section for
12 each calendar month, reduced or increased, as
13 the case may be, by any amount by which the
14 Secretary finds that his estimates for any prior
15 calendar month were greater or less than the
16 amounts which should have been paid to the
17 State. Such estimates may be made on the
18 basis of such statistical, sampling, or other
19 method as may be agreed upon by the Secretary
20 and the State agency of the State involved.

21 (2) CERTIFICATIONS.—The Secretary shall
22 from time to time certify to the Secretary of the
23 Treasury for payment to each State the sums pay-
24 able to such State under this section.

1 (3) APPROPRIATION.—There are appropriated
2 from the general fund of the Treasury, without fiscal
3 year limitation, such sums as may be necessary for
4 purposes of this subsection.

5 (e) APPLICABILITY.—

6 (1) IN GENERAL.—An agreement entered into
7 under this section shall apply to weeks of unemploy-
8 ment—

9 (A) beginning on or after March 13, 2020;
10 and

11 (B) ending on or before January 1, 2021.

12 (2) TRANSITION RULE FOR INDIVIDUALS RE-
13 MAINING ENTITLED TO REGULAR COMPENSATION AS
14 OF JUNE 30, 2021.—In the case of any individual
15 who, as of the date specified in paragraph (1)(B),
16 has not yet exhausted all rights to regular com-
17 pensation under the State law of a State with re-
18 spect to a benefit year that began before such date
19 (or short-time compensation in the case of a State
20 described in subsection (b)(1)(B)), Federal Pan-
21 demic Unemployment Compensation or Federal Pan-
22 demic Short-Time Compensation (as the case may
23 be) shall continue to be payable to such individual
24 for any week beginning on or after such date for
25 which the individual is otherwise eligible for regular

1 compensation (or short-time compensation) with re-
2 spect to such benefit year.

3 (3) TERMINATION.—Notwithstanding any other
4 provision of this subsection, no Federal Pandemic
5 Unemployment Compensation or Federal Pandemic
6 Short-Time Compensation shall be payable for any
7 week beginning after June 30, 2021.

8 (f) FRAUD AND OVERPAYMENTS.—

9 (1) IN GENERAL.—If an individual knowingly
10 has made, or caused to be made by another, a false
11 statement or representation of a material fact, or
12 knowingly has failed, or caused another to fail, to
13 disclose a material fact, and as a result of such false
14 statement or representation or of such nondisclosure
15 such individual has received an amount of Federal
16 Pandemic Unemployment Compensation or Federal
17 Pandemic Short-Time Compensation to which such
18 individual was not entitled, such individual—

19 (A) shall be ineligible for further Federal
20 Pandemic Unemployment Compensation or
21 Federal Pandemic Short-Time Compensation in
22 accordance with the provisions of the applicable
23 State unemployment compensation law relating
24 to fraud in connection with a claim for unem-
25 ployment compensation; and

1 (B) shall be subject to prosecution under
2 section 1001 of title 18, United States Code.

3 (2) REPAYMENT.—In the case of individuals
4 who have received amounts of Federal Pandemic
5 Unemployment Compensation or Federal Pandemic
6 Short-Time Compensation to which they were not
7 entitled, the State shall require such individuals to
8 repay the amounts of such Federal Pandemic Unem-
9 ployment Compensation or Federal Pandemic Short-
10 Time Compensation to the State agency, except that
11 the State agency may waive such repayment if it de-
12 termines that—

13 (A) the payment of such Federal Pandemic
14 Unemployment Compensation or Federal Pan-
15 demic Short-Time Compensation was without
16 fault on the part of any such individual; and

17 (B) such repayment would be contrary to
18 equity and good conscience.

19 (3) RECOVERY BY STATE AGENCY.—

20 (A) IN GENERAL.—The State agency may
21 recover the amount to be repaid, or any part
22 thereof, by deductions from any Federal Pan-
23 demic Unemployment Compensation or Federal
24 Pandemic Short-Time Compensation payable to
25 such individual or from any unemployment

1 compensation payable to such individual under
2 any State or Federal unemployment compensa-
3 tion law administered by the State agency or
4 under any other State or Federal law adminis-
5 tered by the State agency which provides for
6 the payment of any assistance or allowance with
7 respect to any week of unemployment, during
8 the 3-year period after the date such individuals
9 received the payment of the Federal Pandemic
10 Unemployment Compensation or Federal Pan-
11 demic Short-Time Compensation to which they
12 were not entitled, in accordance with the same
13 procedures as apply to the recovery of overpay-
14 ments of regular unemployment benefits paid
15 by the State.

16 (B) OPPORTUNITY FOR HEARING.—No re-
17 payment shall be required, and no deduction
18 shall be made, until a determination has been
19 made, notice thereof and an opportunity for a
20 fair hearing has been given to the individual,
21 and the determination has become final.

22 (4) REVIEW.—Any determination by a State
23 agency under this section shall be subject to review
24 in the same manner and to the same extent as deter-
25 minations under the State unemployment compensa-

1 tion law, and only in that manner and to that ex-
2 tent.

3 (g) APPLICATION TO OTHER UNEMPLOYMENT BENE-
4 FITS.—

5 (1) IN GENERAL.—Each agreement under this
6 section shall include provisions to provide that the
7 purposes of the preceding provisions of this section
8 shall be applied with respect to unemployment bene-
9 fits described in subsection (i)(3) to the same extent
10 and in the same manner as if those benefits were
11 regular compensation.

12 (2) ELIGIBILITY AND TERMINATION RULES.—
13 Federal Pandemic Unemployment Compensation—

14 (A) shall not be payable, pursuant to this
15 subsection, with respect to any unemployment
16 benefits described in subsection (i)(3) for any
17 week beginning on or after the date specified in
18 subsection (e)(1)(B), except in the case of an
19 individual who was eligible to receive Federal
20 Pandemic Unemployment Compensation in con-
21 nection with any regular compensation or any
22 unemployment benefits described in subsection
23 (i)(3) for any period of unemployment ending
24 before such date; and

1 (B) shall in no event be payable for any
2 week beginning after the date specified in sub-
3 section (e)(3).

4 (h) TREATMENT OF FEDERAL PANDEMIC UNEM-
5 PLOYMENT COMPENSATION AND FEDERAL PANDEMIC
6 SHORT-TIME COMPENSATION PAYMENTS.—

7 (1) PAYMENT TO BE DISREGARDED FOR PUR-
8 POSES OF ALL FEDERAL AND FEDERALLY ASSISTED
9 PROGRAMS.—A Federal Pandemic Unemployment
10 Compensation or Federal Pandemic Short-Time
11 Compensation payment shall not be regarded as in-
12 come and shall not be regarded as a resource for the
13 month of receipt and the following 9 months, for
14 purposes of determining the eligibility of the recipi-
15 ent (or the recipient's spouse or family) for benefits
16 or assistance, or the amount or extent of benefits or
17 assistance, under any Federal program or under any
18 State or local program financed in whole or in part
19 with Federal funds.

20 (i) DEFINITIONS.—For purposes of this section—

21 (1) the terms “compensation”, “regular com-
22 pensation”, “benefit year”, “State”, “State agency”,
23 “State law”, and “week” have the respective mean-
24 ings given such terms under section 205 of the Fed-

1 eral-State Extended Unemployment Compensation
2 Act of 1970 (26 U.S.C. 3304 note);

3 (2) the term “maximum benefit entitlement”
4 means the amount of regular compensation payable
5 to an individual with respect to the individual’s ben-
6 efit year; and

7 (3) any reference to unemployment benefits de-
8 scribed in this paragraph shall be considered to refer
9 to—

10 (A) extended compensation (as defined by
11 section 205 of the Federal-State Extended Un-
12 employment Compensation Act of 1970); and

13 (B) unemployment compensation (as de-
14 fined by section 85(b) of the Internal Revenue
15 Code of 1986) provided under any program ad-
16 ministered by a State under an agreement with
17 the Secretary.

18 **SEC. 80102. TEMPORARY FINANCING OF SHORT-TIME COM-**
19 **PENSATION PAYMENTS IN STATES WITH PRO-**
20 **GRAMS IN LAW.**

21 (a) PAYMENTS TO STATES.—

22 (1) IN GENERAL.—Subject to paragraph (3),
23 there shall be paid to a State an amount equal to
24 100 percent of the amount of short-time compensa-
25 tion paid under a short-time compensation program

1 (as defined in section 3306(v) of the Internal Rev-
2 enue Code of 1986) under the provisions of the
3 State law.

4 (2) TERMS OF PAYMENTS.—Payments made to
5 a State under paragraph (1) shall be payable by way
6 of reimbursement in such amounts as the Secretary
7 estimates the State will be entitled to receive under
8 this section for each calendar month, reduced or in-
9 creased, as the case may be, by any amount by
10 which the Secretary finds that the Secretary's esti-
11 mates for any prior calendar month were greater or
12 less than the amounts which should have been paid
13 to the State. Such estimates may be made on the
14 basis of such statistical, sampling, or other method
15 as may be agreed upon by the Secretary and the
16 State agency of the State involved.

17 (3) LIMITATIONS ON PAYMENTS.—

18 (A) GENERAL PAYMENT LIMITATIONS.—

19 No payments shall be made to a State under
20 this section for short-time compensation paid to
21 an individual by the State during a benefit year
22 in excess of 26 times the amount of regular
23 compensation (including dependents' allow-
24 ances) under the State law payable to such in-
25 dividual for a week of total unemployment.

1 (B) EMPLOYER LIMITATIONS.—No pay-
2 ments shall be made to a State under this sec-
3 tion for benefits paid to an individual by the
4 State under a short-time compensation program
5 if such individual is employed by the partici-
6 pating employer on a seasonal, temporary, or
7 intermittent basis.

8 (b) APPLICABILITY.—Payments to a State under
9 subsection (a) shall be available for weeks of unemploy-
10 ment—

11 (1) beginning on or after March 13, 2020; and

12 (2) ending on or before December 31, 2020.

13 (c) NEW PROGRAMS.—Subject to paragraphs (1)(B)
14 and (2) of subsection (b), if at any point after the date
15 of the enactment of this Act the State enacts a State law
16 providing for the payment of short-time compensation
17 under a short-time compensation program that meets the
18 definition of such a program under section 3306(v) of the
19 Internal Revenue Code of 1986, the State shall be eligible
20 for payments under this section after the effective date
21 of such enactment.

22 (d) FUNDING AND CERTIFICATIONS.—

23 (1) FUNDING.—There are appropriated, out of
24 moneys in the Treasury not otherwise appropriated,

1 such sums as may be necessary for purposes of car-
2 rying out this section.

3 (2) CERTIFICATIONS.—The Secretary shall
4 from time to time certify to the Secretary of the
5 Treasury for payment to each State the sums pay-
6 able to such State under this section.

7 (e) DEFINITIONS.—In this section:

8 (1) SECRETARY.—The term “Secretary” means
9 the Secretary of Labor.

10 (2) STATE; STATE AGENCY; STATE LAW.—The
11 terms “State”, “State agency”, and “State law”
12 have the meanings given those terms in section 205
13 of the Federal-State Extended Unemployment Com-
14 pensation Act of 1970 (26 U.S.C. 3304 note).

15 (f) TECHNICAL CORRECTION TO DEFINITION.—Sec-
16 tion 3306(v)(6) of the Internal Revenue Code of 1986 (26
17 U.S.C. 3306) is amended by striking “Workforce Invest-
18 ment Act of 1998” and inserting “Workforce Innovation
19 and Opportunity Act”.

20 **SEC. 80103. TEMPORARY FINANCING OF SHORT-TIME COM-**
21 **PENSATION AGREEMENTS.**

22 (a) FEDERAL-STATE AGREEMENTS.—

23 (1) IN GENERAL.—Any State which desires to
24 do so may enter into, and participate in, an agree-
25 ment under this section with the Secretary provided

1 that such State's law does not provide for the pay-
2 ment of short-time compensation under a short-time
3 compensation program (as defined in section
4 3306(v) of the Internal Revenue Code of 1986).

5 (2) ABILITY TO TERMINATE.—Any State which
6 is a party to an agreement under this section may,
7 upon providing 30 days' written notice to the Sec-
8 retary, terminate such agreement.

9 (b) PROVISIONS OF FEDERAL-STATE AGREEMENT.—

10 (1) IN GENERAL.—Any agreement under this
11 section shall provide that the State agency of the
12 State will make payments of short-time compensa-
13 tion under a plan approved by the State. Such plan
14 shall provide that payments are made in accordance
15 with the requirements under section 3306(v) of the
16 Internal Revenue Code of 1986.

17 (2) LIMITATIONS ON PLANS.—

18 (A) GENERAL PAYMENT LIMITATIONS.—A
19 short-time compensation plan approved by a
20 State shall not permit the payment of short-
21 time compensation to an individual by the State
22 during a benefit year in excess of 26 times the
23 amount of regular compensation (including de-
24 pendents' allowances) under the State law pay-

1 able to such individual for a week of total un-
2 employment.

3 (B) EMPLOYER LIMITATIONS.—A short-
4 time compensation plan approved by a State
5 shall not provide payments to an individual if
6 such individual is employed by the participating
7 employer on a seasonal, temporary, or intermit-
8 tent basis.

9 (3) EMPLOYER PAYMENT OF COSTS.—Any
10 short-time compensation plan entered into by an em-
11 ployer must provide that the employer will pay the
12 State an amount equal to one-half of the amount of
13 short-time compensation paid under such plan. Such
14 amount shall be deposited in the State's unemploy-
15 ment fund and shall not be used for purposes of cal-
16 culating an employer's contribution rate under sec-
17 tion 3303(a)(1) of the Internal Revenue Code of
18 1986.

19 (c) PAYMENTS TO STATES.—

20 (1) IN GENERAL.—There shall be paid to each
21 State with an agreement under this section an
22 amount equal to—

23 (A) one-half of the amount of short-time
24 compensation paid to individuals by the State
25 pursuant to such agreement; and

1 (B) any additional administrative expenses
2 incurred by the State by reason of such agree-
3 ment (as determined by the Secretary).

4 (2) TERMS OF PAYMENTS.—Payments made to
5 a State under paragraph (1) shall be payable by way
6 of reimbursement in such amounts as the Secretary
7 estimates the State will be entitled to receive under
8 this section for each calendar month, reduced or in-
9 creased, as the case may be, by any amount by
10 which the Secretary finds that the Secretary's esti-
11 mates for any prior calendar month were greater or
12 less than the amounts which should have been paid
13 to the State. Such estimates may be made on the
14 basis of such statistical, sampling, or other method
15 as may be agreed upon by the Secretary and the
16 State agency of the State involved.

17 (3) FUNDING.—There are appropriated, out of
18 moneys in the Treasury not otherwise appropriated,
19 such sums as may be necessary for purposes of car-
20 rying out this section.

21 (4) CERTIFICATIONS.—The Secretary shall
22 from time to time certify to the Secretary of the
23 Treasury for payment to each State the sums pay-
24 able to such State under this section.

1 (d) APPLICABILITY.—An agreement entered into
2 under this section shall apply to weeks of unemployment—

3 (1) beginning on or after March 13, 2020; and

4 (2) ending on or before December 31, 2020.

5 (e) SPECIAL RULE.—If a State has entered into an
6 agreement under this section and subsequently enacts a
7 State law providing for the payment of short-time com-
8 pensation under a short-time compensation program that
9 meets the definition of such a program under section
10 3306(v) of the Internal Revenue Code of 1986, the
11 State—

12 (1) shall not be eligible for payments under this
13 section for weeks of unemployment beginning after
14 the effective date of such State law; and

15 (2) subject to paragraphs (1)(B) and (2) of sec-
16 tion 2(b), shall be eligible to receive payments under
17 section 2 after the effective date of such State law.

18 (f) DEFINITIONS.—In this section:

19 (1) SECRETARY.—The term “Secretary” means
20 the Secretary of Labor.

21 (2) STATE; STATE AGENCY; STATE LAW.—The
22 terms “State”, “State agency”, and “State law”
23 have the meanings given those terms in section 205
24 of the Federal-State Extended Unemployment Com-
25 pensation Act of 1970 (26 U.S.C. 3304 note).

1 **SEC. 80104. EMERGENCY FLEXIBILITY FOR SHORT-TIME**
2 **COMPENSATION.**

3 Notwithstanding any other law, if a State modifies
4 its unemployment compensation law and policies with re-
5 spect to availability for work and work search test require-
6 ments for short-time compensation on an emergency tem-
7 porary basis as needed to respond to the spread of
8 COVID–19, such modifications shall be disregarded for
9 the purposes of applying section 303 of the Social Security
10 Act and section 3306(v)(5) of the Internal Revenue Code
11 of 1986 to such State law.

12 **SEC. 80105. GRANTS FOR SHORT-TIME COMPENSATION**
13 **PROGRAMS.**

14 (a) GRANTS.—

15 (1) FOR IMPLEMENTATION OR IMPROVED AD-
16 MINISTRATION.—The Secretary shall award grants
17 to States that enact short-time compensation pro-
18 grams (as defined in subsection (i)(2)) for the pur-
19 pose of implementation or improved administration
20 of such programs.

21 (2) FOR PROMOTION AND ENROLLMENT.—The
22 Secretary shall award grants to States that are eligi-
23 ble and submit plans for a grant under paragraph
24 (1) for such States to promote and enroll employers
25 in short-time compensation programs (as so de-
26 fined).

1 (3) ELIGIBILITY.—

2 (A) IN GENERAL.—The Secretary shall de-
3 termine eligibility criteria for the grants under
4 paragraphs (1) and (2).

5 (B) CLARIFICATION.—A State admin-
6 istering a short-time compensation program
7 that does not meet the definition of a short-
8 time compensation program under section
9 3306(v) of the Internal Revenue Code of 1986,
10 and a State with an agreement under section 3,
11 shall not be eligible to receive a grant under
12 this section until such time as the State law of
13 the State provides for payments under a short-
14 time compensation program that meets such
15 definition and such law.

16 (b) AMOUNT OF GRANTS.—

17 (1) IN GENERAL.—The maximum amount avail-
18 able for making grants to a State under paragraphs
19 (1) and (2) shall be equal to the amount obtained
20 by multiplying \$100,000,000 (less the amount used
21 by the Secretary under subsection (e)) by the same
22 ratio as would apply under subsection (a)(2)(B) of
23 section 903 of the Social Security Act (42 U.S.C.
24 1103) for purposes of determining such State's
25 share of any excess amount (as described in sub-

1 section (a)(1) of such section) that would have been
2 subject to transfer to State accounts, as of October
3 1, 2019, under the provisions of subsection (a) of
4 such section.

5 (2) AMOUNT AVAILABLE FOR DIFFERENT
6 GRANTS.—Of the maximum incentive payment deter-
7 mined under paragraph (1) with respect to a
8 State—

9 (A) one-third shall be available for a grant
10 under subsection (a)(1); and

11 (B) two-thirds shall be available for a
12 grant under subsection (a)(2).

13 (c) GRANT APPLICATION AND DISBURSAL.—

14 (1) APPLICATION.—Any State seeking a grant
15 under paragraph (1) or (2) of subsection (a) shall
16 submit an application to the Secretary at such time,
17 in such manner, and complete with such information
18 as the Secretary may require. In no case may the
19 Secretary award a grant under this section with re-
20 spect to an application that is submitted after De-
21 cember 31, 2020.

22 (2) NOTICE.—The Secretary shall, within 30
23 days after receiving a complete application, notify
24 the State agency of the State of the Secretary's find-
25 ings with respect to the requirements for a grant

1 under paragraph (1) or (2) (or both) of subsection
2 (a).

3 (3) CERTIFICATION.—If the Secretary finds
4 that the State law provisions meet the requirements
5 for a grant under subsection (a), the Secretary shall
6 thereupon make a certification to that effect to the
7 Secretary of the Treasury, together with a certifi-
8 cation as to the amount of the grant payment to be
9 transferred to the State account in the Unemploy-
10 ment Trust Fund (as established in section 904(a)
11 of the Social Security Act (42 U.S.C. 1104(a))) pur-
12 suant to that finding. The Secretary of the Treasury
13 shall make the appropriate transfer to the State ac-
14 count within 7 days after receiving such certifi-
15 cation.

16 (4) REQUIREMENT.—No certification of compli-
17 ance with the requirements for a grant under para-
18 graph (1) or (2) of subsection (a) may be made with
19 respect to any State whose—

20 (A) State law is not otherwise eligible for
21 certification under section 303 of the Social Se-
22 curity Act (42 U.S.C. 503) or approvable under
23 section 3304 of the Internal Revenue Code of
24 1986; or

1 (B) short-time compensation program is
2 subject to discontinuation or is not scheduled to
3 take effect within 12 months of the certifi-
4 cation.

5 (d) USE OF FUNDS.—The amount of any grant
6 awarded under this section shall be used for the implemen-
7 tation of short-time compensation programs and the over-
8 all administration of such programs and the promotion
9 and enrollment efforts associated with such programs,
10 such as through—

11 (1) the creation or support of rapid response
12 teams to advise employers about alternatives to lay-
13 offs;

14 (2) the provision of education or assistance to
15 employers to enable them to assess the feasibility of
16 participating in short-time compensation programs;
17 and

18 (3) the development or enhancement of systems
19 to automate—

20 (A) the submission and approval of plans;
21 and

22 (B) the filing and approval of new and on-
23 going short-time compensation claims.

24 (e) ADMINISTRATION.—The Secretary is authorized
25 to use 0.25 percent of the funds available under subsection

1 (g) to provide for outreach and to share best practices with
2 respect to this section and short-time compensation pro-
3 grams.

4 (f) RECOUPMENT.—The Secretary shall establish a
5 process under which the Secretary shall recoup the
6 amount of any grant awarded under paragraph (1) or (2)
7 of subsection (a) if the Secretary determines that, during
8 the 5-year period beginning on the first date that any such
9 grant is awarded to the State, the State—

10 (1) terminated the State’s short-time compensa-
11 tion program; or

12 (2) failed to meet appropriate requirements
13 with respect to such program (as established by the
14 Secretary).

15 (g) FUNDING.—There are appropriated for fiscal
16 year 2020, out of moneys in the Treasury not otherwise
17 appropriated, to the Secretary, \$100,000,000 to carry out
18 this section, to remain available until December 31, 2020.

19 (h) REPORTING.—The Secretary may establish re-
20 porting requirements for States receiving a grant under
21 this section in order to provide oversight of grant funds.

22 (i) DEFINITIONS.—In this section:

23 (1) SECRETARY.—The term “Secretary” means
24 the Secretary of Labor.

1 (2) SHORT-TIME COMPENSATION PROGRAM.—

2 The term “short-time compensation program” has
3 the meaning given such term in section 3306(v) of
4 the Internal Revenue Code of 1986.

5 (3) STATE; STATE AGENCY; STATE LAW.—The
6 terms “State”, “State agency”, and “State law”
7 have the meanings given those terms in section 205
8 of the Federal-State Extended Unemployment Com-
9 pensation Act of 1970 (26 U.S.C. 3304 note).

10 **SEC. 80106. EMERGENCY EXTENDED BENEFIT PERIOD FOR**
11 **2020.**

12 (a) IN GENERAL.—For purposes of section 203 of the
13 Federal-State Extended Unemployment Compensation Act
14 of 1970 (26 U.S.C. 3304 note), and notwithstanding any
15 other provision of such section, an emergency extended
16 benefit period shall be deemed to occur with respect to
17 each State as follows:

18 (1) in the case of a State with respect to which
19 an extended benefit period is not in effect (without
20 regard to this section) for the 1st week beginning
21 after the date of enactment of this Act, an emer-
22 gency extended benefit period is deemed to begin
23 with such week with respect to such State; and

24 (2) in the case of a State with respect to which
25 an extended benefit period is otherwise in effect

1 (without regard to this section) for such week, an
2 emergency extended benefit period is deemed to
3 begin with the week following the last week of such
4 extended benefit period.

5 (b) SPECIAL RULE WITH RESPECT TO CERTAIN
6 STATES.—In the case of a State described in subsection
7 (a)(1) with respect to which an extended benefit period
8 would (but for this section) begin during an emergency
9 extended benefit period, such extended benefit period shall
10 begin with the week following the last week of such emer-
11 gency extended benefit period.

12 (c) ADDITIONAL FUNDING FOR EXTENDED COM-
13 PENSATION ACCOUNTS.—In the case of a State described
14 in (a)(2) or (b), section 202(b)(1) the Federal-State Ex-
15 tended Unemployment Compensation Act of 1970 (26
16 U.S.C. 3304 note) shall be applied for weeks during an
17 emergency extended benefit period by substituting for
18 each of “50”, “thirteen”, and “thirty-nine” such higher
19 number as the State determines is necessary to account
20 for such emergency extended benefit period.

21 (d) TREATMENT OF EMERGENCY EXTENDED BEN-
22 EFIT PERIOD UNDER FSEUCA.—The provisions of the
23 Federal-State Extended Unemployment Compensation Act
24 of 1970 (26 U.S.C. 3304 note) shall apply to a State with
25 respect to which an emergency extended benefit period is

1 in effect in the same manner as such provisions apply to
2 a State with respect to which an extended benefit period
3 is in effect.

4 **TITLE II—EXPANDED ELIGI-**
5 **BILITY FOR UNEMPLOYMENT**
6 **COMPENSATION**

7 **SEC. 80201. PANDEMIC SELF-EMPLOYMENT AND JOB EN-**
8 **TRANT COMPENSATION.**

9 (a) FEDERAL-STATE AGREEMENTS.—Any State
10 which desires to do so may enter into and participate in
11 an agreement under this section with the Secretary of
12 Labor (hereinafter in this section referred to as the “Sec-
13 retary”). Any State which is a party to an agreement
14 under this section may, upon providing 30 days’ written
15 notice to the Secretary, terminate such agreement.

16 (b) PROVISIONS OF AGREEMENT.—

17 (1) PANDEMIC SELF-EMPLOYMENT AND JOB
18 ENTRANT COMPENSATION.—Any agreement under
19 subsection (a) shall provide that the State agency of
20 the State will make payments on a weekly basis (in
21 this section referred to as “Pandemic Self-Employ-
22 ment and Job Entrant Compensation”) to unem-
23 ployed individuals who—

24 (A) have no rights to regular compensation
25 with respect to a week under the State law or

1 any other State unemployment compensation
2 law or to compensation under any other Federal
3 law;

4 (B) are not receiving any State or private
5 paid leave (as defined in subsection (g)) with
6 respect to such week; and

7 (C) attest that—

8 (i) the individual is not able or avail-
9 able to work due to COVID–19 with re-
10 spect to such week (as determined under
11 paragraph (4)); and

12 (ii) but for COVID–19 (as determined
13 under paragraph (4)), the individual would
14 be able and available to work during such
15 week.

16 (2) AMOUNT OF PANDEMIC SELF-EMPLOYMENT
17 AND JOB ENTRANT COMPENSATION.—

18 (A) IN GENERAL.—Except as provided in
19 subparagraph (B), the amount of Pandemic
20 Self-Employment and Job Entrant Compensa-
21 tion payable to an individual for a week under
22 an agreement under subsection (a) shall be
23 \$300.

24 (B) HIGHER PAYMENT FOR CERTAIN INDIV-
25 IDUALS.—Notwithstanding subparagraph (A),

1 the amount of Pandemic Self-Employment and
2 Job Entrant Compensation payable to an indi-
3 vidual for a week under an agreement under
4 subsection (a) shall be an amount equal to the
5 sum of \$600 plus $\frac{1}{4}$ of the average weekly ben-
6 efit amount of regular compensation paid to eli-
7 gible individuals in the State as of January 1,
8 2020, but only in the case of an individual who
9 attests (and furnishes such supporting docu-
10 mentation as the State agency may request)
11 that—

12 (i) the individual had net earnings
13 from self-employment (as defined in sec-
14 tion 1402(a) of the Internal Revenue Code
15 of 1986) of not less than \$2,500 during
16 the 6-month period ending on the date of
17 enactment of this Act; or

18 (ii) the individual had a contract or
19 other offer of employment suspended or re-
20 scinded due to COVID–19.

21 (3) DURATION OF BENEFIT PAYMENTS.—An in-
22 dividual who becomes entitled to Pandemic Self-Em-
23 ployment and Job Entrant Compensation paid by a
24 State under an agreement under subsection (a) shall
25 receive such benefit for not more than 26 weeks.

1 (4) NOT ABLE OR AVAILABLE TO WORK DUE TO
2 COVID-19.—For purposes of this subsection, an indi-
3 vidual shall be considered to be not able or available
4 to work due to COVID-19 with respect to a week
5 during any part of which the individual is not able
6 or available to work because—

7 (A) the individual has a current diagnosis
8 of COVID-19;

9 (B) the individual is under quarantine (in-
10 cluding self-imposed quarantine), at the instruc-
11 tion of a health care provider, employer, or a
12 local, State, or Federal official, in order to pre-
13 vent the spread of COVID-19;

14 (C) the individual is unable to engage in
15 self-employment (in the case of an individual
16 described in paragraph (2)(B)(i)) or seek suit-
17 able employment because of closings or restric-
18 tions on movement related to COVID-19;

19 (D) the individual is engaged in caregiving
20 (without compensation) for an individual who
21 has a current diagnosis of COVID-19 or is
22 under quarantine as described in subparagraph
23 (B)); or

24 (E) the individual is engaged in caregiving
25 (without compensation), because of the

1 COVID-19-related closing of a school or other
2 care facility or care program, for a child or
3 other individual unable to provide self-care.

4 (5) COORDINATION WITH CERTAIN TAX CRED-
5 ITS.—Notwithstanding paragraph (1), no individual
6 may become entitled to Pandemic Self-Employment
7 and Job Entrant Compensation under an agreement
8 under subsection (a) unless the individual makes an
9 irrevocable election (at such time and in such man-
10 ner as the Secretary of the Treasury may provide)
11 to have sections 7002 and 7004 of the Families
12 First Coronavirus Response Act not apply with re-
13 spect to such individual. An individual who makes
14 such an election shall not be treated as an individual
15 to whom a credit is allowable under such sections.

16 (c) PAYMENTS TO STATES.—

17 (1) IN GENERAL.—

18 (A) FULL REIMBURSEMENT.—There shall
19 be paid to each State which has entered into an
20 agreement under this section an amount equal
21 to 100 percent of—

22 (i) the total amount of Pandemic Self-
23 Employment and Job Entrant Compensa-
24 tion paid to individuals by the State pursu-
25 ant to such agreement; and

1 (ii) any additional administrative ex-
2 penses incurred by the State by reason of
3 such agreement (as determined by the Sec-
4 retary).

5 (B) TERMS OF PAYMENTS.—Sums payable
6 to any State by reason of such State's having
7 an agreement under this section shall be pay-
8 able, either in advance or by way of reimburse-
9 ment (as determined by the Secretary), in such
10 amounts as the Secretary estimates the State
11 will be entitled to receive under this section for
12 each calendar month, reduced or increased, as
13 the case may be, by any amount by which the
14 Secretary finds that his estimates for any prior
15 calendar month were greater or less than the
16 amounts which should have been paid to the
17 State. Such estimates may be made on the
18 basis of such statistical, sampling, or other
19 method as may be agreed upon by the Secretary
20 and the State agency of the State involved.

21 (2) FUNDING.—

22 (A) IN GENERAL.—Funds in the extended
23 unemployment compensation account (as estab-
24 lished by section 905(a) of the Social Security
25 Act (42 U.S.C. 1105(a)) of the Unemployment

1 Trust Fund (as established by section 904(a) of
2 such Act (42 U.S.C. 1104(a)) shall be used to
3 make payments to States pursuant to para-
4 graph (1).

5 (B) TRANSFER OF FUNDS.—Notwith-
6 standing any other provision of law, the Sec-
7 retary of the Treasury shall transfer from the
8 general fund of the Treasury (from funds not
9 otherwise appropriated) to the extended unem-
10 ployment compensation account such sums as
11 the Secretary of Labor estimates to be nec-
12 essary to make payments described in subpara-
13 graph (A). There are appropriated from the
14 general fund of the Treasury, without fiscal
15 year limitation, the sums referred to in the pre-
16 ceding sentence and such sums shall not be re-
17 quired to be repaid.

18 (3) CERTIFICATIONS.—The Secretary shall
19 from time to time certify to the Secretary of the
20 Treasury for payment to each State the sums pay-
21 able to such State under this section.

22 (d) APPLICABILITY.—

23 (1) IN GENERAL.—An agreement entered into
24 under this section shall apply with respect to
25 weeks—

1 (A) beginning on or after March 13, 2020;
2 and

3 (B) ending on or before January 1, 2021.

4 (2) TRANSITION RULE FOR INDIVIDUALS RE-
5 MAINING ENTITLED TO PANDEMIC SELF-EMPLOY-
6 MENT AND JOB ENTRANT COMPENSATION AS OF
7 JANUARY 1, 2021.—In the case of any individual
8 who, as of the date specified in paragraph (1)(B),
9 has not yet exhausted all rights to Pandemic Self-
10 Employment and Job Entrant Compensation under
11 the agreement under subsection (a), Pandemic Self-
12 Employment and Job Entrant Compensation shall
13 continue to be payable to such individual for any
14 week beginning on or after such date for which the
15 individual is otherwise eligible for such Pandemic
16 Self-Employment and Job Entrant Compensation.

17 (3) TERMINATION.—Notwithstanding any other
18 provision of this subsection, no Pandemic Self-Em-
19 ployment and Job Entrant Compensation shall be
20 payable for any week beginning after June 30, 2021.

21 (e) FRAUD AND OVERPAYMENTS.—

22 (1) IN GENERAL.—If an individual knowingly
23 has made, or caused to be made by another, a false
24 statement or representation of a material fact, or
25 knowingly has failed, or caused another to fail, to

1 disclose a material fact, and as a result of such false
2 statement or representation or of such nondisclosure
3 such individual has received an amount of Pandemic
4 Self-Employment and Job Entrant Compensation to
5 which such individual was not entitled, such indi-
6 vidual—

7 (A) shall be ineligible for further Pandemic
8 Self-Employment and Job Entrant Compensa-
9 tion in accordance with the provisions of the ap-
10 plicable State unemployment compensation law
11 relating to fraud in connection with a claim for
12 unemployment compensation; and

13 (B) shall be subject to prosecution under
14 section 1001 of title 18, United States Code.

15 (2) REPAYMENT.—In the case of individuals
16 who have received amounts of Pandemic Self-Em-
17 ployment and Job Entrant Compensation to which
18 they were not entitled, the State shall require such
19 individuals to repay the amounts of such Pandemic
20 Self-Employment and Job Entrant Compensation to
21 the State agency, except that the State agency may
22 waive such repayment if it determines that—

23 (A) the payment of such Pandemic Self-
24 Employment and Job Entrant Compensation

1 was without fault on the part of any such indi-
2 vidual; and

3 (B) such repayment would be contrary to
4 equity and good conscience.

5 (3) RECOVERY BY STATE AGENCY.—

6 (A) IN GENERAL.—The State agency may
7 recover the amount to be repaid, or any part
8 thereof, by deductions from any Pandemic Self-
9 Employment and Job Entrant Compensation
10 payable to such individual or from any unem-
11 ployment compensation payable to such indi-
12 vidual under any State or Federal unemploy-
13 ment compensation law administered by the
14 State agency or under any other State or Fed-
15 eral law administered by the State agency
16 which provides for the payment of any assist-
17 ance or allowance with respect to any week of
18 unemployment, during the 3-year period after
19 the date such individuals received the payment
20 of the Pandemic Self-Employment and Job En-
21 trant Compensation to which they were not en-
22 titled, in accordance with the same procedures
23 as apply to the recovery of overpayments of reg-
24 ular unemployment benefits paid by the State.

1 (B) OPPORTUNITY FOR HEARING.—No re-
2 payment shall be required, and no deduction
3 shall be made, until a determination has been
4 made, notice thereof and an opportunity for a
5 fair hearing has been given to the individual,
6 and the determination has become final.

7 (4) REVIEW.—Any determination by a State
8 agency under this section shall be subject to review
9 in the same manner and to the same extent as deter-
10 minations under the State unemployment compensa-
11 tion law, and only in that manner and to that ex-
12 tent.

13 (5) DEPOSIT IN STATE UNEMPLOYMENT
14 FUND.—Any amount recovered by a State agency
15 pursuant to this subsection shall be deposited in the
16 account of such State in the Unemployment Trust
17 Fund.

18 (f) TREATMENT OF PANDEMIC SELF-EMPLOYMENT
19 AND JOB ENTRANT COMPENSATION PAYMENTS.—

20 (1) PAYMENT TO BE DISREGARDED FOR PUR-
21 POSES OF ALL FEDERAL AND FEDERALLY ASSISTED
22 PROGRAMS.—A Pandemic Self-Employment and Job
23 Entrant Compensation payment shall not be re-
24 garded as income and shall not be regarded as a re-
25 source for the month of receipt and the following 9

1 months, for purposes of determining the eligibility of
2 the recipient (or the recipient's spouse or family) for
3 benefits or assistance, or the amount or extent of
4 benefits or assistance, under any Federal program
5 or under any State or local program financed in
6 whole or in part with Federal funds.

7 (2) PAYMENT NOT CONSIDERED INCOME FOR
8 PURPOSES OF TAXATION.—A Pandemic Self-Em-
9 ployment and Job Entrant Compensation payment
10 shall not be considered as gross income for purposes
11 of the Internal Revenue Code of 1986.

12 (g) DEFINITIONS.—For purposes of this section—

13 (1) the terms “compensation” (except as such
14 term is used in subsection (b)(4)), “regular com-
15 pensation”, “State”, “State agency”, and “State
16 law” have the respective meanings given such terms
17 under section 205 of the Federal-State Extended
18 Unemployment Compensation Act of 1970 (26
19 U.S.C. 3304 note); and

20 (2) the term “State or private paid leave”
21 means a benefit which provides full or partial wage
22 replacement to employees on the basis of specifically
23 defined qualifying events described in section 102 of
24 the Family and Medical Leave Act of 1993 or de-
25 fined by a written employer policy or State law and

1 which ends either when the qualifying event is no
2 longer applicable or a set period of benefits is ex-
3 hausted.

4 **TITLE III—RELIEF FOR GOVERN-**
5 **MENTAL AND NONPROFIT EN-**
6 **TITIES**

7 **SEC. 80301. EMERGENCY UNEMPLOYMENT RELIEF FOR**
8 **GOVERNMENTAL ENTITIES AND NONPROFIT**
9 **ORGANIZATIONS.**

10 (a) FLEXIBILITY IN PAYING REIMBURSEMENT.—The
11 Secretary of Labor may issue clarifying guidance to allow
12 States to interpret their State unemployment compensa-
13 tion laws in a manner that would provide maximum flexi-
14 bility to reimbursing employers as it relates to timely pay-
15 ment and assessment of penalties and interest pursuant
16 to such State laws.

17 (b) FEDERAL FUNDING.—Section 903 of the Social
18 Security Act (42 U.S.C. 1103) is amended by adding at
19 the end the following:

20 “Transfers for Federal Reimbursement of State
21 Unemployment Funds

22 “(j)(1)(A) In addition to any other amounts, the Sec-
23 retary of Labor shall provide for the transfer of funds dur-
24 ing the applicable period to the accounts of the States in
25 the Unemployment Trust Fund, by transfer from amounts

1 reserved for that purpose in the Federal unemployment
2 account, in accordance with the succeeding provisions of
3 this subsection.

4 “(B) The amount of funds transferred to the account
5 of a State under subparagraph (A) during the applicable
6 period shall, as determined by the Secretary of Labor, be
7 equal to one half of the amounts of compensation (as de-
8 fined in section 3306(h) of the Internal Revenue Code of
9 1986) attributable under the State law to service to which
10 section 3309(a)(1) of such Code applies that were paid
11 by the State for weeks of unemployment beginning and
12 ending during such period. Such transfers shall be made
13 at such times as the Secretary of Labor considers appro-
14 priate.

15 “(C) Notwithstanding any other law, funds trans-
16 ferred to the account of a State under subparagraph (A)
17 shall be used exclusively to reimburse governmental enti-
18 ties and other organizations described in section
19 3309(a)(2) of such Code for amounts paid (in lieu of con-
20 tributions) into the State unemployment fund pursuant to
21 such section.

22 “(D) For purposes of this paragraph, the term ‘appli-
23 cable period’ means the period beginning on March 13,
24 2020, and ending on December 31, 2020.

1 “(2)(A) Notwithstanding any other provision of law,
2 the Secretary of the Treasury shall transfer from the gen-
3 eral fund of the Treasury (from funds not otherwise ap-
4 propriated) to the employment security administration ac-
5 count (as established by section 901 of the Social Security
6 Act) such sums as the Secretary of Labor estimates to
7 be necessary for purposes of making the transfers de-
8 scribed in paragraph (1).

9 “(B) There are appropriated from the general fund
10 of the Treasury, without fiscal year limitation, the sums
11 referred to in subparagraph (A) and such sums shall not
12 be required to be repaid.”.

13 (c) OPERATING INSTRUCTIONS OR OTHER GUID-
14 ANCE.—The Secretary of Labor may issue any operating
15 instructions or other guidance necessary to carry out the
16 amendments made by this section.

17 **TITLE IV—EMERGENCY ASSIST-**
18 **ANCE FOR RAIL WORKERS**

19 **SEC. 80401. WAIVER OF THE 7-DAY WAITING PERIOD FOR**
20 **BENEFITS UNDER THE RAILROAD UNEM-**
21 **PLOYMENT INSURANCE ACT.**

22 (a) NO WAITING WEEK.—With respect to any reg-
23 istration period beginning after the date of enactment of
24 this Act and ending on or before December 31, 2020, sub-
25 paragraphs (A)(ii) and (B)(ii) of section 2(a)(1) of the

1 Railroad Unemployment Insurance Act (45 U.S.C.
2 352(a)(1)) shall not apply.

3 (b) REGULATIONS.—The Railroad Retirement Board
4 may prescribe any operating instructions or regulations
5 necessary to carry out this section.

6 (c) DEFINITIONS.—For purposes of this section,
7 “registration period” has the meaning given such term
8 under section 1 of the Railroad Unemployment Insurance
9 Act.

10 **SEC. 80402. ENHANCED BENEFITS UNDER THE RAILROAD**
11 **UNEMPLOYMENT INSURANCE ACT.**

12 Section 2(a) of the Railroad Unemployment Insur-
13 ance Act (45 U.S.C. § 352(a)) is amended by adding at
14 the end the following:

15 “(5)(A) Notwithstanding paragraph (3), subsection
16 (c)(1)(B), and any other limitation on total benefits in this
17 Act, for registration periods beginning on or after April
18 1, 2020, but on or before December 31, 2020, a recovery
19 benefit in the amount of \$1,200 shall be payable to a
20 qualified employee with respect to any registration period
21 in which the employee received unemployment benefits
22 under paragraph (1)(A), and in any registration period in
23 which the employee did not receive unemployment benefits
24 due to the limitation in subsection (c)(1)(B) or due to
25 reaching the maximum number of days of benefits in the

1 benefit year beginning July 1, 2019, under subsection
2 (c)(1)(A), and throughout any continuing period of unem-
3 ployment beginning on or before December 31, 2020, ex-
4 cept that no benefit under this section shall be payable
5 after June 30, 2021. No recovery benefits shall be payable
6 under this section upon the exhaustion of the funds appro-
7 priated under subparagraph (B) for payment of benefits
8 under this subparagraph.

9 “(B) Out of any funds in the Treasury not otherwise
10 appropriated, there are appropriated \$950,000,000 to
11 cover the cost of recovery benefits provided under subpara-
12 graph (A), to remain available until expended.”.

13 **SEC. 80403. EXTENDED UNEMPLOYMENT BENEFITS UNDER**
14 **THE RAILROAD UNEMPLOYMENT INSURANCE**
15 **ACT.**

16 (a) EXTENSION.—Section 2(c)(2)(D)(iii) of the Rail-
17 road Unemployment Insurance Act (45 U.S.C.
18 352(c)(2)(D)(iii)) is amended—

19 (1) by striking “July 1, 2008” and inserting
20 “July 1, 2019”;

21 (2) by striking “June 30, 2013” and inserting
22 “June 30, 2020”; and

23 (3) by striking “December 31, 2013” and in-
24 serting “December 31, 2020”.

1 (b) CLARIFICATION ON AUTHORITY TO USE
2 FUNDS.—Funds appropriated under either the first or
3 second sentence of clause (iv) of section 2(c)(2)(D) of the
4 Railroad Unemployment Insurance Act shall be available
5 to cover the cost of additional extended unemployment
6 benefits provided under such section 2(c)(2)(D) by reason
7 of the amendments made by subsection (a) as well as to
8 cover the cost of such benefits provided under such section
9 2(c)(2)(D) as in effect on the day before the date of enact-
10 ment of this Act.

11 **SEC. 80404. TREATMENT OF PAYMENTS FROM THE RAIL-**
12 **ROAD UNEMPLOYMENT INSURANCE AC-**
13 **COUNT.**

14 (a) IN GENERAL.—Section 256(i)(1) of the Balanced
15 Budget and Emergency Deficit Control Act of 1985 (2
16 U.S.C. 906(i)(1)) is amended—

17 (1) in subparagraph (B), by striking “and” at
18 the end;

19 (2) in subparagraph (C), by inserting “and” at
20 the end; and

21 (3) by inserting after subparagraph (C) the fol-
22 lowing new subparagraph:

23 “(D) any payment made from the Railroad Un-
24 employment Insurance Account (established by sec-
25 tion 10 of the Railroad Unemployment Insurance

1 Act) for the purpose of carrying out the Railroad
2 Unemployment Insurance Act, and funds appro-
3 priated or transferred to or otherwise deposited in
4 such Account,”.

5 (b) EFFECTIVE DATE.—The treatment of payments
6 made from the Railroad Unemployment Insurance Ac-
7 count pursuant to the amendment made by subsection (a)
8 shall take effect 7 days after the date of enactment of this
9 Act and shall apply only to obligations incurred on or after
10 such effective date for such payments.

1 **DIVISION I—FINANCIAL** 2 **SERVICES**

3 **SEC. 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This division may be cited as the
5 “Financial Protections and Assistance for America’s Con-
6 sumers, States, Businesses, and Vulnerable Populations
7 Act”.

8 (b) TABLE OF CONTENTS.—The table of contents for
9 this division is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. References to this division.

Sec. 3. Severability.

TITLE I—PROTECTING CONSUMERS, RENTERS, HOMEOWNERS AND PEOPLE EXPERIENCING HOMELESSNESS

Sec. 101. Direct stimulus payments for families.

Sec. 102. Suspension of requirements regarding tenant contribution toward
rent.

Sec. 103. Temporary moratorium on eviction filings.

Sec. 104. Suspension of other consumer loan payments.

Sec. 105. Emergency rental assistance.

Sec. 106. Emergency homeless assistance.

Sec. 107. Participation of Indian Tribes and tribally designated housing entities
in Continuum of Care Program.

Sec. 108. Housing Assistance Fund.

Sec. 109. Mortgage forbearance.

Sec. 110. Bankruptcy protections.

Sec. 111. Debt collection.

Sec. 112. Disaster Protection for Workers’ Credit.

Sec. 113. Student loans.

Sec. 114. Waiver of in-person appraisal requirements.

Sec. 115. Supplemental funding for community development block grants.

Sec. 116. COVID–19 Emergency Housing Relief.

Sec. 117. Supplemental funding for service coordinators to assist elderly house-
holds.

Sec. 118. Fair housing.

Sec. 119. Continuation of FHA–FFB affordable rental housing financing part-
nership.

Sec. 120. HUD counseling program authorization.

Sec. 121. Defense Production Act of 1950.

TITLE II—ASSISTING SMALL BUSINESSES AND COMMUNITY FINANCIAL INSTITUTIONS

- Sec. 201. Small Business Credit Facility.
- Sec. 202. Small Business Financial Assistance Program.
- Sec. 203. Suspension of small business and non-profit loan payments.
- Sec. 204. Reauthorization of the State Small Business Credit Initiative Act of 2010.
- Sec. 205. Funding of the Initiative to Build Growth Equity Funds for Minority Businesses.
- Sec. 206. Community Development Financial Institutions Fund supplemental appropriation authorization.
- Sec. 207. Minority depository institution.
- Sec. 208. Loans to MDIs and CDFIs.
- Sec. 209. Insurance of transaction accounts.

TITLE III—SUPPORTING STATE, TERRITORY, AND LOCAL GOVERNMENTS

- Sec. 301. Muni Facility.
- Sec. 302. Temporary waiver and reprogramming authority.

TITLE IV—PROMOTING FINANCIAL STABILITY AND TRANSPARENT MARKETS

- Sec. 401. Temporary halt to rulemakings unrelated to COVID–19.
- Sec. 402. Temporary ban on stock buybacks.
- Sec. 403. Disclosures related to supply chain disruption risk.
- Sec. 404. Disclosures related to global pandemic risk.
- Sec. 405. Oversight of Federal aid related to COVID–19.
- Sec. 406. International financial institutions.
- Sec. 407. Conditions on Federal aid to corporations.
- Sec. 408. Authority for warrants and debt instruments.
- Sec. 409. Authorization to participate in the New Arrangements to Borrow of the International Monetary Fund.
- Sec. 410. Emergency relief through loans and loan guarantees.
- Sec. 411. Limitation on certain employee compensation.
- Sec. 412. International Finance Corporation.
- Sec. 413. Oversight and Reports.
- Sec. 414. Technical corrections.
- Sec. 415. Definitions.
- Sec. 416. Rule of construction.

TITLE V—INVESTING IN A SUSTAINABLE RECOVERY

- Sec. 501. Housing is infrastructure.
- Sec. 502. Improving Corporate Governance Through Diversity.
- Sec. 503. Diverse Investment Advisers.
- Sec. 504. Financial Literacy Education Commission Emergency Response.
- Sec. 505. Interagency Pandemic Guidance for Consumers.
- Sec. 506. SEC Pandemic Guidance for Investors.
- Sec. 507. Updates of the Pandemic Influenza Plan and National Planning Frameworks.

1 **SEC. 2. REFERENCES TO THIS DIVISION.**

- 2 In this division, any reference to “this Act” shall be
- 3 deemed a reference to this division.

1 **SEC. 3. SEVERABILITY.**

2 If any provision of this Act or the application of such
3 provision to any person or circumstance is held to be un-
4 constitutional, the remainder of this Act, and the applica-
5 tion of the provisions of this Act, to any person or cir-
6 cumstance shall not be affected thereby.

7 **TITLE I—PROTECTING CON-**
8 **SUMERS, RENTERS, HOME-**
9 **OWNERS AND PEOPLE EXPE-**
10 **RIENCING HOMELESSNESS**

11 **[SEC. 101. DIRECT STIMULUS PAYMENTS FOR FAMILIES.**

12 **[(a) DEFINITIONS.—In this section:]**

13 **[(1) DIGITAL DOLLAR.—The term “digital dol-**
14 **lar” shall mean—]**

15 **[(A) a balance expressed as a dollar value**
16 **consisting of digital ledger entries that are re-**
17 **corded as liabilities in the accounts of any Fed-**
18 **eral reserve bank; or]**

19 **[(B) an electronic unit of value, redeem-**
20 **able by an eligible financial institution (as de-**
21 **termined by the Board of Governors of the Fed-**
22 **eral Reserve System).]**

23 **[(2) DIGITAL DOLLAR WALLET.—The term**
24 **“digital dollar wallet” shall mean a digital wallet or**
25 **account, maintained by a Federal reserve bank on**
26 **behalf of any person, that represents holdings in an**

1 electronic device or service that is used to store dig-
2 ital dollars that may be tied to a digital or physical
3 identity.】

4 【(3) MEMBER BANK.—The term “member
5 bank” means a member bank of the Board of Gov-
6 ernors of the Federal Reserve System.】

7 【(4) PASS-THROUGH DIGITAL DOLLAR WAL-
8 LET.—The term “pass-through digital dollar wallet”
9 means a digital wallet or account, maintained by a
10 member bank on behalf of a qualified individual,
11 where such qualified individual is entitled to a pro
12 rata share of a pooled reserve balance that the mem-
13 ber bank maintains at any Federal reserve bank.】

14 【(5) QUALIFIED INDIVIDUAL DEFINED.—The
15 term “qualified individual” means any individual
16 other than any nonresident alien individual.】

17 【(b) EMERGENCY STIMULUS CHECK IMPLEMENTA-
18 TION.—】

19 【(1) PAYMENTS.—The Secretary of the Treas-
20 ury, acting through the Commissioner of the Inter-
21 nal Revenue Service, shall make monthly emergency
22 payments to qualified individuals beginning on the
23 first day of the first month beginning after the date
24 of the enactment of this Act and ending on the later
25 of—】

1 【(A) the date of the termination by the
2 Federal Emergency Management Agency of the
3 emergency declared on March 13, 2020, by the
4 President under section 501(b) of the Robert T.
5 Stafford Disaster Relief and Emergency Assist-
6 ance Act with respect to the COVID–19 pan-
7 demic; and】

8 【(B) the date on which—】

9 【(i) the national unemployment rate
10 (as determined by the Bureau of Labor
11 Statistics) is within 2 percentage points of
12 the national unemployment rate on the
13 date of enactment of this Act; and】

14 【(ii) the 3-month average of the na-
15 tional unemployment rate has declined for
16 two consecutive months.】

17 【(2) AMOUNT OF PAYMENTS.—

18 【(A) IN GENERAL.—With respect to a
19 qualified individual, the amount of each month-
20 ly payment under paragraph (1) shall be as fol-
21 lows:】

22 【(i) For a qualified individual age 18
23 or older, \$2,000.】

24 【(ii) For a qualified individual under
25 age 18, \$1,000.】

1 **[(B) INCOME LIMITATION.—**The amount
2 of a payment under subparagraph (A) shall be
3 reduced (but not below zero) by 5 percent of so
4 much of the individual’s adjusted gross income
5 as exceeds \$75,000. The Secretary of the
6 Treasury shall adjust such amount as appro-
7 priate to account for individuals filing joint re-
8 turns. **]**

9 **[(3) METHOD OF DELIVERY.—**

10 **[(A) IN GENERAL.—**The Secretary of the
11 Treasury, acting through the Commissioner of
12 the Internal Revenue Service, shall make the
13 payments required under paragraph (1)— **]**

14 **[(i)** first, by direct deposit (including
15 to a pass-through digital dollar wallet), if
16 the Commissioner has sufficient informa-
17 tion to make direct deposit payments to
18 the applicable individual; and **]**

19 **[(ii)** otherwise, by check. **]**

20 **[(B) OUTREACH.—**The Secretary of the
21 Treasury, acting through the Commissioner of
22 the Internal Revenue Service, shall establish a
23 system for a qualified individual to provide the
24 Internal Revenue Service with the individual’s

1 direct deposit information and shall perform
2 outreach to inform the public of such system.】

3 【(4) ACCESSING PAYMENTS.—If a payment is
4 deposited (by any method) into an account of a
5 qualified individual at an insured depository institu-
6 tion (as defined in section 3 of the Federal Deposit
7 Insurance Act) or insured credit union (as defined in
8 section 101 of the Federal Credit Union Act), such
9 funds shall be available for withdrawal on the same
10 day, to the fullest extent possible.】

11 【(5) FUNDING.—The Secretary of the Treasury
12 shall, before each monthly payment required under
13 subsection (a), notify the Board of Governors of the
14 Federal Reserve System of the aggregate amount of
15 such payment, and the Board of Governors shall
16 issue notes in such amount and transfer such notes
17 to the Secretary of the Treasury for use in making
18 such payments.】

19 【(c) MANDATE FOR MEMBER BANKS TO MAINTAIN
20 PASS-THROUGH DIGITAL DOLLAR WALLETS.—】

21 【(1) OBLIGATIONS OF MEMBER BANKS.—

22 【(A) IN GENERAL.—Member banks are
23 hereby directed to establish and maintain pass-
24 through digital dollar wallets for all persons eli-
25 gible to receive payments from the United

1 States pursuant to this Act who elect to deposit
2 such payments into a pass-through digital dol-
3 lar wallet.】

4 【(B) SEPARATE ENTITY.—

5 【(i) IN GENERAL.—Each member
6 bank shall establish and maintain a sepa-
7 rate legal entity for the exclusive purpose
8 of holding all assets and maintaining all li-
9 abilities associated with pass-through dig-
10 ital dollar wallets.】

11 【(ii) ASSETS.—The assets of any enti-
12 ty described in this paragraph shall consist
13 exclusively of a balance maintained in a
14 master account at a Federal reserve bank,
15 and the liabilities or obligations of the enti-
16 ty shall consist exclusively of an equal
17 quantity of balances maintained by holders
18 of pass-through digital dollar wallets.】

19 【(iii) SEPARATE ASSETS AND LIABIL-
20 ITIES.—The assets and liabilities of any
21 legal entity described in this paragraph
22 shall not be deemed assets or liabilities of
23 the member bank or its affiliates for pur-
24 poses of any capital or liquidity regulation

1 promulgated by Federal or State banking
2 authorities.】

3 【(C) APPLICATION.—Member banks with
4 total consolidated assets in excess of
5 \$10,000,000,000 shall promptly offer individ-
6 uals the ability to apply, through online or tele-
7 phonic means, for a pass-through digital dollar
8 wallets.】

9 【(2) TERMS.—Member banks shall ensure that
10 a pass-through digital dollar wallet established under
11 this section—】

12 【(A) may not be subject to any account
13 fees, minimum balances, or maximum bal-
14 ances;】

15 【(B) shall pay interest at a rate not below
16 the greater of—】

17 【(i) the rate of interest on required
18 reserves; and】

19 【(ii) the rate of interest on excess re-
20 serves;】

21 【(C) shall provide functionality and service
22 levels not less favorable than those that the
23 member bank offers for its existing transaction
24 accounts (including with respect to access to
25 debit cards and automated teller machines, on-

1 line account access, automatic bill-pay and mo-
2 bile banking services, customer service, and
3 such other services as the Board determines),
4 except that pass-through digital dollar wallet
5 shall not include overdraft coverage;】

6 【(D) shall be prominently branded in all
7 account statements, marketing materials, and
8 other communications of the member bank as a
9 “pass-through FedAccount” maintained by the
10 member bank on behalf of the Board of Gov-
11 ernors of the Federal Reserve System;】

12 【(E) may not be closed or restricted by the
13 member bank on the basis of profitability con-
14 siderations; and】

15 【(F) shall provide holders with reasonable
16 protection against losses caused by fraud or se-
17 curity breaches.】

18 【(3) REIMBURSEMENT FOR COSTS.—

19 【(A) IN GENERAL.—Each member bank
20 with total consolidated assets not greater than
21 \$10,000,000,000 shall be reimbursed each cal-
22 endar quarter by the relevant Federal reserve
23 bank for actual and reasonable operational
24 costs incurred by the member bank in offering
25 pass-through digital dollar wallets.】

1 **[(B) RULEMAKING.—**The Board of Gov-
2 ernors of the Federal Reserve System shall
3 issue rules to carry out subparagraph (A).**]**

4 **[(4) AUTHORITY OF THE BOARD.—**Member
5 banks shall be subject to such rules as may be im-
6 posed by the Board of Governors of the Federal Re-
7 serve System in connection with maintaining pass-
8 through digital dollar wallets.**]**

9 **[(d) AUTHORITY FOR STATE NONMEMBER BANKS**
10 **AND CREDIT UNIONS TO OFFER PASS-THROUGH DIGITAL**
11 **DOLLAR WALLETS.—**The Federal reserve banks shall per-
12 mit State banks and credit unions that are not member
13 banks to open master accounts for the exclusive purpose
14 of offering pass-through digital dollar wallets in compli-
15 ance with the requirements of subsection (c). Each State
16 bank or credit union electing to offer pass-through digital
17 wallets shall be entitled to cost reimbursement in accord-
18 ance with subsection (c)(3).**]**

19 **[(e) MANDATE FOR FEDERAL RESERVE BANKS TO**
20 **MAINTAIN DIGITAL DOLLAR WALLETS.—]**

21 **[(1) AUTHORIZATION.—**Subject to such restric-
22 tions, limitations, and regulations as may be im-
23 posed by the Board of Governors of the Federal Re-
24 serve System, each Federal reserve bank shall main-
25 tain digital dollar wallets.**]**

1 **[(2) MANDATE.—**

2 **[(A) IN GENERAL.—**Not later than Janu-
3 ary 1, 2021, all Federal reserve banks shall
4 make digital dollar wallets available to all citi-
5 zens and legal permanent residents of the
6 United States and business entities for which
7 the principal place of business is located in the
8 United States. **]**

9 **[(B) EXCEPTION.—**In geographic areas
10 where physical access to a branch of a Federal
11 reserve bank is limited, Federal reserve banks
12 serving such areas shall partner with United
13 States Postal Service branch offices to ensure
14 access and availability to application and ac-
15 count services for digital dollar wallets. **]**

16 **[(3) TERMS OF DIGITAL DOLLAR WALLETS.—**
17 Federal reserve banks shall ensure that digital dollar
18 wallets established under this section—**]**

19 **[(A)** may not be subject to any account
20 fees, minimum balances, or maximum bal-
21 ances; **]**

22 **[(B)** shall pay interest at a rate not below
23 the greater of—**]**

24 **[(i)** the rate of interest on required
25 reserves; and **]**

1 【(ii) the rate of interest on excess re-
2 serves;】

3 【(C) shall provide access to debit cards,
4 online account access, automatic bill-pay and
5 mobile banking services, customer service, and
6 such other services as the Board determines,
7 except that digital dollar wallets shall not in-
8 clude overdraft coverage.】

9 【(D) shall provide, in conjunction with the
10 United States Postal Service, access to auto-
11 mated teller machines to be maintained on be-
12 half of the Board by the United States Postal
13 Service at branch offices;】

14 【(E) shall be prominently branded in all
15 account statements, marketing materials, and
16 other communications of the Federal reserve
17 bank as a “FedAccount” maintained by the
18 member bank on behalf of the United States of
19 America;】

20 【(F) may not be closed or restricted on the
21 basis of profitability considerations; and】

22 【(G) shall provide holders with reasonable
23 protection against losses caused by fraud or se-
24 curity breaches.】

1 【(4) BANK SECRECY ACT.—In establishing and
2 maintaining digital dollar wallets, each Federal re-
3 serve bank shall comply with section 21 of the Fed-
4 eral Deposit Insurance Act (12 U.S.C. 1829b), sec-
5 tion 123 of Public Law 91–508, subchapter II of
6 chapter 53 of title 31, United States Code.】

7 【(5) PENALTIES.—The Board of Governors of
8 the Federal Reserve System shall, by rule, establish
9 penalties applicable to Federal reserve banks and
10 employees of such banks for violations of privacy ob-
11 ligations relating to digital dollar wallets that are
12 similar to the penalties imposed by the Commis-
13 sioner of the Internal Revenue Service with respect
14 to violations of privacy obligations relating to Fed-
15 eral tax returns.】

16 【(f) REGULATIONS.—The Board of Governors of the
17 Federal Reserve System shall promulgate regulations to
18 carry out this section.】

19 **SEC. 102. SUSPENSION OF REQUIREMENTS REGARDING**
20 **TENANT CONTRIBUTION TOWARD RENT.**

21 (a) SUSPENSION.—Notwithstanding any other provi-
22 sion of law, the obligation of each tenant household of a
23 dwelling unit in assisted housing to pay any contribution
24 toward rent for occupancy in such dwelling unit shall be
25 suspended with respect to such occupancy during the pe-

1 rioid beginning on the date of the enactment of this Act
2 and ending 6 months after the date of the termination
3 by the Federal Emergency Management Agency of the
4 emergency declared on March 13, 2020, by the President
5 under the Robert T. Stafford Disaster Relief and Emer-
6 gency Assistance Act (42 U.S.C. 4121 et seq.) relating
7 to the Coronavirus Disease 2019 (COVID–19) pandemic.

8 (b) FEDERAL REIMBURSEMENT PAYMENTS.—To the
9 extent that amounts are made available pursuant to sub-
10 section (e) for reimbursements under this subsection, the
11 Secretary of Housing and Urban Development or the Sec-
12 retary of Agriculture, as appropriate, shall—

13 (1) provide owners of assisted housing and pub-
14 lic housing agencies for any amounts in rent not re-
15 ceived as a result of subsection (a), plus the amount
16 of any increases in costs of administering and main-
17 taining such housing to the extent only that such in-
18 creases result from the public health emergency re-
19 lating to Coronavirus Disease 2019 (COVID–19);
20 and

21 (2) in the case of public housing agencies pro-
22 viding assistance under section 8(o) of the United
23 States Housing Act of 1937 (42 U.S.C. 1437f(o)),
24 reimburse such agencies in an amount sufficient to
25 cover any increase in housing assistance payments

1 resulting from the suspension of tenant rent pay-
2 ments pursuant to subsection (a), plus the amount
3 of any increases in the cost of administering such
4 assistance to the extent only that such increases re-
5 sult from the public health emergency relating to
6 Coronavirus Disease 2019 (COVID–19).

7 (c) PROHIBITIONS.—

8 (1) ON FINES.—No tenant or tenant household
9 may be charged a fine or fee for nonpayment of rent
10 in accordance with subsection (a) and such non-
11 payment of rent shall not be grounds for any termi-
12 nation of tenancy or eviction.

13 (2) ON DEBT.—No tenant or tenant household
14 may be treated as accruing any debt by reason of
15 suspension of contribution of rent under subsection
16 (a).

17 (3) ON REPAYMENT.—held liable for repayment
18 of any amount of rent contribution suspended under
19 subsection (a).

20 (4) ON CREDIT SCORES.—The nonpayment of
21 rent by a tenant or tenant household shall not be re-
22 ported to a consumer reporting agency nor shall
23 such nonpayment adversely affect a tenant or mem-
24 ber of a tenant household's credit score.

1 (d) ASSISTED HOUSING.—For purposes of this sec-
2 tion, the term “assisted housing” means housing or a
3 dwelling unit assisted under—

4 (1) section 213, 220, 221(d)(3), 221(d)(4),
5 223(e), 231, or 236 of the National Housing Act
6 (12 U.S.C. 1715l(d)(3), (d)(4), or 1715z–1);

7 (2) section 101 of the Housing and Urban De-
8 velopment Act of 1965 (12 U.S.C. 1701s);

9 (3) section 202 of the Housing Act of 1959 (12
10 U.S.C. 1701q);

11 (4) section 811 of the Cranston-Gonzales Na-
12 tional Affordable Housing Act (42 U.S.C. 8013);

13 (5) title II of the Cranston-Gonzalez National
14 Affordable Housing Act (42 U.S.C. 12701 et seq.);

15 (6) subtitle D of title VIII of the Cranston-Gon-
16 zalez National Affordable Housing Act (42 U.S.C.
17 12901 et seq.);

18 (7) title I of the Housing and Community De-
19 velopment Act of 1974 (42 U.S.C. 5301 et seq.);

20 (8) section 8 of the United States Housing Act
21 of 1937 (42 U.S.C. 1437f);

22 (9) the public housing program under title I of
23 the United States Housing Act of 1937 (42 U.S.C.
24 1437 et seq.); or

1 (10) section 514, 515, 516, 521(a)(2), 538, or
2 542 of the Housing Act of 1949 (42 U.S.C. 1484,
3 1485, 1486, 1490a(a)(2), 1490p-2, 1490r).

4 (e) AUTHORIZATION OF APPROPRIATIONS.—There is
5 authorized to be appropriated such sums as may be nec-
6 essary to make payments under subsection (b) to all own-
7 ers of assisted housing and public housing agencies.

8 **SEC. 103. TEMPORARY MORATORIUM ON EVICTION FIL-**
9 **INGS.**

10 (a) CONGRESSIONAL FINDINGS.—The Congress finds
11 that—

12 (1) according to the 2018 American Community
13 Survey, 36 percent of households in the United
14 States—more than 43 million households—are rent-
15 ers;

16 (2) in 2019 alone, renters in the United States
17 paid \$512 billion in rent;

18 (3) according to the Joint Center for Housing
19 Studies of Harvard University, 20.8 million renters
20 in the United States spent more than 30 percent of
21 their incomes on housing in 2018 and 10.9 million
22 renters spent more than 50 percent of their incomes
23 on housing in the same year;

1 (4) Moody's Analytics estimates that 27 million
2 jobs in the U.S. economy are at high risk because
3 of COVID-19;

4 (5) the impacts of the spread of COVID-19,
5 which is now considered a global pandemic, are ex-
6 pected to negatively impact the incomes of poten-
7 tially millions of renter households, making it dif-
8 ficult for them to pay their rent on time; and

9 (6) evictions in the current environment would
10 increase homelessness and housing instability which
11 would be counterproductive towards the public
12 health goals of keeping individuals in their homes to
13 the greatest extent possible.

14 (b) MORATORIUM.—During the period beginning on
15 the date of the enactment of this Act and ending on the
16 date described in paragraph (1) of subsection (d), the les-
17 sor of a covered dwelling may not make, or cause to be
18 made, any filing with the court of jurisdiction to initiate
19 a legal action to recover possession of the covered dwelling
20 from the tenant regardless of cause, except when a tenant
21 perpetrates a serious criminal act that threatens the
22 health, life, or safety of other tenants, owners, or staff
23 of the property in which the covered dwelling is located.

24 (c) DEFINITIONS.—For purposes of this section, the
25 following definitions shall apply:

1 (1) COVERED DWELLING.—The term “covered
2 dwelling” means a dwelling that is occupied by a
3 tenant—

4 (A) pursuant to a residential lease; or

5 (B) without a lease or with a lease ter-
6 minable at will under State law.

7 (2) DWELLING.—The term “dwelling” has the
8 meaning given such term in section 802 of the Fair
9 Housing Act (42 U.S.C. 3602) and includes houses
10 and dwellings described in section 803(b) of such
11 Act (42 U.S.C. 3603(b)).

12 (d) SUNSET.—

13 (1) SUNSET DATE.—The date described in this
14 paragraph is the date of the expiration of the 6-
15 month period that begins upon the termination by
16 the Federal Emergency Management Agency of the
17 emergency declared on March 13, 2020, by the
18 President under the Robert T. Stafford Disaster Re-
19 lief and Emergency Assistance Act (42 U.S.C. 4121
20 et seq.) relating to the Coronavirus Disease 2019
21 (COVID–19) pandemic.

22 (2) NOTICE TO VACATE AFTER SUNSET
23 DATE.—After the date described in paragraph (1),
24 the lessor of a covered dwelling may not require the
25 tenant to vacate the covered dwelling before the ex-

1 piration of the 30-day period that begins upon the
2 provision by the lessor to the tenant, after the date
3 described in paragraph (1), of a notice to vacate the
4 covered dwelling.

5 **SEC. 104. SUSPENSION OF OTHER CONSUMER LOAN PAY-**
6 **MENTS.**

7 (a) IN GENERAL.—During the COVID–19 emer-
8 gency, a debt collector may not, with respect to a debt
9 of a consumer (other than debt related to a federally re-
10 lated mortgage loan)—

11 (1) capitalize unpaid interest;

12 (2) apply a higher interest rate triggered by the
13 nonpayment of a debt to the debt balance;

14 (3) charge a fee triggered by the nonpayment of
15 a debt;

16 (4) sue or threaten to sue for nonpayment of a
17 debt;

18 (5) continue litigation to collect a debt that was
19 initiated before the date of enactment of this section;

20 (6) submit or cause to be submitted a confes-
21 sion of judgment to any court;

22 (7) enforce a security interest through reposses-
23 sion, limitation of use, or foreclosure;

24 (8) take or threaten to take any action to en-
25 force collection, or any adverse action for non-

1 payment of a debt, or for nonappearance at any
2 hearing relating to a debt;

3 (9) commence or continue any action to cause
4 or to seek to cause the collection of a debt, including
5 pursuant to a court order issued before the end of
6 the 120-day period following the end of the COVID–
7 19 emergency, from wages, Federal benefits, or
8 other amounts due to a consumer by way of garnish-
9 ment, deduction, offset, or other seizure;

10 (10) cause or seek to cause the collection of a
11 debt, including pursuant to a court order issued be-
12 fore the end of the 120-day period following the end
13 of the COVID–19 emergency, by levying on funds
14 from a bank account or seizing any other assets of
15 a consumer;

16 (11) commence or continue an action to evict a
17 consumer from real or personal property; or

18 (12) disconnect or terminate service from utility
19 service, including electricity, natural gas, tele-
20 communications or broadband, water, or sewer.

21 (b) RULE OF CONSTRUCTION.—Nothing in this sec-
22 tion may be construed to prohibit a consumer from volun-
23 tarily paying, in whole or in part, a debt.

1 (c) REPAYMENT PERIOD.—After the expiration of the
2 COVID–19 emergency, with respect to a debt described
3 under subsection (a), a debt collector—

4 (1) may not add to the debt balance any inter-
5 est or fee prohibited by subsection (a);

6 (2) shall, for credit with a defined term or pay-
7 ment period, extend the time period to repay the
8 debt balance by 1 payment period for each payment
9 that a consumer missed during the COVID–19
10 emergency, with the payments due in the same
11 amounts and at the same intervals as the pre-exist-
12 ing payment schedule;

13 (3) shall, for an open end credit plan (as de-
14 fined under section 103 of the Truth in Lending
15 Act) or other credit without a defined term, allow
16 the consumer to repay the debt balance in a manner
17 that does not exceed the amounts permitted by for-
18 mulas under section 170(c) of the Truth in Lending
19 Act and regulations promulgated thereunder;

20 (4) shall, when the consumer notifies the debt
21 collector, offer reasonable and affordable repayment
22 plans, loan modifications, refinancing, options with a
23 reasonable time in which to repay the debt.

24 (d) COMMUNICATIONS IN CONNECTION WITH THE
25 COLLECTION OF A DEBT.—

1 (1) IN GENERAL.—During the COVID–19
2 emergency, without prior consent of a consumer
3 given directly to a debt collector during the COVID–
4 19 emergency, or the express permission of a court
5 of competent jurisdiction, a debt collector may only
6 communicate in writing in connection with the col-
7 lection of any debt (other than debt related to a fed-
8 erally related mortgage loan).

9 (2) REQUIRED DISCLOSURES.—

10 (A) IN GENERAL.—All written communica-
11 tions described under paragraph (1) shall in-
12 form the consumer that the communication is
13 for informational purposes and is not an at-
14 tempt to collect a debt.

15 (B) REQUIREMENTS.—The disclosure re-
16 quired under subparagraph (A) shall be made—

17 (i) in type or lettering not smaller
18 than 14–point bold type;

19 (ii) separate from any other disclo-
20 sure;

21 (iii) in a manner designed to ensure
22 that the recipient sees the disclosure clear-
23 ly;

24 (iv) in English and Spanish and in
25 any additional languages in which the debt

1 collector communicates, including the lan-
2 guage in which the loan was negotiated, to
3 the extent known by the debt collector; and
4 (v) may be provided by first-class mail
5 or electronically, if the borrower has other-
6 wise consented to electronic communication
7 with the debt collector and has not revoked
8 such consent.

9 (C) ORAL NOTIFICATION.—Any oral notifi-
10 cation shall be provided in the language the
11 debt collector otherwise uses to communicate
12 with the borrower.

13 (D) WRITTEN TRANSLATIONS.—In pro-
14 viding written notifications in languages other
15 than English in this Section, a debt collector
16 may rely on written translations developed by
17 the Bureau of Consumer Financial Protection.

18 (e) VIOLATIONS.—

19 (1) IN GENERAL.—Any person who violates this
20 section shall—

21 (A) except as provided under subparagraph
22 (B), be subject to civil liability in accordance
23 with section 813 of the Fair Debt Collection
24 Practices Act, as if the person is a debt col-
25 lector for purposes of that section; and

1 (B) be liable to the consumer for an
2 amount 10 times the amounts described in such
3 section 813, for each violation.

4 (2) PREDISPUTE ARBITRATION AGREEMENTS.—
5 Notwithstanding any other provision of law, no
6 predispute arbitration agreement or predispute joint-
7 action waiver shall be valid or enforceable with re-
8 spect to a dispute brought under this section, includ-
9 ing a dispute as to the applicability of this section,
10 which shall be determined under Federal law.

11 (f) TOLLING.—Except as provided in subsection
12 (g)(5), any applicable time limitations, including statutes
13 of limitations, related to a debt under Federal or State
14 law shall be tolled during the COVID–19 emergency.

15 (g) CLAIMS OF AFFECTED CREDITORS AND DEBT
16 COLLECTORS.—

17 (1) VALUATION OF PROPERTY.—With respect
18 to any action asserting a taking under the Fifth
19 Amendment of the Constitution of the United States
20 as a result of this section or seeking a declaratory
21 judgment regarding the constitutionality of this sec-
22 tion, the value of the property alleged to have been
23 taken without just compensation shall be evalu-
24 ated—

1 (A) with consideration of the likelihood of
2 full and timely payment of the obligation with-
3 out the actions taken pursuant to this section;
4 and

5 (B) without consideration of any assistance
6 provided directly or indirectly to the consumer
7 from other Federal, State, and local govern-
8 ment programs instituted or legislation enacted
9 in response to the COVID-19 emergency.

10 (2) SCOPE OF JUST COMPENSATION.—In an ac-
11 tion described in paragraph (1), any assistance or
12 benefit provided directly or indirectly to the person
13 from other Federal, State, and local government
14 programs instituted in or legislation enacted re-
15 sponse to the COVID-19 emergency, shall be
16 deemed to be compensation for the property taken,
17 even if such assistance or benefit is not specifically
18 provided as compensation for property taken by this
19 section.

20 (3) APPEALS.—Any appeal from an action
21 under this section shall be treated under section 158
22 of title 28, United States Code, as if it were an ap-
23 peal in a case under title 11, United States Code.

24 (4) REPOSE.—Any action asserting a taking
25 under the Fifth Amendment to the Constitution of

1 the United States as a result of this section shall be
2 brought within not later than 180 days after the end
3 of the COVID–19 emergency.

4 (h) CREDIT FACILITY FOR OTHER PURPOSES.—

5 (1) ESTABLISHMENT.—The Board of Governors
6 of the Federal Reserve System shall establish a facil-
7 ity that the Board of Governors shall use to make
8 payments to covered financial institutions to com-
9 pensate such institutions for documented financial
10 losses caused by the suspension of payments re-
11 quired under this section .

12 (2) COVERED FINANCIAL INSTITUTION DE-
13 FINED.—In this subsection, the term “covered finan-
14 cial institution” means the holder of a loan described
15 under this section.

16 (i) DEFINITIONS.—In this section:

17 (1) CONSUMER.—The term “consumer” means
18 any individual obligated or allegedly obligated to pay
19 any debt.

20 (2) COVID–19 EMERGENCY.—The term
21 “COVID–19 emergency” means the period that be-
22 gins upon the date of the enactment of this Act and
23 ends on the date of the termination by the Federal
24 Emergency Management Agency of the emergency
25 declared on March 13, 2020, by the President under

1 the Robert T. Stafford Disaster Relief and Emer-
2 gency Assistance Act (42 U.S.C. 4121 et seq.) relat-
3 ing to the Coronavirus Disease 2019 (COVID-19)
4 pandemic.

5 (3) CREDITOR.—The term “creditor” means—

6 (A) any person who offers or extends cred-
7 it creating a debt or to whom a debt is owed
8 or other obligation for payment;

9 (B) any lessor of real or personal property;
10 or

11 (C) any provider of utility services.

12 (4) DEBT.—The term “debt”—

13 (A) means any obligation or alleged obliga-
14 tion that is or during the COVID emergency
15 becomes past due—

16 (i) for which the original agreement,
17 or if there is no agreement, the original ob-
18 ligation to pay was created before the
19 COVID emergency, whether or not such
20 obligation has been reduced to judgment;
21 and

22 (ii) that arises out of a transaction
23 with a consumer; and

24 (B) does not include a federally related
25 mortgage loan.

1 (5) DEBT COLLECTOR.—The term “debt col-
2 lector” means a creditor, and any person or entity
3 that engages in the collection of debt, including the
4 Federal Government and a State government, irre-
5 spective of whether the debt is allegedly owed to or
6 assigned to that person or to the entity.

7 (6) FEDERALLY RELATED MORTGAGE LOAN.—
8 The term “federally related mortgage loan” has the
9 meaning given that term under section 3 of the Real
10 Estate Settlement Procedures Act of 1974 (12
11 U.S.C. 2602).

12 **SEC. 105. EMERGENCY RENTAL ASSISTANCE.**

13 (a) AUTHORIZATION OF APPROPRIATIONS.—There is
14 authorized to be appropriated for grants under the Emer-
15 gency Solutions Grants program under subtitle B of title
16 IV of the McKinney-Vento Homeless Assistance Act (42
17 U.S.C. 11371 et seq.) \$100,000,000,000 for grants under
18 such subtitle only for providing rental assistance in ac-
19 cordance with section 415(a)(4) of such Act (42 U.S.C.
20 11374(a)(4)) and this section to respond to needs arising
21 from the emergency declared on March 13, 2020, by the
22 President under the Robert T. Stafford Disaster Relief
23 and Emergency Assistance Act (42 U.S.C. 4121 et seq.)
24 relating to the Coronavirus Disease 2019 (COVID–19)
25 pandemic.

1 (b) INCOME TARGETING.—For purposes of assistance
2 made available with amounts made available pursuant to
3 subsection (a)—

4 (1) section 401(1)(A) of the McKinney-Vento
5 Homeless Assistance Act (42 U.S.C. 11360(1)(A))
6 shall be applied by substituting “80 percent” for
7 “30 percent”; and

8 (2) each grantee of such amounts shall use not
9 less than 50 percent of the amounts received only
10 for providing assistance for persons or families experi-
11 encing homelessness or at risk of homelessness,
12 who have incomes not exceeding 50 percent of the
13 median income for the relevant geographic area; ex-
14 cept that the Secretary may waive the requirement
15 under this paragraph if the grantee demonstrates to
16 the satisfaction of the Secretary that the population
17 in the geographic area served by the grantee having
18 such incomes is sufficiently being served with respect
19 to activities eligible for funding with such amounts.

20 (c) DEFINITION OF AT RISK OF HOMELESSNESS.—
21 For purposes of assistance made available with amounts
22 made available pursuant to subsection (a), section 401(1)
23 of the McKinney-Vento Homeless Assistance Act shall be
24 applied, during the period that begins on the date of the
25 enactment of this Act and ends upon the expiration of the

1 6-month period that begins upon the termination by the
2 Federal Emergency Management Agency of the emergency
3 declared on March 13, 2020, by the President under the
4 Robert T. Stafford Disaster Relief and Emergency Assist-
5 ance Act (42 U.S.C. 4121 et seq.) relating to the
6 Coronavirus Disease 2019 (COVID–19) pandemic, as if
7 subparagraph (C) were repealed.

8 (d) 3-YEAR AVAILABILITY.—Each grantee of
9 amounts made available pursuant to subsection (a) shall
10 expend—

11 (1) at least 60 percent of such grant amounts
12 within 2 years of the date that such funds became
13 available to the grantee for obligation; and

14 (2) 100 percent of such grant amounts within
15 3 years of such date.

16 The Secretary may recapture any amounts not expended
17 in compliance with paragraph (1) of this subsection and
18 reallocate such amounts to grantees in compliance with
19 the formula referred to in subsection (h)(1)(A) of this sec-
20 tion.

21 (e) RENT RESTRICTIONS.—Paragraph (1) of section
22 576.106(d) of the Secretary’s regulations (24 C.F.R.
23 576.106(d)(1)) shall be applied, with respect to rental as-
24 sistance made available with amounts made available pur-

1 suant to subsection (a), by substituting “120 percent of
2 the Fair Market Rent” for “the Fair Market Rent”.

3 (f) SUBLEASES.—Notwithstanding the second sen-
4 tence of subsection (g) of section 576.106 of the Sec-
5 retary’s regulations (24 C.F.R. 576.106(g)), a program
6 participant may sublet, with rental assistance made avail-
7 able with amounts made available pursuant to subsection
8 (a) of this section, a dwelling unit from a renter of the
9 dwelling unit if there is a legally binding, written lease
10 agreement for such sublease.

11 (g) HOUSING RELOCATION OR STABILIZATION AC-
12 TIVITIES.—A grantee of amounts made available pursuant
13 to subsection (a) may expend up to 20 percent of its allo-
14 cation for activities under section 415(a)(5) of the McKin-
15 ney-Vento Homeless Assistance Act (42 U.S.C.
16 11374(a)(5)).

17 (h) ALLOCATION OF ASSISTANCE.—

18 (1) IN GENERAL.—In allocating amounts made
19 available pursuant to subsection (a), the Secretary of
20 Housing and Urban Development shall—

21 (A) not later than 30 days after the date
22 of the enactment of this Act, allocate any such
23 amounts that do not exceed \$50,000,000,000
24 under the formula specified in subsections (a),
25 (b), and (e) of section 414 of the McKinney-

1 Vento Homeless Assistance Act (42 U.S.C.
2 11373) to, and notify, each State, metropolitan
3 city, and urban county that is to receive a di-
4 rect grant of such amounts; and

5 (B) not later than 120 days after the date
6 of the enactment of this Act, allocate any re-
7 maining amounts to eligible grantees by a for-
8 mula to be developed by the Secretary of Hous-
9 ing and Urban Development that takes into
10 consideration the formula referred to in sub-
11 paragraph (A) of this paragraph, and the need
12 for emergency rental assistance under this sec-
13 tion, including severe housing cost burden
14 among extremely low- and very low-income
15 renters and disruptions in housing and eco-
16 nomic conditions, including unemployment.

17 (2) ALLOCATIONS TO STATES.—A State recipi-
18 ent of an allocation under this section may elect to
19 directly administer up to 50 percent of its allocation
20 to carry out activities eligible under this section.

21 (3) ELECTION NOT TO ADMINISTER.—If a
22 grantee elects not to receive funds under this sec-
23 tion, such funds shall be allocated to the State re-
24 cipient in which the grantee is located.

1 (i) INAPPLICABILITY OF MATCHING REQUIRE-
2 MENT.—Subsection (a) of section 416 of the McKinney-
3 Vento Homeless Assistance Act (42 U.S.C. 11375(a))
4 shall not apply to any amounts made available pursuant
5 to subsection (a) of this section.

6 (j) PROHIBITION ON PREREQUISITES.—None of the
7 funds authorized under this section may be used to require
8 people experiencing homelessness to receive treatment or
9 perform any other prerequisite activities as a condition for
10 receiving shelter, housing, or other services.

11 (k) PUBLIC HEARINGS.—

12 (1) INAPPLICABILITY OF IN-PERSON HEARING
13 REQUIREMENTS.—A grantee may not be required to
14 hold in-person public hearings in connection with its
15 citizen participation plan, but shall provide citizens
16 with notice and a reasonable opportunity to com-
17 ment of not less than 15 days. Following the period
18 that begins upon the date of the enactment of this
19 Act and ends upon the date of the termination by
20 the Federal Emergency Management Agency of the
21 emergency declared on March 13, 2020, by the
22 President under the Robert T. Stafford Disaster Re-
23 lief and Emergency Assistance Act (42 U.S.C. 4121
24 et seq.) relating to the Coronavirus Disease 2019
25 (COVID–19) pandemic, and after the period de-

1 scribed in paragraph (2), the Secretary shall direct
2 grantees to resume pre-crisis public hearing require-
3 ments.

4 (2) VIRTUAL PUBLIC HEARINGS.—During the
5 period that national or local health authorities rec-
6 ommend social distancing and limiting public gath-
7 erings for public health reasons, a grantee may ful-
8 fill applicable public hearing requirements for all
9 grants from funds made available pursuant to this
10 section by carrying out virtual public hearings. Any
11 such virtual hearings shall provide reasonable notifi-
12 cation and access for citizens in accordance with the
13 grantee's certifications, timely responses from local
14 officials to all citizen questions and issues, and pub-
15 lic access to all questions and responses.

16 (l) ADMINISTRATION.—Of any amounts made avail-
17 able pursuant to subsection (a), not more than the lesser
18 of 0.5 percent, or \$15,000,000, may be used for staffing,
19 training, technical assistance, technology, monitoring, re-
20 search, and evaluation activities necessary to carry out the
21 program carried out under this section, and such amounts
22 shall remain available until September 30, 2024.

23 **SEC. 106. EMERGENCY HOMELESS ASSISTANCE.**

24 (a) AUTHORIZATION OF APPROPRIATIONS.—There is
25 authorized to be appropriated under the Emergency Solu-

1 tions Grants program under subtitle B of title IV of the
2 McKinney-Vento Homeless Assistance Act (42 U.S.C.
3 11371 et seq.) \$15,500,000,000 for grants under such
4 subtitle in accordance with this section to respond to needs
5 arising from the public health emergency relating to
6 Coronavirus Disease 2019 (COVID–19).

7 (b) FORMULA.—Notwithstanding sections 413 and
8 414 of the McKinney-Vento Homeless Assistance Act (42
9 U.S.C. 11372, 11373), the Secretary of Housing and
10 Urban Development (in this Act referred to as the “Sec-
11 retary”) shall allocate amounts made available pursuant
12 to subsection (a) in accordance with a formula to be estab-
13 lished by the Secretary that takes into consideration the
14 following factors:

15 (1) Risk of transmission of coronavirus in a ju-
16 risdiction.

17 (2) Whether a jurisdiction has a high number
18 or rate of sheltered and unsheltered homeless indi-
19 viduals and families.

20 (3) Economic and housing market conditions in
21 a jurisdiction.

22 (c) ELIGIBLE ACTIVITIES.—In addition to eligible ac-
23 tivities under section 415(a) of the McKinney-Vento
24 Homeless Assistance Act (42 U.S.C. 11374(a), amounts

1 made available pursuant to subsection (a) may also be
2 used for costs of the following activities:

3 (1) Providing training on infectious disease pre-
4 vention and mitigation.

5 (2) Providing hazard pay, including for time
6 worked before the effectiveness of this clause, for
7 staff working directly to prevent and mitigate the
8 spread of coronavirus or COVID–19 among people
9 experiencing or at risk of homelessness.

10 (3) Reimbursement of costs for eligible activi-
11 ties (including activities described in this paragraph)
12 relating to preventing, preparing for, or responding
13 to the coronavirus or COVID–19 that were accrued
14 before the date of the enactment of this Act.

15 Use of such amounts for activities described in this para-
16 graph shall not be considered use for administrative pur-
17 poses for purposes of section 418 of the McKinney-Vento
18 Homeless Assistance Act (42 U.S.C. 11377).

19 (d) INAPPLICABILITY OF PROCUREMENT STAND-
20 ARDS.—To the extent amounts made available pursuant
21 to subsection (a) are used to procure goods and services
22 relating to activities to prevent, prepare for, or respond
23 to the coronavirus or COVID–19, the standards and re-
24 quirements regarding procurement that are otherwise ap-
25 plicable shall not apply.

1 (e) INAPPLICABILITY OF HABITABILITY AND ENVI-
2 RONMENTAL REVIEW STANDARDS.—Any Federal stand-
3 ards and requirements regarding habitability and environ-
4 mental review shall not apply with respect to any emer-
5 gency shelter that is assisted with amounts made available
6 pursuant to subsection (a) and has been determined by
7 a State or local health official, in accordance with such
8 requirements as the Secretary shall establish, to be nec-
9 essary to prevent and mitigate the spread of coronavirus
10 or COVID–19, such shelters.

11 (f) INAPPLICABILITY OF CAP ON EMERGENCY SHEL-
12 TER ACTIVITIES.—Subsection (b) of section 415 of the
13 McKinney-Vento Homeless Assistance Act shall not apply
14 to any amounts made available pursuant to subsection
15 (a)(1) of this section.

16 (g) INITIAL ALLOCATION OF ASSISTANCE.—Section
17 417(b) of the McKinney-Vento Homeless Assistance Act
18 (42 U.S.C. 11376(b)) shall be applied with respect to
19 amounts made available pursuant to subsection (a) by
20 substituting “30-day” for “60-day”.

21 (h) WAIVERS AND ALTERNATIVE REQUIREMENTS.—

22 (1) AUTHORITY.—In administering amounts
23 made available pursuant to subsection (a), the Sec-
24 retary may waive, or specify alternative require-
25 ments for, any provision of any statute or regulation

1 (except for any requirements related to fair housing,
2 nondiscrimination, labor standards, and the environ-
3 ment) that the Secretary administers in connection
4 with the obligation or use by the recipient of such
5 amounts, if the Secretary finds that good cause ex-
6 ists for the waiver or alternative requirement and
7 such waiver or alternative requirement is consistent
8 with the purposes described in this subsection.

9 (2) EFFECTIVENESS; APPLICABILITY.—Any
10 such waivers shall be deemed to be effective as of
11 the date a State or unit of local government began
12 preparing for coronavirus and shall apply to the use
13 of amounts made available pursuant to subsection
14 (a) and amounts provided in prior appropriation
15 Acts for fiscal year 2020 under the heading “De-
16 partment of Housing and Urban Development—
17 Community Planning and Development—Commu-
18 nity Development Fund” and used by recipients for
19 the purposes described in this subsection.

20 (3) NOTIFICATION.—The Secretary shall notify
21 the public through the Federal Register or other ap-
22 propriate means 5 days before the effective date of
23 any such waiver or alternative requirement, and any
24 such public notice may be provided on the Internet
25 at the appropriate Government web site or through

1 other electronic media, as determined by the Sec-
2 retary.

3 (4) EXEMPTION.—The use of amounts made
4 available pursuant to subsection (a) shall not be sub-
5 ject to the consultation, citizen participation, or
6 match requirements that otherwise apply to the
7 Emergency Solutions Grants program, except that a
8 recipient shall publish how it has and will utilize its
9 allocation at a minimum on the Internet at the ap-
10 propriate Government web site or through other
11 electronic media.

12 (i) INAPPLICABILITY OF MATCHING REQUIRE-
13 MENT.—Subsection (a) of section 416 of the McKinney-
14 Vento Homeless Assistance Act (42 U.S.C. 11375(a))
15 shall not apply to any amounts made available pursuant
16 to subsection (a) of this section.

17 (j) PROHIBITION ON PREREQUISITES.—None of the
18 funds authorized under this section may be used to require
19 people experiencing homelessness to receive treatment or
20 perform any other prerequisite activities as a condition for
21 receiving shelter, housing, or other services.

1 **SEC. 107. PARTICIPATION OF INDIAN TRIBES AND TRIB-**
2 **ALLY DESIGNATED HOUSING ENTITIES IN**
3 **CONTINUUM OF CARE PROGRAM.**

4 (a) IN GENERAL.—Title IV of the McKinney-Vento
5 Homeless Assistance Act (42 U.S.C. 11360 et seq.) is
6 amended—

7 (1) in section 401 (42 U.S.C. 11360)—

8 (A) by redesignating paragraphs (10)
9 through (33) as paragraphs (12) through (35),
10 respectively;

11 (B) by redesignating paragraphs (8) and
12 (9) as paragraphs (9) and (10), respectively;

13 (C) by inserting after paragraph (7) the
14 following:

15 “(8) FORMULA AREA.—The term ‘formula area’
16 has the meaning given the term in section 1000.302
17 of title 24, Code of Federal Regulations, or any suc-
18 cessor regulation.”;

19 (D) in paragraph (9), as so redesignated,
20 by inserting “a formula area,” after “non-
21 entitlement area,”; and

22 (E) by inserting after paragraph (10), as
23 so redesignated, the following:

24 “(11) INDIAN TRIBE.—The term ‘Indian Tribe’
25 has the meaning given the term ‘Indian tribe’ in sec-
26 tion 4 of the Native American Housing Assistance

1 and Self-Determination Act of 1996 (25 U.S.C.
2 4103).”; and

3 (2) in subtitle C (42 U.S.C. 11381 et seq.), by
4 adding at the end the following:

5 **“SEC. 435. PARTICIPATION OF INDIAN TRIBES AND TRIB-**
6 **ALLY DESIGNATED HOUSING ENTITIES.**

7 “Notwithstanding any other provision of this title, for
8 purposes of this subtitle, an Indian Tribe or tribally des-
9 ignated housing entity (as defined in section 4 of the Na-
10 tive American Housing Assistance and Self-Determination
11 Act of 1996 (25 U.S.C. 4103)) may—

12 “(1) be a collaborative applicant or eligible enti-
13 ty; or

14 “(2) receive grant amounts from another entity
15 that receives a grant directly from the Secretary,
16 and use the amounts in accordance with this sub-
17 title.”.

18 (b) **TECHNICAL AND CONFORMING AMENDMENT.**—
19 The table of contents in section 101(b) of the McKinney-
20 Vento Homeless Assistance Act (Public Law 100–77; 101
21 Stat. 482) is amended by inserting after the item relating
22 to section 434 the following:

“Sec. 435. Participation of Indian Tribes and tribally designated housing enti-
ties.”.

23 **SEC. 108. HOUSING ASSISTANCE FUND.**

24 (a) **DEFINITIONS.**—In this section:

1 (1) SECRETARY.—The term “Secretary” means
2 the Secretary of the Treasury.

3 (2) STATE.—The term “State” means any
4 State of the United States, the District of Columbia,
5 any territory of the United States, Puerto Rico,
6 Guam, American Samoa, the Virgin Islands, and the
7 Northern Mariana Islands.

8 (b) ESTABLISHMENT OF FUND.—There is estab-
9 lished at the Department of the Treasury a Housing As-
10 sistance Fund to provide such funds as are allocated in
11 subsection (f) to State housing finance agencies for the
12 purpose of preventing homeowner mortgage defaults, fore-
13 closures, and displacements of individuals and families ex-
14 periencing financial hardship after January 21, 2020.

15 (c) ALLOCATION OF FUNDS.—

16 (1) IN GENERAL.—The Secretary of the Treas-
17 ury shall establish such criteria as are necessary to
18 allocate the funds available within the Housing As-
19 sistance Fund to each State. The Secretary shall al-
20 locate such funds among all States taking into con-
21 sideration the number of unemployment claims with-
22 in a State relative to the nation-wide number of un-
23 employment claims.

1 (2) SMALL STATE MINIMUM.—Each State shall
2 receive no less than \$125,000,000 for the purposes
3 established in subsection (b).

4 (d) DISBURSEMENT OF FUNDS.—

5 (1) INITIAL DISBURSEMENT.—The Secretary
6 shall disburse to the State housing finance agencies
7 not less than $\frac{1}{2}$ of the amount made available pur-
8 suant to this section, and in accordance with the al-
9 locations established under subsection (c), not later
10 than 120 days after the date of enactment of this
11 Act. The Secretary or designee shall enter into a
12 contract with each State housing finance agency,
13 which may be amended from time to time, estab-
14 lishing the terms of the use of such funds prior to
15 the disbursement of such funds.

16 (2) SECOND DISBURSEMENT.—The Secretary
17 shall disburse all funds made available pursuant to
18 this section, and in accordance with the allocations
19 established under subsection (c), not later than 180
20 days after the date of enactment of this Act.

21 (e) PERMISSIBLE USES OF FUND.—

22 (1) IN GENERAL.—Funds made available to
23 State housing finance agencies pursuant to this sec-
24 tion may be used for the purposes established under
25 subsection (b), which may include—

1 (A) mortgage payment assistance;

2 (B) financial assistance to allow a bor-
3 rower to reinstate their mortgage following a
4 period of forbearance;

5 (C) principal reduction;

6 (D) utility payment assistance, including
7 electric, gas, and water payment assistance;

8 (E) any program established under the
9 Housing Finance Agency Innovation Fund for
10 the Hardest Hit Housing Markets;

11 (F) reimbursement of funds expended by a
12 State or local government during the period be-
13 ginning on January 21, 2020, and ending on
14 the date that the first funds are disbursed by
15 the State under the Housing Assistance Fund,
16 for the purpose of providing housing or utility
17 assistance to individuals or otherwise providing
18 funds to prevent foreclosure or eviction of a
19 homeowner or prevent mortgage delinquency or
20 loss of housing or critical utilities as a response
21 to the coronavirus disease 2019 (COVID-19)
22 pandemic; and

23 (G) any other assistance to prevent evic-
24 tion, mortgage delinquency or default, fore-
25 closure, or the loss of essential utility services.

1 (2) ADMINISTRATIVE EXPENSES.—Not greater
2 than 10 percent of the amount allocated to a State
3 pursuant to subsection (c) may be used by a State
4 housing financing agency for administrative ex-
5 penses. Any amounts allocated to administrative ex-
6 penses that are no longer necessary for administra-
7 tive expenses may be used in accordance with para-
8 graph (1).

9 (f) APPROPRIATION.—There is appropriated, out of
10 amounts in the Treasury not otherwise appropriated, for
11 the fiscal year ending September 30, 2020, to remain
12 available until expended or transferred or credited under
13 subsection (h), \$35,000,000,000 to the Housing Assist-
14 ance Fund established under subsection (b).

15 (g) USE OF HOUSING FINANCE AGENCY INNOVATION
16 FUND FOR THE HARDEST HIT HOUSING MARKETS
17 FUNDS.—A State housing finance agency may reallocate
18 any administrative or programmatic funds it has received
19 as an allocation from the Housing Finance Agency Inno-
20 vation Fund for the Hardest Hit Housing Markets created
21 pursuant to section 101(a) of the Emergency Economic
22 Stabilization Act of 2008 (12 U.S.C. 5211(a)) that have
23 not been otherwise allocated or disbursed as of the date
24 of enactment of this Act to supplement any administrative
25 or programmatic funds received from the Housing Assist-

1 ance Fund. Such reallocated funds shall not be considered
2 when allocating resources from the Housing Assistance
3 Fund using the process established under subsection (c)
4 and shall remain available for the uses permitted and
5 under the terms and conditions established by the contract
6 with Secretary created pursuant to subsection (d)(1) and
7 the terms of subsection (h).

8 (h) RESCISSION OF FUNDS.—Any funds that have
9 not been allocated by a State housing finance agency to
10 provide assistance as described under subsection (e) by
11 December 31, 2030, shall be reallocated by the Secretary
12 in the following manner:

13 (1) 65 percent shall be transferred or credited
14 to the Housing Trust Fund established under sec-
15 tion 1338 of the Federal Housing Enterprises Fi-
16 nancial Safety and Soundness Act of 1992 (12
17 U.S.C. 4568); and

18 (2) 35 percent shall be transferred or credited
19 to the Capital Magnet Fund under section 1339 of
20 the Federal Housing Enterprises Financial Safety
21 and Soundness Act of 1992 (12 U.S.C. 4569).

22 (i) REPORTING REQUIREMENTS.—The Secretary
23 shall provide public reports not less frequently than quar-
24 terly regarding the use of funds provided by the Housing
25 Assistance Funds. Such reports shall include the following

1 data by State and by program within each State, both for
2 the past quarter and throughout the life of the program—

3 (1) the amount of funds allocated;

4 (2) the amount of funds disbursed;

5 (3) the number of households and individuals
6 assisted;

7 (4) the acceptance rate of applicants;

8 (5) the average amount of assistance provided
9 per household receiving assistance;

10 (6) the average length of assistance provided
11 per household receiving assistance;

12 (7) the income ranges of households for each
13 household receiving assistance; and

14 (8) the outcome 12 months after the household
15 has received assistance.

16 **SEC. 109. MORTGAGE FORBEARANCE.**

17 (a) FINDINGS.—

18 (1) FINDINGS.—Congress finds that—

19 (A) the collection of debts involves the use
20 of the mails and wires and other instrumental-
21 ities of interstate commerce;

22 (B) at times of major disaster or emer-
23 gency, the income of consumers is often im-
24 paired and their necessary daily expenses often
25 increase;

1 (C) temporary forbearance benefits not
2 only consumer and small business debtors, but
3 also other creditors by avoiding downward col-
4 lateral price spirals triggered by an increase in
5 foreclosure activity;

6 (D) without forbearance, many consumers
7 and small businesses are unlikely to be able to
8 pay their obligations according to their original
9 terms and are likely to default on obligations or
10 file for bankruptcy, resulting in reduced recov-
11 eries for creditors, and in the case of bank-
12 ruptcy, no recovery of unaccrued interest;

13 (E) with forbearance, creditors are likely
14 to realize greater long-term value because con-
15 sumers and small businesses will be more likely
16 to be able to repay their obligations after the
17 major disaster or emergency has subsided;

18 (F) the legislative and administrative re-
19 sponse to major disasters and emergencies may
20 consist of multiple components divided among
21 different statutes and programs; and

22 (G) when evaluating whether property has
23 been taken from a person without just com-
24 pensation, a holistic evaluation of the burdens
25 and benefits of all legislative and administrative

1 responses, including indirect benefits from mac-
2 roeconomic stabilization, is appropriate.

3 (2) FURTHER FINDINGS REGARDING MORTGAGE
4 FORBEARANCE.—Congress further finds that—

5 (A) ensuring that consumers are able to
6 remain in their residences reduces the disrup-
7 tions and economic harm caused by such disas-
8 ters and emergencies by ensuring that con-
9 sumers are able to continue their existing em-
10 ployment, education, childcare, and healthcare
11 arrangements, which are often geographically-
12 based;

13 (B) temporary forbearance on residential
14 mortgages is therefore critical to fostering eco-
15 nomic recovery and stability in the wake of
16 major disasters or emergencies;

17 (C) temporary mortgage forbearance dur-
18 ing a declared disaster benefits not only mort-
19 gagors, but also mortgagees because mortga-
20 gors' ability to pay is likely to be restored after
21 a disaster or emergency subsides, so forbear-
22 ance may increase mortgagors' total recovery.
23 Without forbearance, mortgagors are likely to
24 default or file for bankruptcy, resulting in sig-
25 nificant losses for mortgagees; and

1 (D) temporary mortgage forbearance dur-
2 ing a declared disaster also benefits the mortga-
3 gees of other properties because housing prices
4 are geographically and serially correlated so an
5 increase in foreclosures can drive down the
6 value of collateral for all mortgage lenders, fur-
7 ther destabilizing the economy.

8 (3) FURTHER FINDINGS REGARDING MORTGAGE
9 SERVICERS.—Congress further finds that—

10 (A) mortgage servicers are often contrac-
11 tually obligated to advance scheduled mortgage
12 payments to securitization investors, irrespec-
13 tive of whether the servicer collects the payment
14 from the mortgagor;

15 (B) mortgage servicers are often thinly
16 capitalized and with limited capacity for engag-
17 ing in large scale advancing of payments to
18 securitization investors;

19 (C) securitization investors have long been
20 aware of servicers' thin capitalization;

21 (D) in the wake of the 2008 financial cri-
22 sis, several servicers had difficulty obtaining
23 sufficiently liquidity to make advances;

24 (E) mortgage servicing is a heavily regu-
25 lated industry;

1 (F) in response to the 2008 financial cri-
2 sis, Congress created a safe harbor for mort-
3 gage servicers that undertook loan modifica-
4 tions;

5 (G) in response to the 2008 financial cri-
6 sis, the Home Affordable Modification Program
7 paid mortgage servicers to undertake loan
8 modifications;

9 (H) as part of the 2012 joint State-Fed-
10 eral National Mortgage Settlement, mortgage
11 servicers committed to undertaking loan modi-
12 fications; and

13 (I) investors in mortgage securitizations
14 are or should be aware of servicers' thin cap-
15 italization, liquidity constraints, the extent and
16 history of servicing regulation and therefore do
17 not have a reasonable expectation that the
18 terms of servicing contracts will be enforceable
19 at times of national financial crisis.

20 (4) DETERMINATION.—It is the sense of the
21 Congress that, on the basis of the findings described
22 under paragraphs (1), (2), and (3), the Congress de-
23 termines that the provisions of this Act are nec-
24 essary and proper for the purpose of carrying into
25 execution the powers of the Congress to regulate

1 commerce among the several States and to establish
2 uniform bankruptcy laws.

3 (b) PROHIBITION ON FORECLOSURES AND REPOS-
4 SESSIONS DURING THE COVID–19 EMERGENCY.—

5 (1) PROHIBITION ON FORECLOSURES.—The
6 Real Estate Settlement Procedures Act of 1974 (12
7 U.S.C. 2601 et seq.) is amended—

8 (A) in section 3 (12 U.S.C. 2602)—

9 (i) in paragraph (8), by striking
10 “and” at the end;

11 (ii) in paragraph (9), by striking the
12 period at the end and inserting “; and”;
13 and

14 (iii) by adding at the end the fol-
15 lowing:

16 “(10) the term ‘COVID–19 emergency’ means
17 the period that begins upon the date of the enact-
18 ment of this Act and ends on the date of the termi-
19 nation by the Federal Emergency Management
20 Agency of the emergency declared on March 13,
21 2020, by the President under the Robert T. Stafford
22 Disaster Relief and Emergency Assistance Act (42
23 U.S.C. 4121 et seq.) relating to the Coronavirus
24 Disease 2019 (COVID–19) pandemic.”; and

1 (B) in section 6(k)(1) (12 U.S.C.
2 2605(k)(1))—

3 (i) in subparagraph (D), by striking
4 “or” at the end;

5 (ii) by redesignating subparagraph
6 (E) as subparagraph (G); and

7 (iii) by inserting after subparagraph
8 (D) the following:

9 “(E) commence or continue any judicial
10 foreclosure action or non-judicial foreclosure
11 process or any action to evict a consumer fol-
12 lowing a foreclosure during the COVID–19
13 emergency or the 180-day period following such
14 emergency (except that such prohibition shall
15 not apply to a mortgage secured by a dwelling
16 that the servicer has determined after exer-
17 cising reasonable diligence is vacant or aban-
18 doned);

19 “(F) fail to toll the time in a foreclosure
20 process on a property during the COVID–19
21 emergency or the 180-day period following such
22 emergency (except that such prohibition shall
23 not apply to a mortgage secured by a dwelling
24 that the servicer has determined after exer-

1 cising reasonable diligence is vacant or aban-
2 doned); or”.

3 (2) REPOSSESSION PROHIBITION.—During the
4 COVID–19 emergency and for the 180-day period
5 following such emergency, a servicer of a consumer
6 loan secured by a manufactured home or a motor ve-
7 hicle may not repossess such home or vehicle.

8 (c) FORBEARANCE OF RESIDENTIAL MORTGAGE
9 LOAN PAYMENTS FOR SINGLE FAMILY PROPERTIES (1–
10 4 UNITS).—Section 6 of the Real Estate Settlement Pro-
11 cedures Act of 1974 (12 U.S.C. 2605) is amended by add-
12 ing at the end the following:

13 “(n) FORBEARANCE DURING THE COVID–19 EMER-
14 GENCY.—

15 “(1) CONSUMER RIGHT TO REQUEST A FOR-
16 BEARANCE.—

17 “(A) REQUEST FOR FORBEARANCE.—A
18 borrower experiencing a financial hardship dur-
19 ing the COVID–19 emergency may request for-
20 bearance from any mortgage obligation, regard-
21 less of delinquency status, by submitting a re-
22 quest to the borrower’s servicer, either orally or
23 in writing, affirming that the borrower is expe-
24 riencing hardship during the COVID–19 emer-
25 gency. A borrow shall not be required to provide

1 any additional documentation to receive such
2 forbearance.

3 “(B) LENGTH OF FORBEARANCE; EXTEN-
4 SION.—A forbearance requested pursuant to
5 subparagraph (A) shall be provided for a period
6 of 180 days, and may be extended upon request
7 of the borrower for an additional 180 days.

8 “(C) TREATMENT OF TENANTS.—A bor-
9 rower receiving a forbearance under this sub-
10 section with respect to a mortgage secured by
11 a dwelling that has tenants, whether or not the
12 borrower also lives in the dwelling, shall provide
13 the tenants with rent relief for a period not less
14 than the period covered by the forbearance.

15 “(2) AUTOMATIC FORBEARANCE FOR DELIN-
16 QUENT BORROWERS.—

17 “(A) IN GENERAL.—Notwithstanding any
18 other law governing forbearance relief, during
19 the COVID–19 emergency, any borrower who is
20 or becomes 60 days or more delinquent on a
21 mortgage obligation shall automatically be
22 granted a 180-day forbearance, which may be
23 extended upon request of the borrower for an
24 additional 180 days. Such a borrower may elect
25 to continue making regular payments by noti-

1 fying the servicer of the mortgage obligation of
2 such election.

3 “(B) NOTICE TO BORROWER.—The
4 servicer of a mortgage obligation placed in for-
5 bearance pursuant to subparagraph (A) shall
6 provide the borrower written notification of the
7 forbearance and its duration as well as informa-
8 tion about available loss mitigation options and
9 the right to end the forbearance and resume
10 making regular payments.

11 “(C) TREATMENT OF PAYMENTS DURING
12 FORBEARANCE.—Any payments made by the
13 borrower during the forbearance period shall be
14 credited to the borrower’s account in accord-
15 ance with section 129F of the Truth in Lending
16 Act (15 U.S.C. 1639f) or as the borrower may
17 otherwise instruct that is consistent with the
18 terms of the mortgage loan contract.

19 “(3) REQUIREMENTS FOR SERVICERS.—

20 “(A) NOTIFICATION.—

21 “(i) IN GENERAL.—Each servicer of a
22 federally related mortgage loan shall notify
23 the borrower of their right to request for-
24 bearance under paragraph (1)—

1 “(I) not later than 14 days after
2 the date of enactment of this sub-
3 section; and

4 “(II) until the end of COVID–19
5 emergency—

6 “(aa) on each periodic state-
7 ment provided to the borrower;
8 and

9 “(bb) in any oral or written
10 communication by the servicer
11 with or to the borrower.

12 “(ii) MANNER OF NOTIFICATION.—

13 “(I) WRITTEN NOTIFICATION.—
14 Any written notification required
15 under this section—

16 “(aa) shall be provided—

17 “(AA) in English and
18 Spanish and in any addi-
19 tional languages in which
20 the servicer communicates,
21 including the language in
22 which the loan was nego-
23 tiated, to the extent known
24 by the servicer; and

1 “(BB) at least as clear-
2 ly and conspicuously as the
3 most clear and conspicuous
4 disclosure on the document;

5 “(bb) shall include the noti-
6 fication of the availability of lan-
7 guage assistance and housing
8 counseling produced by the Fed-
9 eral Housing Finance Agency
10 under subsection (o); and

11 “(cc) may be provided by
12 first-class mail or electronically,
13 if the borrower has otherwise
14 consented to electronic commu-
15 nication with the servicer and has
16 not revoked such consent.

17 “(II) ORAL NOTIFICATION.—Any
18 oral notification required under clause
19 (i) shall be provided in the language
20 the servicer otherwise uses to commu-
21 nicate with the borrower.

22 “(III) WRITTEN TRANS-
23 LATIONS.—In providing written notifi-
24 cations in languages other than
25 English under subclause (I), a

1 servicer may rely on written trans-
2 lations developed by the Federal
3 Housing Finance Agency or the Bu-
4 reau.

5 “(B) OTHER REQUIREMENTS.—

6 “(i) FORBEARANCE REQUIRED.—

7 Upon receiving a request for forbearance
8 from a consumer under paragraph (1) or
9 placing a borrower in automatic forbear-
10 ance under paragraph (2), a servicer shall
11 provide the forbearance for not less than
12 180 days, and an additional 180 days at
13 the request of the borrower, provided that
14 the borrower will have the option to dis-
15 continue the forbearance at any time.

16 “(ii) PROHIBITION ON FEES, PEN-
17 ALTIES, AND INTEREST.—During the pe-
18 riod of a forbearance under this sub-
19 section, no fees, penalties or additional in-
20 terest beyond the amounts scheduled or
21 calculated as if the borrower made all con-
22 tractual payments on time and in full
23 under the terms of the mortgage contract
24 in effect at the time the borrower enters
25 into the forbearance shall accrue.

1 “(iii) TREATMENT OF ESCROW PAY-
2 MENTS.—If a borrower in forbearance
3 under this subsection is required to make
4 payments to an escrow account, the
5 servicer shall pay or advance the escrow
6 disbursements in a timely manner (defined
7 as on or before the deadline to avoid a
8 penalty), regardless of the status of the
9 borrower’s payments. The servicer may col-
10 lect any resulting escrow shortage or defi-
11 ciency from the borrower after the forbear-
12 ance period ends, in a lump sum payment,
13 spread over 60 months, or capitalized into
14 the loan, at the borrower’s election.”.

15 (d) NOTIFICATION OF LANGUAGE ASSISTANCE AND
16 HOUSING COUNSELING.—Section 6 of the Real Estate
17 Settlement Procedures Act of 1974 (12 U.S.C. 2605), as
18 amended by subsection (c), is further amended by adding
19 at the end the following:

20 “(o) NOTIFICATION OF LANGUAGE ASSISTANCE AND
21 HOUSING COUNSELING.—

22 “(1) IN GENERAL.—The Federal Housing Fi-
23 nance Agency shall, within 30 days of the date of
24 enactment of this Act, make available a document
25 providing notice of the availability of language as-

1 sistance and housing counseling in substantially the
2 same form, and in at least the same languages, as
3 the existing Language Translation Disclosure.

4 “(2) MINIMUM REQUIREMENT.—The document
5 described under subsection (a) shall include the no-
6 tice in at least all the languages for which Federal
7 Housing Finance Agency currently has translations
8 on its existing Language Translation Disclosure
9 available.

10 “(3) PROVISION TO SERVICERS.—The Federal
11 Housing Finance Agency shall make this document
12 available to servicers to fulfill their requirements
13 under subsection (n).”.

14 (e) UNITED STATES DEPARTMENT OF AGRICULTURE
15 DIRECT LOAN PROGRAM.—Section 505 of the Housing
16 Act of 1949 (42 U.S.C. 1475) is amended—

17 (1) by redesignating subsection (b) as sub-
18 section (c); and

19 (2) by inserting after subsection (a) the fol-
20 lowing:

21 “(b) LOAN MODIFICATION.—

22 “(1) IN GENERAL.—The Secretary shall imple-
23 ment a loan modification program to modify the
24 terms of outstanding loans for borrowers who face
25 financial hardship.

1 “(2) AFFORDABLE PAYMENTS.—The Sec-
2 retary’s loan modification program under paragraph
3 (1) shall be designed so as to provide affordable pay-
4 ments for borrowers. In defining ‘affordable pay-
5 ments’ the Secretary shall consult definitions of af-
6 fordability promulgated by the Federal Housing Fi-
7 nance Authority, the Department of Housing and
8 Urban Development, and the Bureau of Consumer
9 Financial Protection.

10 “(3) ADDITIONAL PROGRAM REQUIREMENTS.—
11 The Secretary’s loan modification program under
12 paragraph (1) shall allow for measures including ex-
13 tension of the remaining loan term to up to 480
14 months and a reduction in interest rate to the mar-
15 ket interest rate as defined by regulations of the
16 Secretary. The modification program shall be avail-
17 able for borrowers in a moratorium and for bor-
18 rowers not already in a moratorium who qualify
19 under the terms established by the Secretary. The
20 Secretary may also establish reasonable additional
21 measures for providing affordable loan modifications
22 to borrowers”;

23 (3) in subsection (c), as so redesignated, by
24 adding at the end the following: “Acceleration of the
25 promissory note and initiation of foreclosure pro-

1 ceedings shall not terminate a borrower’s eligibility
2 for a moratorium, loan reamortization, special serv-
3 icing, or other foreclosure alternative.”; and

4 (4) by adding at the end the following:

5 “(d) REQUIREMENT.—The Secretary shall comply
6 with subsection (k)(1), (n), and (o) of section 6 of the
7 Real Estate Settlement Procedures Act of 1974 with re-
8 spect to any single-family loans it holds or services.”.

9 (f) FORBEARANCE OF RESIDENTIAL MORTGAGE
10 LOAN PAYMENTS FOR MULTIFAMILY PROPERTIES (5+
11 UNITS).—

12 (1) IN GENERAL.—During the COVID–19
13 emergency, a multifamily borrower experiencing a fi-
14 nancial hardship due, directly or indirectly, to the
15 COVID–19 emergency may request a forbearance
16 under the terms set forth in this section.

17 (2) REQUEST FOR RELIEF.—A multifamily bor-
18 rower may submit a request for forbearance under
19 paragraph (1) to the borrower’s servicer, either oral-
20 ly or in writing, affirming that the multifamily bor-
21 rower is experiencing hardship during the COVID–
22 19 emergency.

23 (3) FORBEARANCE PERIOD.—

1 (A) IN GENERAL.—Upon receipt of an oral
2 or written request for forbearance from a multi-
3 family borrower, a servicer shall—

4 (i) document the financial hardship;
5 (ii) provide the forbearance for not
6 less than 180 days; and
7 (iii) provide the forbearance for an ad-
8 ditional 180 days upon the request of the
9 borrower at least 30 days prior to the end
10 of the forbearance period described under
11 subparagraph (A).

12 (B) RIGHT TO DISCONTINUE.—A multi-
13 family borrower shall have the option to dis-
14 continue the forbearance at any time.

15 (4) RENTER PROTECTIONS.—During the term
16 of a forbearance under this section, a multifamily
17 borrower may not—

18 (A) evict a tenant for nonpayment of rent;
19 or

20 (B) apply or accrue any fees or other pen-
21 alties on renters for nonpayment of rent.

22 (5) OBLIGATION TO BRING THE LOAN CUR-
23 RENT.—A multifamily borrower shall bring a loan
24 placed in forbearance under this section current
25 within the earlier of—

1 (A) 12 months after the conclusion of the
2 forbearance period; or

3 (B) receipt of any business interruption in-
4 surance proceeds by the multifamily borrower.

5 (6) DEFINITION.—For the purposes of this sub-
6 section, the term “multifamily borrower” means a
7 borrower of a residential mortgage loan that is se-
8 cured by a lien against a property comprising five or
9 more dwelling units.

10 (g) FEDERAL RESERVE CREDIT FACILITY FOR
11 MORTGAGE SERVICERS.—

12 (1) IN GENERAL.—The Board of Governors of
13 the Federal Reserve System and the Secretary of the
14 Treasury, pursuant to the authority granted under
15 section 13(3) of the Federal Reserve Act, directly
16 (or indirectly through an intermediary, such as the
17 Federal National Mortgage Association, the Federal
18 Home Loan Mortgage Corporation, the Government
19 National Mortgage Association, an insured deposi-
20 tory institution, non-depository lending institution,
21 or a special purpose vehicle)—

22 (A) shall extend credit to mortgage
23 servicers and other obligated advancing parties
24 that in each case have liquidity needs due to the
25 COVID–19 emergency or compliance with this

1 Act with respect to mortgage loans (the “af-
2 fected mortgages”); and

3 (B) may extend further credit to mortgage
4 servicers for other liquidity needs due to the ac-
5 tual or imminent delinquency or default on
6 mortgage loans due to the COVID–19 emer-
7 gency.

8 (2) NON-COMPLIANT SERVICERS.—A mortgage
9 servicer shall not be eligible for assistance under
10 paragraph (1) if the provider is in violation of any
11 requirement under this Act, and fails to promptly
12 cure any such violation upon notice or discovery
13 thereof.

14 (3) PAYMENTS AND PURCHASES.—Credit ex-
15 tended under paragraph (1)(A) shall be in an
16 amount sufficient to—

17 (A) cover—

18 (i) the pass-through payment of prin-
19 cipal and interest to mortgage-backed se-
20 curities holders;

21 (ii) the payment of taxes and insur-
22 ance to third parties; and

23 (iii) the temporary reimbursement of
24 modification costs and fees due to servicers
25 that will be deferred until such time as a

1 forbearance period terminates, due in each
2 case on, or in respect of, such affected
3 mortgage loans or related mortgage-backed
4 securities;

5 (B) purchase affected mortgages from
6 pools of securitized mortgages

7 (4) COLLATERAL.—The credit authorized by
8 this section shall be secured by the pledgor's interest
9 in accounts receivable, loans, or related interests re-
10 sulting from the payment advances made on the af-
11 fected mortgages by the mortgage servicers.

12 (5) CREDIT SUPPORT.—The Secretary of the
13 Treasury shall provide credit support to the Board
14 of Governors of the Federal Reserve System for the
15 program required by this section.

16 (6) CONFLICT WITH OTHER LAWS.—Notwith-
17 standing any Federal or State law to the contrary,
18 the Federal National Mortgage Association, the Fed-
19 eral Home Loan Mortgage Corporation, and the
20 Government National Mortgage Association may
21 permit the pledge or grant of a security interest in
22 the pledgor's interest in such accounts receivable or
23 loans or related interests and honor or permit the
24 enforcement of such pledge or grant in accordance
25 with its terms.

1 (7) DURATION.—The extension of credit by the
2 Board of Governors of the Federal Reserve System
3 and credit support from the Secretary of the Treas-
4 ury under this section shall be available until the
5 later of—

6 (A) 6 months after the end of the COVID–
7 19 emergency; and

8 (B) the date on which on the Board of
9 Governors of the Federal Reserve System and
10 the Secretary of the Treasury determine such
11 credit and credit support should no longer be
12 available to address the liquidity concern ad-
13 dressed by this section.

14 (8) AMENDMENTS TO NATIONAL HOUSING
15 ACT.—Section 306(g)(1) of the National Housing
16 Act (12 U.S.C. 1721(g)(1)) is amended—

17 (A) by inserting the following new sentence
18 after the fourth sentence in the paragraph: “In
19 any case in which (I) the President declares a
20 major disaster or emergency for the nation or
21 any area that in either case has been affected
22 by damage or other adverse effects of sufficient
23 severity and magnitude to warrant major dis-
24 aster assistance under the Robert T. Stafford
25 Disaster Relief and Emergency Assistance Act

1 or other Federal law, (II) upon request of an
2 Issuer of any security, the Association elects to
3 extend to the Issuer one or more of the disaster
4 assistance or emergency programs that the As-
5 sociation determines to be available to account
6 for the Issuer's failure or anticipated failure to
7 receive from the mortgagor the full amount of
8 principal and interest due, then (III) the Asso-
9 ciation may elect not to declare the Issuer to be
10 in default because of such request for such dis-
11 aster or emergency assistance.”;

12 (B) by inserting after the word “issued” in
13 the sixth sentence, as redesignated, the fol-
14 lowing: “subject to any pledge or grant of secu-
15 rity interest of the pledgor's interest in and to
16 any such mortgage or mortgages or any interest
17 therein and the proceeds thereon, which the As-
18 sociation may elect to approve;”; and

19 (C) by inserting after the word “issued” in
20 the seventh sentence, as redesignated, the fol-
21 lowing: “, or (D) its approval and honoring of
22 any pledge or grant of security interest of the
23 pledgor's interest in and to any such mortgage
24 or mortgages or any interest therein and pro-
25 ceeds thereon.”.

1 (h) SAFE HARBOR.—

2 (1) IN GENERAL.—Notwithstanding any other
3 provision of law, whenever a servicer of residential
4 mortgages of residential mortgage-backed securi-
5 ties—

6 (A) grants a borrower relief under section
7 6(n) and 6(p) of the Real Estate Settlement
8 Procedures Act of 1974 with respect to a resi-
9 dential mortgage originated before April 1,
10 2020, including a mortgage held in a
11 securitization or other investment vehicle, and

12 (B) the servicer or trustee or issuer owes
13 a duty to investors or other parties regarding
14 the standard for servicing such mortgage,
15 the servicer shall be deemed to have satisfied the
16 such a duty, and the servicer shall not be liable to
17 any party who is owed such a duty and shall not be
18 subject to any injunction, stay, or other equitable re-
19 lief to such party, based upon its good faith compli-
20 ance with the provisions of 6(n) and 6(p) of the Real
21 Estate Settlement Procedures Act of 1974. Any per-
22 son, including a trustee or issuer, who cooperates
23 with a servicer when such cooperation is necessary
24 for the servicer to implement the provisions of 6(n)
25 and 6(p) of the Real Estate Settlement Procedures

1 Act of 1974 shall be protected from liability in the
2 same manner.

3 (2) STANDARD INDUSTRY PRACTICE.—Compli-
4 ance with 6(n) and 6(p) of the Real Estate Settle-
5 ment Procedures Act of 1974 during the COVID–19
6 emergency shall constitute standard industry prac-
7 tice for purposes of all Federal and State laws.

8 (3) DEFINITIONS.—As used in this sub-
9 section—

10 (A) the term “servicer” has the meaning
11 given that term under section 6(i)(2) of the
12 Real Estate Settlement Procedures Act of 1974
13 (12 U.S.C. 2605(i)(2)); and

14 (B) the term “securitization vehicle” has
15 the meaning given that term under section
16 129A(f)(3) of the Truth in Lending Act (15
17 U.S.C. 1639a(f)(3)).

18 (4) RULE OF CONSTRUCTION.—No provision of
19 paragraph (1) or (2) shall be construed as affecting
20 the liability of any servicer or person for actual
21 fraud in servicing of a loan or for the violation of
22 a State or Federal law.

23 (i) POST-PANDEMIC MORTGAGE REPAYMENT OP-
24 TIONS.—Section 6 of the Real Estate Settlement Proce-
25 dures Act of 1974 (12 U.S.C. 2605), as amended by sub-

1 section (d), is further amended by adding at the end the
2 following:

3 “(p) POST-PANDEMIC MORTGAGE REPAYMENT OP-
4 TIONS.—With respect to a federally related residential
5 mortgage loan, before the end of any forbearance provided
6 under subsection (n), servicers shall—

7 “(1) evaluate the borrower’s ability to return to
8 making regular mortgage payments;

9 “(2) if the borrower is able to return to making
10 regular mortgage payments at the end of the for-
11 bearance period—

12 “(A) modify the borrower’s loan to extend
13 the term for the same period as the length of
14 the forbearance, with all payments that were
15 not made during the forbearance distributed at
16 the same intervals as the borrower’s existing
17 payment schedule and evenly distributed across
18 those intervals, with no penalties, late fees, ad-
19 ditional interest accrued beyond the amounts
20 scheduled or calculated as if the borrower made
21 all contractual payments on time and in full
22 under the terms of the mortgage contract in ef-
23 fect at the time the borrower entered into the
24 forbearance, and with no modification fee
25 charged to the borrower; or

1 “(B) if the borrower elects to modify the
2 loan to capitalize a resulting escrow shortage or
3 deficiency, the servicer may modify the bor-
4 rower’s loan by re-amortizing the principal bal-
5 ance and extending the term of the loan suffi-
6 cient to maintain the regular mortgage pay-
7 ments; and

8 “(C) notify the borrower in writing of the
9 extension, including provision of a new payment
10 schedule and date of maturity, and that the
11 borrower shall have the election of prepaying
12 the suspended payments at any time, in a lump
13 sum or otherwise;

14 “(3) if the borrower is financially unable to re-
15 turn to making periodic mortgage payments as pro-
16 vided for in the mortgage contract at the end of the
17 COVID–19 emergency—

18 “(A) evaluate the borrower for all loan
19 modification options, without regard to whether
20 the borrower has previously requested, been of-
21 fered, or provided a loan modification or other
22 loss mitigation option and without any require-
23 ment that the borrower come current before
24 such evaluation or as a condition of eligibility
25 for such modification, including—

1 “(i) further extending the borrower’s
2 repayment period;

3 “(ii) reducing the principal balance of
4 the loan; or

5 “(iii) other modification or loss miti-
6 gation options available to the servicer
7 under the terms of any investor require-
8 ments and existing laws and policies; and

9 “(B) if the borrower qualifies for such a
10 modification, the service shall offer a loan with
11 such terms as to provide a loan with such terms
12 as to provide an affordable payment, with no
13 penalties, late fees, additional interest beyond
14 the amounts scheduled or calculated as if the
15 borrower made all contractual payments on
16 time and in full under the terms of the mort-
17 gage contract in effect at the time the borrower
18 entered into the forbearance, and with no modi-
19 fication fees charged to the borrower; and

20 “(4) if a borrower is granted a forbearance on
21 payments that would be owed pursuant to a trial
22 loan modification plan—

23 “(A) any forbearance of payments shall
24 not be treated as missed or delinquent pay-

1 ments or otherwise negatively affect the bor-
2 rower's ability to complete their trial plan;

3 “(B) any past due amounts as of the end
4 of the trial period, including unpaid interest,
5 real estate taxes, insurance premiums, and as-
6 sessments paid on the borrower's behalf, will be
7 added to the mortgage loan balance, but only to
8 the extent that such charges are not fees associ-
9 ated with the granting of the forbearance, such
10 as late fees, modification fees, or unpaid inter-
11 est from the period of the forbearance beyond
12 the amounts scheduled or calculated as if the
13 borrower made all contractual payments on
14 time and in full under the terms of the mort-
15 gage contract in effect at the time the borrower
16 entered into the forbearance; and

17 “(C) if the borrower is unable to resume
18 payments on the trial modification at the end of
19 the forbearance period, re-evaluate the borrower
20 for all available loan modifications under para-
21 graph 3, without any requirement that the bor-
22 rower become current before such evaluation or
23 as a condition of eligibility for such modifica-
24 tion.”.

1 (j) CLAIMS OF AFFECTED INVESTORS AND OTHER
2 PARTIES.—Any action asserting a taking under the Fifth
3 Amendment to the Constitution of the United States as
4 a result of this subsection shall be brought not later than
5 180 days after the end of the COVID–19 emergency.

6 (k) EXTENSION OF THE GSE PATCH.—The Director
7 of the Bureau of Consumer Financial Protection shall re-
8 vise section 1026.43(e)(4)(iii)(B) of title 12, Code of Fed-
9 eral Regulations, to extend the sunset of the special rule
10 provided under such section 1026.43(e)(4) until January
11 1, 2022, or such later date as may be determined by the
12 Bureau.

13 (l) DEFINITIONS.—In this section:

14 (1) COVID–19 EMERGENCY.—The term
15 “COVID–19 emergency” means the period that be-
16 gins upon the date of the enactment of this Act and
17 ends on the date of the termination by the Federal
18 Emergency Management Agency of the emergency
19 declared on March 13, 2020, by the President under
20 the Robert T. Stafford Disaster Relief and Emer-
21 gency Assistance Act (42 U.S.C. 4121 et seq.) relat-
22 ing to the Coronavirus Disease 2019 (COVID–19)
23 pandemic.

24 (2) MANUFACTURED HOME.—The term “manu-
25 factured home” has the meaning given that term

1 under section 603 of the National Manufactured
2 Housing Construction and Safety Standards Act of
3 1974 (42 U.S.C. 5402).

4 (3) MOTOR VEHICLE.—The term “motor vehi-
5 cle” has the meaning given that term under Section
6 1029(f) of the Consumer Financial Protection Act of
7 2010 (12 U.S.C. 5519(f)).

8 (4) RESIDENTIAL MORTGAGE LOAN.—The term
9 “residential mortgage loan” means any consumer
10 credit transaction that is secured by a mortgage,
11 deed of trust, or other equivalent consensual security
12 interest on residence consisting of a single dwelling
13 unit that is occupied by the mortgagor.

14 **SEC. 110. BANKRUPTCY PROTECTIONS.**

15 (a) INCREASING THE HOMESTEAD EXEMPTION.—

16 (1) HOMESTEAD EXEMPTION.—Section 522 of
17 title 11, United States Code, is amended—

18 (A) in subsection (d)(1), by striking
19 “\$15,000” and inserting “\$100,000”; and

20 (B) by adding at the end the following:

21 “(r) Notwithstanding any other provision of applica-
22 ble nonbankruptcy law, a debtor in any State may exempt
23 from property of the estate the property described in sub-
24 section (d)(1) not to exceed the value in subsection (d)(1)

1 if the exemption for such property permitted by applicable
2 nonbankruptcy law is lower than that amount.”.

3 (b) EFFECT OF MISSED MORTGAGE PAYMENTS ON
4 DISCHARGE.—Section 1328 of title 11, United States
5 Code, is amended by adding at the end the following:

6 “(i) A debtor shall not be denied a
7 discharge under this section because, as of
8 the date of discharge, the debtor did not
9 make 6 or fewer payments directly to the
10 holder of a debt secured by real property.

11 “(j) Notwithstanding subsections (a) and (b), upon
12 the debtor’s request, the court shall grant a discharge of
13 all debts provided for in the plan that are dischargeable
14 under subsection (a) if the debtor—

15 “(1) has made payments under a confirmed
16 plan for at least 1 year; and

17 “(2) is experiencing a loss of income or increase
18 in expenses due, directly or indirectly, to the
19 coronavirus disease 2019 (COVID–19) pandemic.”.

20 (c) MODIFICATION OF CHAPTER 13 PLAN DUE TO
21 HARDSHIP CAUSED BY COVID-19 PANDEMIC.—Section
22 1329 of title 11, United States Code, is amended by add-
23 ing at end the following:

1 “(d)(1) Subject to paragraph (3), for cases confirmed
2 prior to the date of enactment of this subsection, the plan
3 may be modified upon the request of the debtor if—

4 “(A) the debtor is experiencing or has ex-
5 perienceed a material financial hardship due, di-
6 rectly or indirectly, to the coronavirus disease
7 2019 (COVID–19) pandemic; and

8 “(B) the modification is approved after no-
9 tice and a hearing.

10 “(2) A modification under paragraph (1) may
11 include extending the period of time for payments on
12 claims not later than 7 years after the date on which
13 the first payment under the original confirmed plan
14 was due.

15 “(3) Sections 1322(a), 1322(b), 1323(c), and
16 the requirements of section 1325(a) shall apply to
17 any modification under paragraph (1).”.

18 (d) APPLICABILITY.—

19 (1) The amendments made by subsections (a)
20 and (b) shall apply to any case commenced before,
21 on, or after the date of enactment of this Act.

22 (2) The amendment made by subsection (c)
23 shall apply to any case for which a plan has been
24 confirmed under section 1325 of title 11, United

1 States Code, before the date of enactment of this
2 Act.

3 **SEC. 111. DEBT COLLECTION.**

4 (a) TEMPORARY DEBT COLLECTION MORATORIUM
5 DURING THE COVID–19 EMERGENCY PERIOD.—

6 (1) IN GENERAL.—The Fair Debt Collection
7 Practices Act (15 U.S.C. 1692 et seq.) is amended
8 by inserting after section 812 the following:

9 **“§ 812A. Temporary debt collection moratorium dur-**
10 **ing the COVID–19 emergency period**

11 “(a) DEFINITIONS.—In this section:

12 “(1) CONSUMER.—The term ‘consumer’ means
13 any natural person obligated or allegedly obligated
14 to pay any debt.

15 “(2) COVID–19 EMERGENCY PERIOD.—The
16 term ‘COVID–19 emergency period’ means the pe-
17 riod that begins upon the date of the enactment of
18 this Act and ends upon the date of the termination
19 by the Federal Emergency Management Administra-
20 tion of the emergency declared on March 13, 2020,
21 by the President under the Robert T. Stafford Dis-
22 aster Relief and Emergency Assistance Act (42
23 U.S.C. 4121 et seq.) relating to the Coronavirus
24 Disease 2019 (COVID–19) pandemic.

1 “(3) CREDITOR.—The term ‘creditor’ means
2 any person who offers or extends credit creating a
3 debt or to whom a debt is owed or other obligation
4 of payment.

5 “(4) DEBT.—The term ‘debt’—

6 “(A) means any past due obligation or al-
7 leged obligation of a consumer, non-profit orga-
8 nization, or small business to pay money—

9 “(i) arising out of a transaction in
10 which the money, property, insurance, or
11 services which are the subject of the trans-
12 action are primarily for personal, family,
13 business, non-profit, or household pur-
14 poses, whether or not such obligation has
15 been reduced to judgment;

16 “(ii) owed to a local, State, or Federal
17 government;

18 “(B) does not include federally related
19 mortgages (as defined under section 3 of the
20 Real Estate Settlement Procedures Act of
21 1974) unless a deficiency judgment has been
22 made with respect to such federally related
23 mortgage.

24 “(5) DEBT COLLECTOR.—The term ‘debt col-
25 lector’ includes a creditor and any person or entity

1 that engages in the collection of debt (including the
2 Federal Government or a State government) whether
3 or not the debt is allegedly owed to or assigned to
4 that person or entity.

5 “(6) DEPOSITORY INSTITUTION.—The term ‘de-
6 pository institution’—

7 “(A) has the meaning given that term
8 under section 3 of the Federal Deposit Insur-
9 ance Act; and

10 “(B) means a Federal or State credit
11 union (as such terms are defined, respectively,
12 under section 101 of the Federal Credit Union
13 Act.)

14 “(7) NON-PROFIT ORGANIZATION.—The term
15 ‘non-profit organization’ means an organization de-
16 scribed in section 501(c)(3) of the Internal Revenue
17 Code of 1986 and exempt from taxation under sub-
18 section (a) of such section.

19 “(8) SMALL BUSINESS.—The term ‘small busi-
20 ness’ has the meaning given the term ‘small business
21 concern’ under section 3 of the Small Business Act
22 (15 U.S.C. 632).

23 “(b) PROHIBITIONS.—Notwithstanding any other
24 provision of law, during COVID–19 emergency period and

1 the 120-day period immediately following, a debt collector
2 is prohibited from—

3 “(1) capitalizing or adding extra interest or fees
4 triggered by the non-payment of an obligation by a
5 consumer, small business, or non-profit organization
6 to the balance of an account;

7 “(2) suing or threatening to sue a consumer,
8 small business, or non-profit for a past-due debt;

9 “(3) continuing litigation initiated before the
10 date of enactment of this section to collect a debt
11 from a consumer, small business, or non-profit orga-
12 nization;

13 “(4) enforcing a security interest, including
14 through repossession or foreclosure, against a con-
15 sumer, small business, or non-profit organization;

16 “(5) reporting a past due debt of a consumer,
17 small business, or non-profit organization to a con-
18 sumer reporting agency;

19 “(6) taking or threatening to take any action to
20 enforce collection, or any adverse action against a
21 consumer, small business, or non-profit organization
22 for non-payment or for non-appearance at any hear-
23 ings related to a debt;

24 “(7) except with respect to enforcing an order
25 for child support or spousal support, initiating or

1 continuing any action to cause or to seek to cause
2 the collection of a debt from wages, Federal benefits,
3 or other amounts due to a consumer, small business,
4 or non-profit organization, by way of garnishment,
5 deduction, offset, or other seizure, or to cause or
6 seek to cause the collection of a debt by seizing
7 funds from a bank account or any other assets held
8 by such consumer, small business, or non-profit or-
9 ganization;

10 “(8) in the case of action or collection described
11 under paragraph (7) that was initiated prior to the
12 beginning of the date of such disaster or emergency,
13 failing to suspend the action or collection until 120
14 days after the end of the COVID–19 emergency pe-
15 riod;

16 “(9) upon the termination of the incident period
17 for such disaster or emergency, failing to extend the
18 time period to pay an obligation by one payment pe-
19 riod for each payment that a consumer, small busi-
20 ness, or non-profit organization missed during the
21 incident period, with the payments due in the same
22 amounts and at the same intervals as the pre-exist-
23 ing payment schedule of the consumer, small busi-
24 ness, or non-profit organization (as applicable) or, if
25 the debt has no payment periods, allow the con-

1 sumer, small business, or non-profit a reasonable
2 time in which to repay the debt in affordable pay-
3 ments;

4 “(10) disconnecting a consumer, small business,
5 or non-profit organization from a utility prepaid or
6 post-paid electricity, natural gas, telecommuni-
7 cations, broadband, water, or sewer service; or

8 “(11) exercising a right to set off provision con-
9 tained in any consumer, small business, or non-prof-
10 it organization account agreement with a depository
11 institution.

12 “(c) VIOLATION.—Any person who violates a provi-
13 sion of this section shall—

14 “(1) be treated as a debt collector for purposes
15 of section 813; and

16 “(2) be liable to the consumer, small business,
17 or non-profit organization an amount equal to 10
18 times the damages allowed under section 813 for
19 each such violation.”.

20 (2) TABLE OF CONTENTS AMENDMENT.—The
21 table of contents at the beginning of the Fair Debt
22 Collection Practices Act (15 U.S.C. 1692 et seq.) is
23 amended by inserting after the item relating to sec-
24 tion 812 the following new item:

“812A. Temporary debt collection moratorium during the COVID–19 emergency
period.”.

1 (b) CONFESSIONS OF JUDGMENT PROHIBITION.—

2 (1) IN GENERAL.—Chapter 2 of the Truth in
3 Lending Act (15 U.S.C. 1631 et seq.) is amended—

4 (A) by adding at the end the following:

5 **“§ 140B. Confessions of judgment prohibition**

6 “(a) IN GENERAL.—During a period described under
7 section 812A(b) of the Fair Debt Collection Practices Act,
8 no person may directly or indirectly take or receive from
9 another person or seek to enforce an obligation that con-
10 stitutes or contains a cognovit or confession of judgment
11 (for purposes other than executory process in the State
12 of Louisiana), warrant of attorney, or other waiver of the
13 right to notice and the opportunity to be heard in the
14 event of suit or process thereon.

15 “(b) EXEMPTION.—The exemption in section 104(1)
16 shall not apply to this section.

17 “(c) DEBT DEFINED.—In this section, the term
18 ‘debt’ means any obligation of a person to pay to another
19 person money—

20 “(1) regardless of whether the obligation is ab-
21 solute or contingent, if the understanding between
22 the parties is that any part of the money shall be
23 or may be returned;

24 “(2) that includes the right of the person pro-
25 viding the money to an equitable remedy for breach

1 of performance if the breach gives rise to a right to
2 payment; and

3 “(3) regardless of whether the obligation or
4 right to an equitable remedy described in paragraph
5 (2) has been reduced to judgment or is fixed, contin-
6 gent, matured, unmatured, disputed, undisputed, se-
7 cured, or unsecured.”; and

8 (B) in the table of contents for such chap-
9 ter, by adding at the end the following:

“140B. Confessions of judgment prohibition.”.

10 (2) CONFORMING AMENDMENT.—Section
11 130(a) of the Truth in Lending Act (15 U.S.C.
12 1640(a)) is amended by adding at the end the fol-
13 lowing: “For purposes of this section, the term
14 ‘creditor’ refers to any person charged with compli-
15 ance.”.

16 **SEC. 112. DISASTER PROTECTION FOR WORKERS’ CREDIT.**

17 (a) PURPOSE.—The purpose of this section, and the
18 amendments made by this section, is to protect consumers’
19 credit from negative impacts as a result of financial hard-
20 ship due to the coronavirus disease (COVID–19) outbreak
21 and future major disasters.

22 (b) REPORTING OF INFORMATION DURING MAJOR
23 DISASTERS.—

1 (1) IN GENERAL.—The Fair Credit Reporting
2 Act is amended by inserting after section 605B the
3 following:

4 **“§ 605C. Reporting of information during major disas-**
5 **ters**

6 “(a) DEFINITIONS.—In this section:

7 “(1) COVID–19 EMERGENCY PERIOD.—The
8 term ‘COVID–19 emergency period’ means the pe-
9 riod beginning on the date of enactment of this sec-
10 tion and ending on the later of—

11 “(A) 120 days after the date of enactment
12 of this section; or

13 “(B) 120 days after the date of termi-
14 nation by the Federal Emergency Management
15 Administration of the emergency declared on
16 March 13, 2020, by the President under the
17 Robert T. Stafford Disaster Relief and Emer-
18 gency Assistance Act (42 U.S.C. 4121 et seq.)
19 relating to the Coronavirus Disease 2019
20 (COVID–19) pandemic.

21 “(2) COVERED MAJOR DISASTER PERIOD.—The
22 term ‘covered major disaster period’ means—

23 “(A) the period beginning on the date on
24 which a major disaster is declared by the Presi-
25 dent under section 401 of the Robert T. Staf-

1 ford Disaster Relief and Emergency Assistance
2 Act (42 U.S.C. 5170), under which assistance
3 is authorized under section 408 of such Act (42
4 U.S.C. 5174), and ending on the date that is
5 120 days after the end of the incident period
6 designated in such declaration; or

7 “(B) the period ending 120 days after the
8 date of termination by the Federal Emergency
9 Management Administration of the emergency
10 declared on March 13, 2020, by the President
11 under the Robert T. Stafford Disaster Relief
12 and Emergency Assistance Act (42 U.S.C. 4121
13 et seq.) relating to the Coronavirus Disease
14 2019 (COVID–19) pandemic.

15 “(3) MAJOR DISASTER.—The term ‘major dis-
16 aster’ means a major disaster declared by the Presi-
17 dent under section 401 of the Robert T. Stafford
18 Disaster Relief and Emergency Assistance Act (42
19 U.S.C. 5170), under which assistance is authorized
20 under section 408 of such Act (42 U.S.C. 5174)

21 “(b) MORATORIUM ON FURNISHING ADVERSE IN-
22 FORMATION DURING COVID–19 EMERGENCY PERIOD.—
23 No person may furnish any adverse item of information
24 (except information related to a felony criminal conviction)
25 relating to a consumer that was the result of any action

1 or inaction that occurred during the COVID–19 emer-
2 gency period.

3 “(c) MORATORIUM ON FURNISHING ADVERSE INFOR-
4 MATION DURING COVERED MAJOR DISASTER PERIOD.—
5 No person may furnish any adverse item of information
6 (except information related to a felony criminal conviction)
7 relating to a consumer that was the result of any action
8 or inaction that occurred during a covered major disaster
9 period if the consumer is a resident of the affected area
10 covered by a declaration made by the President under sec-
11 tion 401 of the Robert T. Stafford Disaster Relief and
12 Emergency Assistance Act (42 U.S.C. 5170), under which
13 assistance is authorized under section 408 of such Act (42
14 U.S.C. 5174).

15 “(d) INFORMATION EXCLUDED FROM CONSUMER
16 REPORTS.—In addition to the information described in
17 section 605(a), no consumer reporting agency may make
18 any consumer report containing an adverse item of infor-
19 mation (except information related to a felony criminal
20 conviction) reported relating to a consumer that was the
21 result of any action or inaction that occurred during the
22 COVID–19 emergency period or a covered major disaster
23 period, and as applicable under subsection (f)(3), for 270
24 days after the expiration of the applicable period.

1 “(e) SUMMARY OF RIGHTS.—Not later than 60 days
2 after the date of enactment of this subsection, the Bureau
3 shall update the model summary of rights under section
4 609(c)(1) to include a description of the right of a con-
5 sumer to—

6 “(1) request the deletion of adverse items of in-
7 formation under subsection (f); and

8 “(2) request a consumer report or score, with-
9 out charge to the consumer, under subsection (g).

10 “(f) DELETION OF ADVERSE ITEMS OF INFORMA-
11 TION RESULTING FROM THE CORONAVIRUS DISEASE
12 (COVID–19) OUTBREAK AND MAJOR DISASTERS.—

13 “(1) REPORTING.—

14 “(A) IN GENERAL.—Not later than 60
15 days after the date of enactment of this sub-
16 section, the Bureau shall create a website for
17 consumers to report, under penalty of perjury,
18 economic hardship as a result of the
19 coronavirus disease (COVID–19) outbreak or a
20 major disaster (if the consumer is a resident of
21 the affected area covered by such major dis-
22 aster) for the purpose of extending credit report
23 protection for an additional 270 days after the
24 end of the COVID–19 emergency period or cov-
25 ered major disaster period, as applicable.

1 “(B) DOCUMENTATION.—The Bureau
2 shall—

3 “(i) not require any documentation
4 from a consumer to substantiate the eco-
5 nomic hardship; and

6 “(ii) provide notice to the consumer
7 that a report under subparagraph (A) is
8 under penalty of perjury.

9 “(C) REPORTING PERIOD.—A consumer
10 may report economic hardship under subpara-
11 graph (A) during the COVID–19 emergency pe-
12 riod or a covered major disaster period, as ap-
13 plicable, and for 60 days thereafter.

14 “(2) DATABASE.—The Bureau shall establish
15 and maintain a secure database that—

16 “(A) is accessible to each consumer report-
17 ing agency described in section 603(p) and na-
18 tionwide specialty consumer reporting agency
19 for purposes of fulfilling their duties under
20 paragraph (3) to check and automatically delete
21 any adverse item of information (except infor-
22 mation related to a felony criminal conviction)
23 reported that occurred during the COVID–19
24 emergency period or a covered major disaster
25 period with respect to a consumer; and

1 “(B) contains the information reported
2 under paragraph (1).

3 “(3) DELETION OF ADVERSE ITEMS OF INFOR-
4 MATION BY NATIONWIDE CONSUMER REPORTING
5 AND NATIONWIDE SPECIALTY CONSUMER REPORT-
6 ING AGENCIES.—

7 “(A) IN GENERAL.—Each consumer re-
8 porting agency described in section 603(p) and
9 each nationwide specialty consumer reporting
10 agency shall, using the information contained in
11 the database established under paragraph (2),
12 delete from the file of each consumer named in
13 the database each adverse item of information
14 (except information related to a felony criminal
15 conviction) that was a result of an action or in-
16 action that occurred during the COVID–19
17 emergency period or a covered major disaster
18 period up to 270 days following the end of the
19 such period.

20 “(B) TIMELINE.—Each consumer report-
21 ing agency described in section 603(p) and each
22 nationwide specialty consumer reporting agency
23 shall check the database at least weekly and de-
24 lete adverse items of information as soon as
25 practicable after information that is reported

1 under paragraph (1) appears in the database
2 established under paragraph (2).

3 “(4) REQUEST FOR DELETION OF ADVERSE
4 ITEMS OF INFORMATION.—

5 “(A) IN GENERAL.—A consumer who has
6 filed a report of economic hardship with the
7 Bureau may submit a request, without charge
8 to the consumer, to a consumer reporting agen-
9 cy to delete from the consumer’s file an adverse
10 item of information (except information related
11 to a felony criminal conviction) that was a re-
12 sult of an action or inaction that occurred dur-
13 ing the COVID–19 emergency period or a cov-
14 ered major disaster period up to 270 days fol-
15 lowing the end of the such period.

16 “(B) TIMING.—A consumer may submit a
17 request under subparagraph (A), not later than
18 270-day period described in that subparagraph.

19 “(C) REMOVAL AND NOTIFICATION.—Upon
20 receiving a request under this paragraph to de-
21 lete an adverse item of information, a consumer
22 reporting agency shall—

23 “(i) delete the adverse item of infor-
24 mation (except information related to a fel-

1 ony criminal conviction) from the con-
2 sumer's file; and

3 “(ii) notify the consumer and the fur-
4 nisher of the adverse item of information
5 of the deletion.

6 “(g) FREE CREDIT REPORT AND SCORES.—

7 “(1) IN GENERAL.—During the COVID–19
8 emergency period or a covered major disaster period
9 and ending 12 months after the expiration of the
10 COVID–19 emergency period or covered major dis-
11 aster period, as applicable, each consumer reporting
12 agency as described under 603(p) and nationwide
13 specialty consumer reporting agency shall make all
14 disclosures described under section 609 upon request
15 by a consumer, by mail or online, without charge to
16 the consumer and without limitation as to the num-
17 ber of requests. A consumer reporting agency shall
18 also supply a consumer, upon request and without
19 charge, with a credit score that—

20 “(A) is derived from a credit scoring model
21 that is widely distributed to users by the con-
22 sumer reporting agency for the purpose of any
23 extension of credit or other transaction des-
24 ignated by the consumer who is requesting the
25 credit score; or

1 “(B) is widely distributed to lenders of
2 common consumer loan products and predicts
3 the future credit behavior of the consumer.

4 “(2) TIMING.—A file disclosure or credit score
5 under paragraph (1) shall be provided to the con-
6 sumer not later than—

7 “(A) 7 days after the date on which the re-
8 quest is received if the request is made by mail;
9 and

10 “(B) not later than 15 minutes if the re-
11 quest is made online.

12 “(3) ADDITIONAL REPORTS.—A file disclosure
13 provided under paragraph (1) shall be in addition to
14 any disclosure requested by the consumer under sec-
15 tion 612(a).

16 “(4) PROHIBITION.—A consumer reporting
17 agency that receives a request under paragraph (1)
18 may not request or require any documentation from
19 the consumer that demonstrates that the consumer
20 was impacted by the coronavirus disease (COVID–
21 19) outbreak or a major disaster (except to verify
22 that the consumer resides in an area covered by the
23 major disaster) as a condition of receiving the file
24 disclosure or score.

1 “(h) POSTING OF RIGHTS.—Not later than 30 days
2 after the date of enactment of this section, each consumer
3 reporting agency shall prominently post and maintain a
4 direct link on the homepage of the public website of the
5 consumer reporting agency information relating to the
6 right of consumers to—

7 “(1) request the deletion of adverse items of in-
8 formation (except information related to a felony
9 criminal conviction) under subsection (f); and

10 “(2) request consumer file disclosures and
11 scores, without charge to the consumer, under sub-
12 section (g).

13 “(i) BAN ON REPORTING MEDICAL DEBT INFORMA-
14 TION RELATED TO COVID–19 OR A MAJOR DISASTER.—

15 “(1) FURNISHING BAN.—No person shall fur-
16 nish adverse information to a consumer reporting
17 agency related to medical debt if such medical debt
18 is with respect to medical expenses related to treat-
19 ments arising from COVID–19 or a major disaster
20 (whether or not the expenses were incurred during
21 the COVID–19 emergency period or covered major
22 disaster period).

23 “(2) CONSUMER REPORT BAN.—No consumer
24 reporting agency may make a consumer report con-
25 taining adverse information related to medical debt

1 if such medical debt is with respect to medical ex-
2 penses related to treatments arising from COVID-
3 19 or a major disaster (whether or not the expenses
4 were incurred during the COVID-19 emergency pe-
5 riod or covered major disaster period).

6 “(j) CREDIT SCORING MODELS.—A person that cre-
7 ates and implements credit scoring models may not treat
8 the absence, omission, or deletion of any information pur-
9 suant to this section as a negative factor or negative value
10 in credit scoring models created or implemented by such
11 person.”.

12 (2) TECHNICAL AND CONFORMING AMEND-
13 MENT.—The table of contents for the Fair Credit
14 Reporting Act is amended by inserting after the
15 item relating to section 605B the following:

“605C. Reporting of information during major disasters.”.

16 (c) LIMITATIONS ON NEW CREDIT SCORING MODELS
17 DURING THE COVID-19 EMERGENCY AND MAJOR DIS-
18 ASTERS.—The Fair Credit Reporting Act (15 U.S.C. 1681
19 et seq.) is amended—

20 (1) by adding at the end the following:

21 **“§ 630. Limitations on new credit scoring models dur-**
22 **ing the COVID-19 emergency and major**
23 **disasters**

24 “With respect to a person that creates and imple-
25 ments credit scoring models, such person may not, during

1 the COVID–19 emergency period or a covered major dis-
2 aster period (as such terms are defined under section
3 605C), create or implement a new credit scoring model
4 (including a revision to an existing scoring model) if the
5 new credit scoring model would identify a significant per-
6 centage of consumers as being less creditworthy when
7 compared to the previous credit scoring models created or
8 implemented by such person.”; and

9 (2) in the table of contents for such Act, by
10 adding at the end the following new item:

“630. Limitations on new credit scoring models during major disasters.”.

11 **SEC. 113. STUDENT LOANS.**

12 (a) PAYMENTS FOR FEDERAL STUDENT LOAN BOR-
13 ROWERS AS A RESULT OF A NATIONAL EMERGENCY.—

14 (1) IN GENERAL.—Part G of title IV of the
15 Higher Education Act of 1965 (20 U.S.C. 1088 et
16 seq.) is amended by inserting after section 493D the
17 following:

18 **“SEC. 493E. PAYMENTS FOR STUDENT LOAN BORROWERS**
19 **DURING THE COVID–19 NATIONAL EMER-**
20 **GENCY.**

21 “(a) DEFINITIONS.—In this section:

22 “(1) CORONAVIRUS.—The term ‘coronavirus’
23 has the meaning given the term in section 506 of the
24 Coronavirus Preparedness and Response Supple-

1 mental Appropriations Act, 2020 (Public Law 116–
2 123).

3 “(2) INCOME-DRIVEN REPAYMENT.—The term
4 ‘income-driven repayment’ means—

5 “(A) income-based repayment authorized
6 under section 493C for loans made, insured, or
7 guaranteed under part B or part D; or

8 “(B) income contingent repayment author-
9 ized under section 455(e) for loans made under
10 part D.

11 “(3) INVOLUNTARY COLLECTION.—The term
12 ‘involuntary collection’ means—

13 “(A) a wage garnishment authorized under
14 section 488A of this Act or section 3720D of
15 title 31, United States Code;

16 “(B) a reduction of tax refund by amount
17 of debt authorized under section 3720A of title
18 31, United States Code;

19 “(C) a reduction of any other Federal ben-
20 efit payment by administrative offset authorized
21 under section 3716 of title 31, United States
22 Code (including a benefit payment due to an in-
23 dividual under the Social Security Act or any
24 other provision described in subsection
25 (c)(3)(A)(i) of such section); and

1 “(D) any other involuntary collection activ-
2 ity, including any collection activity through
3 which a borrower is compelled to make pay-
4 ments on a private student loan.

5 “(4) COVID–19 EMERGENCY PERIOD.—For
6 purposes of this Act, the term ‘COVID–19 emer-
7 gency period’ means the period that begins upon the
8 date of the enactment of this Act and ends upon the
9 date of the termination by the Federal Emergency
10 Management Administration of the emergency de-
11 clared on March 13, 2020, by the President under
12 the Robert T. Stafford Disaster Relief and Emer-
13 gency Assistance Act (42 U.S.C. 4121 et seq.) relat-
14 ing to the Coronavirus Disease 2019 (COVID–19)
15 pandemic.

16 “(b) COVID–19 NATIONAL EMERGENCY STUDENT
17 LOAN REPAYMENT ASSISTANCE.—

18 “(1) AUTHORITY.—Effective on the date of the
19 enactment of this section, during the COVID–19
20 emergency period and the 6-month period imme-
21 diately following, the Secretary of Education shall
22 for each borrower of a loan made, insured, or guar-
23 anteed under part B, D, or E, pay the total amount
24 due for such month on the loan, based on the pay-

1 ment plan selected by the borrower or the borrower's
2 loan status.

3 “(2) NO CAPITALIZATION OF INTEREST.—With
4 respect to any loan in repayment during the
5 COVID–19 national emergency period and the 6-
6 month period immediately following, interest due on
7 loans made, insured, or guaranteed under part B, D,
8 or E during such period shall not be capitalized at
9 any time during the COVID–19 national emergency
10 period and the 6-month period immediately fol-
11 lowing.

12 “(3) APPLICABILITY OF PAYMENTS.—Any pay-
13 ment made by the Secretary of Education under this
14 section shall be considered by the Secretary of Edu-
15 cation, or by a lender with respect to a loan made,
16 insured, or guaranteed under part B—

17 “(A) as a qualifying payment under the
18 public service loan forgiveness program under
19 section 455(m), if the borrower would otherwise
20 qualify under such section;

21 “(B) in the case of a borrower enrolled in
22 an income-driven repayment plan, as a quali-
23 fying payment for the purpose of calculating eli-
24 gibility for loan forgiveness for the borrower in

1 accordance with section 493C(b)(7) or section
2 455(d)(1)(D), as the case may be; and

3 “(C) in the case of a borrower in default,
4 as an on-time monthly payment for purposes of
5 loan rehabilitation pursuant to section 428F(a).

6 “(4) REPORTING TO CONSUMER REPORTING
7 AGENCIES.—During the period in which the Sec-
8 retary of Education is making payments on a loan
9 under paragraph (1), the Secretary shall ensure
10 that, for the purpose of reporting information about
11 the loan to a consumer reporting agency, any pay-
12 ment made by the Secretary is treated as if it were
13 a regularly scheduled payment made by a borrower.

14 “(5) NOTICE OF PAYMENTS AND PROGRAM.—
15 Not later than 15 days following the date of enact-
16 ment of this section, and monthly thereafter during
17 the COVID–19 national emergency period and the
18 6-month period immediately following, the Secretary
19 of Education shall provide a notice to all borrowers
20 of loans made, insured, or guaranteed under part B,
21 D, or E—

22 “(A) informing borrowers of the actions
23 taken under this section;

1 “(B) providing borrowers with an easily
2 accessible method to opt out of the benefits pro-
3 vided under this section; and

4 “(C) notifying the borrower that the pro-
5 gram under this section is a temporary program
6 and will end 6 months after the COVID–19 na-
7 tional emergency period ends.

8 “(6) SUSPENSION OF INVOLUNTARY COLLEC-
9 TION.—During the COVID–19 national emergency
10 period and the 6-month period immediately fol-
11 lowing, the Secretary of Education, or other holder
12 of a loan made, insured, or guaranteed under part
13 B, D, or E, shall immediately take action to halt all
14 involuntary collection related to the loan.

15 “(7) MANDATORY FORBEARANCE.—During the
16 period in which the Secretary of Education is mak-
17 ing payments on a loan under paragraph (1), the
18 Secretary, or a lender or guaranty agency for a loan
19 made under part B, shall grant the borrower for-
20 bearance as follows:

21 “(A) A temporary cessation of all pay-
22 ments on the loan other than the payments of
23 interest and principal on the loan that are made
24 under paragraph (1).

1 “(B) For borrowers who are delinquent
2 but who are not yet in default before the date
3 on which the Secretary begins making payments
4 under paragraph (1), the retroactive application
5 of forbearance to address any delinquency.”.

6 (2) FFEL AMENDMENT.—Section 428(c)(8) of
7 the Higher Education Act of 1965 (20 U.S.C.
8 1078(c)(8)) is amended by striking “and for which”
9 and all that follows through “this subsection”.

10 (b) PAYMENTS FOR PRIVATE EDUCATION LOAN
11 BORROWERS AS A RESULT OF THE COVID–19 NATIONAL
12 EMERGENCY.—Section 140 of the Truth in Lending Act
13 (15 U.S.C. 1650) is amended by adding at the end the
14 following new subsection:

15 “(h) COVID–19 NATIONAL EMERGENCY PRIVATE
16 EDUCATION LOAN REPAYMENT ASSISTANCE.—

17 “(1) AUTHORITY.—Effective on the date of the
18 enactment of this section, for the duration of the
19 COVID–19 emergency period and the 6-month pe-
20 riod immediately following, the Secretary of the
21 Treasury shall, for each borrower of a private edu-
22 cation loan, pay the total amount due for such
23 month on the loan, based on the payment plan se-
24 lected by the borrower or the borrower’s loan status.

1 “(2) NO CAPITALIZATION OF INTEREST.—With
2 respect to any loan in repayment during the
3 COVID–19 national emergency period and the 6-
4 month period immediately following, interest due on
5 a private education loan during such period shall not
6 be capitalized at any time during the COVID–19 na-
7 tional emergency period and the 6-month period im-
8 mediately following.

9 “(3) REPORTING TO CONSUMER REPORTING
10 AGENCIES.—During the period in which the Sec-
11 retary of the Treasury is making payments on a
12 loan under paragraph (1), the Secretary shall ensure
13 that, for the purpose of reporting information about
14 the loan to a consumer reporting agency, any pay-
15 ment made by the Secretary is treated as if it were
16 a regularly scheduled payment made by a borrower.

17 “(4) NOTICE OF PAYMENTS AND PROGRAM.—
18 Not later than 15 days following the date of enact-
19 ment of this subsection, and monthly thereafter dur-
20 ing the COVID–19 national emergency period and
21 the 6-month period immediately following, the Sec-
22 retary of the Treasury shall provide a notice to all
23 borrowers of private education loans—

24 “(A) informing borrowers of the actions
25 taken under this subsection;

1 “(B) providing borrowers with an easily
2 accessible method to opt out of the benefits pro-
3 vided under this subsection; and

4 “(C) notifying the borrower that the pro-
5 gram under this subsection is a temporary pro-
6 gram and will end 6 months after the COVID-
7 19 national emergency period ends.

8 “(5) SUSPENSION OF INVOLUNTARY COLLEC-
9 TION.—During the COVID-19 national emergency
10 period and the 6-month period immediately fol-
11 lowing, the holder of a private education loan shall
12 immediately take action to halt all involuntary col-
13 lection related to the loan.

14 “(6) MANDATORY FORBEARANCE.—During the
15 period in which the Secretary of the Treasury is
16 making payments on a loan under paragraph (1),
17 the servicer of such loan shall grant the borrower
18 forbearance as follows:

19 “(A) A temporary cessation of all pay-
20 ments on the loan other than the payments of
21 interest and principal on the loan that are made
22 under paragraph (1).

23 “(B) For borrowers who are delinquent
24 but who are not yet in default before the date
25 on which the Secretary begins making payments

1 under paragraph (1), the retroactive application
2 of forbearance to address any delinquency.

3 “(7) DATA TO IMPLEMENT.—Holders and
4 servicers of private education loans shall report, to
5 the satisfaction of the Secretary of the Treasury, the
6 information necessary to calculate the amount to be
7 paid under this section.

8 “(8) COVID–19 EMERGENCY PERIOD DE-
9 FINED.—In this subsection, the term ‘COVID–19
10 emergency period’ means the period that begins
11 upon the date of the enactment of this Act and ends
12 upon the date of the termination by the Federal
13 Emergency Management Administration of the
14 emergency declared on March 13, 2020, by the
15 President under the Robert T. Stafford Disaster Re-
16 lief and Emergency Assistance Act (42 U.S.C. 4121
17 et seq.) relating to the Coronavirus Disease 2019
18 (COVID–19) pandemic.”.

19 (c) MINIMUM RELIEF FOR FEDERAL AND PRIVATE
20 STUDENT LOAN BORROWERS AS A RESULT OF THE
21 COVID–19 NATIONAL EMERGENCY.—

22 (1) MINIMUM STUDENT LOAN RELIEF AS A RE-
23 SULT OF THE COVID–19 NATIONAL EMERGENCY.—
24 Not later than 270 days after the last day of the
25 COVID–19 emergency period, the Secretaries con-

1 cerned shall jointly carry out a program under which
2 a qualified borrower, with respect to the covered
3 loans and private education of loans of such quali-
4 fied borrower, shall receive in accordance with para-
5 graph (3) an amount equal to the lesser of the fol-
6 lowing:

7 (A) The total amount of each covered loan
8 and each private education loan of the bor-
9 rower; or

10 (B) \$10,000.

11 (2) NOTIFICATION OF BORROWERS.—Not later
12 than 270 days after the last day of the COVID–19
13 emergency period, the Secretaries concerned shall
14 notify each qualified borrower of—

15 (A) the requirements to provide loan relief
16 to such borrower under this section; and

17 (B) the opportunity for such borrower to
18 make an election under paragraph (3)(A) with
19 respect to the application of such loan relief to
20 the covered loans and private education loans of
21 such borrower.

22 (3) DISTRIBUTION OF FUNDING.—

23 (A) ELECTION BY BORROWER.—Not later
24 than 45 days after a notice is sent under para-
25 graph (2), a qualified borrower may elect to

1 apply the amount determined with respect to
2 such borrower under paragraph (1) to—

3 (i) any covered loan of the borrower;

4 (ii) any private education loan of the
5 borrower; and

6 (iii) any combination of the loans de-
7 scribed in clauses (i) and (ii).

8 (B) AUTOMATIC PAYMENT.—

9 (i) IN GENERAL.—In the case of a
10 qualified borrower who does not make an
11 election under subparagraph (A) before the
12 date described in such paragraph, the Sec-
13 retaries concerned shall apply the amount
14 determined with respect to such borrower
15 under paragraph (1) in order of the cov-
16 ered loan or private education loan of the
17 qualified borrower with the highest interest
18 rate.

19 (ii) EQUAL INTEREST RATES.—In
20 case of two or more covered loans or pri-
21 vate education loans described in clause (i)
22 with equal interest rates, the Secretaries
23 concerned shall apply the amount deter-
24 mined with respect to such borrower under

1 paragraph (1) first to the loan with the
2 highest principal.

3 (4) DATA TO IMPLEMENT.—

4 (A) SECRETARY OF EDUCATION.—Contractors of the Secretary of Education and lenders
5 and guaranty agencies holding loans made, insured, or guaranteed under part B shall report,
6 to the satisfaction of the Secretary of Education, the information necessary to calculate
7 the amount to be applied under paragraph (1).
8
9

10
11 (B) SECRETARY OF TREASURY.—Holders and servicers of private education loans shall
12 report, to the satisfaction of the Secretary of the Treasury, the information necessary to calculate the amount to be applied under paragraph (1).
13
14
15
16

17 (5) MEMORANDUM OF UNDERSTANDING.—The
18 Secretaries concerned shall enter into a memorandum of understanding to carry out this subsection.
19
20

21 (6) DEFINITIONS.—In this subsection:

22 (A) COVERED LOAN.—The term “covered
23 loan” means—

24 (i) a loan made, insured, or guaranteed under part B of title IV of the Higher
25

1 Education Act of 1965 (20 U.S.C. 1071 et
2 seq.);

3 (ii) a loan made under part D of title
4 IV of the Higher Education Act of 1965
5 (20 U.S.C. 1087a et seq.); and

6 (iii) a Federal Perkins Loan made
7 pursuant to part E of title IV of the High-
8 er Education Act of 1965 (20 U.S.C.
9 1087aa et seq.).

10 (B) COVID–19 EMERGENCY PERIOD.—

11 The term “COVID–19 emergency period”
12 means the period that begins upon the date of
13 the enactment of this Act and ends upon the
14 date of the termination by the Federal Emer-
15 gency Management Administration of the emer-
16 gency declared on March 13, 2020, by the
17 President under the Robert T. Stafford Dis-
18 aster Relief and Emergency Assistance Act (42
19 U.S.C. 4121 et seq.) relating to the
20 Coronavirus Disease 2019 (COVID–19) pan-
21 demic.

22 (C) PRIVATE EDUCATION LOAN.—The
23 term “private education loan” has the meaning
24 given the term in section 140 of the Truth in
25 Lending Act (15 U.S.C. 1650).

1 (D) QUALIFIED BORROWER.—The term
2 “qualified borrower” means a borrower of a
3 covered loan or a private education loan.

4 (E) SECRETARIES CONCERNED.—The term
5 “Secretaries concerned” means—

6 (i) the Secretary of Education, with
7 respect to covered loans and borrowers of
8 such covered loans; and

9 (ii) the Secretary of the Treasury,
10 with respect to private education loans and
11 borrowers of such private education loans.

12 (d) INCOME SHARE AGREEMENTS.—

13 (1) IN GENERAL.—An individual who entered
14 into an income share agreement to pay for education
15 expenses of the individual shall not be required to
16 make payments under such income share agreement
17 for the duration of the COVID–19 emergency period
18 and the 6-month period immediately following.

19 (2) COVID–19 EMERGENCY PERIOD.—In this
20 subsection, the term “COVID–19 emergency period”
21 means the period that begins upon the date of the
22 enactment of this Act and ends upon the date of the
23 termination by the Federal Emergency Management
24 Administration of the emergency declared on March
25 13, 2020, by the President under the Robert T.

1 Stafford Disaster Relief and Emergency Assistance
2 Act (42 U.S.C. 4121 et seq.) relating to the
3 Coronavirus Disease 2019 (COVID–19) pandemic.

4 (e) EXCLUSION FROM GROSS INCOME.—

5 (1) IN GENERAL.—Part III of subchapter B of
6 chapter 1 of the Internal Revenue Code of 1986 is
7 amended by inserting after section 139H the fol-
8 lowing new section:

9 **“SEC. 139I. STUDENT LOAN PAYMENTS RESULTING FROM**
10 **THE COVID–19 NATIONAL EMERGENCY.**

11 “Gross income shall not include any payment made
12 on behalf of the taxpayer under section 493E(b)(1) of the
13 Higher Education Act of 1965, section 140(h) of the
14 Truth in Lending Act, or section 114(c) of the Financial
15 Protections and Assistance for America’s Consumers,
16 States, Businesses, and Vulnerable Populations.”.

17 (2) CLERICAL AMENDMENT.—The table of sec-
18 tions for part III of subchapter B of chapter 1 of
19 the Internal Revenue Code of 1986 is amended by
20 inserting after the item relating to section 139H the
21 following new item:

 “Sec. 139I. Student loan payments resulting from the COVID–19 national
 emergency.”.

22 (3) EFFECTIVE DATE.—The amendments made
23 by this subsection shall apply to taxable years begin-
24 ning after December 31, 2019.

1 **SEC. 114. WAIVER OF IN-PERSON APPRAISAL REQUIRE-**
2 **MENTS.**

3 (a) FINDING.—The Congress finds that as the coun-
4 try continues to grapple with the impact of the spread of
5 COVID–19, several adjustments are needed to ensure that
6 mortgage processing can continue to function without sig-
7 nificant delays ,despite requirements that would otherwise
8 require in-person interactions.

9 (b) WAIVER.—

10 (1) IN GENERAL.—Until the end of the
11 COVID–19 emergency, any appraisal that is con-
12 ducted for a loan with respect to which applicable
13 law would otherwise require the performance of an
14 interior inspection may be performed without an in-
15 terior inspection, if—

16 (A) an exterior inspection is performed in
17 conjunction with other methods to maximize
18 credibility, including verifiable contemporaneous
19 video or photographic documentation by the
20 borrower and borrower observations; and

21 (B) the applicable lender, guarantor, regu-
22 lating agency, or insurer may order additional
23 services to include an interior inspection at a
24 later date.

25 (2) STIPULATION.— An appraiser conducting
26 an appraisal without an interior inspection pursuant

1 to this section shall stipulate an extraordinary as-
2 sumption that the property's interior quality, condi-
3 tion, and physical characteristics are as described
4 and consistent with the exterior view, and shall em-
5 ploy all available methods to maximize accuracy
6 while maintaining safety.

7 (c) RULEMAKING.—Not later than the end of the 1-
8 week period beginning on the date of enactment of this
9 Act, the Federal Housing Commissioner of the Federal
10 Housing Agency and the Director of the Federal Housing
11 Finance Agency shall issue such rules or guidance as may
12 be necessary to ensure that such agencies, the Federal
13 Home Loan Mortgage Corporation, the Federal National
14 Mortgage Association, and the Federal home loan banks
15 make any adjustments to mortgage processing require-
16 ments that may be necessary to provide flexibility to avoid
17 in-person interactions while preserving the goals of the
18 programs and consumer protection.

19 (d) COVID-19 EMERGENCY DEFINED.—In this sec-
20 tion, the term “COVID-19 emergency” means the period
21 that begins upon the date of the enactment of this Act
22 and ends on the date of the termination by the Federal
23 Emergency Management Agency of the emergency de-
24 clared on March 13, 2020, by the President under the
25 Robert T. Stafford Disaster Relief and Emergency Assist-

1 ance Act (42 U.S.C. 4121 et seq.) relating to the
2 Coronavirus Disease 2019 (COVID–19) pandemic.

3 **SEC. 115. SUPPLEMENTAL FUNDING FOR COMMUNITY DE-**
4 **VELOPMENT BLOCK GRANTS.**

5 (a) FUNDING AND ALLOCATIONS.—

6 (1) AUTHORIZATION OF APPROPRIATIONS.—

7 There is authorized to be appropriated
8 \$12,000,000,000 for assistance in accordance with
9 this section under the community development block
10 grant program under title I of the Housing and
11 Community Development Act of 1974 (42 U.S.C.
12 5301 et seq.).

13 (2) INITIAL ALLOCATION.—\$6,000,000,000 of
14 the amount made available pursuant to paragraph
15 (1) shall be distributed pursuant to section 106 of
16 such Act (42 U.S.C. 5306) to grantees and such al-
17 locations shall be made within 30 days after the date
18 of the enactment of this Act.

19 (3) SUBSEQUENT ALLOCATION.—

20 (A) IN GENERAL.—The \$6,000,000,000
21 made available pursuant to paragraph (1) that
22 remains after allocation pursuant to paragraph
23 (2) shall be allocated, not later than 45 days
24 after the date of the enactment of this Act, di-
25 rectly to States to prevent, prepare for, and re-

1 spond to coronavirus within the State, including
2 activities within entitlement and nonentitlement
3 communities, based on public health needs, risk
4 of transmission of coronavirus, number of
5 coronavirus cases compared to the national av-
6 erage, and economic and housing market dis-
7 ruptions, and other factors, as determined by
8 the Secretary, using best available data.

9 (B) TECHNICAL ASSISTANCE.—Of the
10 amount referred to in subparagraph (A),
11 \$10,000,000 shall be made available for capac-
12 ity building and technical assistance to support
13 the use of such amounts to expedite or facilitate
14 infectious disease response.

15 (4) DIRECT DISTRIBUTION.—Of the amount
16 made available pursuant to paragraph (1),
17 \$3,000,000,000 shall be distributed directly to
18 States and units of general local government, at the
19 discretion of the Secretary of Housing and Urban
20 Development (in this section referred to as the “Sec-
21 retary”), according to a formula based on factors to
22 be determined by the Secretary, prioritizing risk of
23 transmission of coronavirus, number of coronavirus
24 cases compared to the national average, and eco-

1 nomic and housing market disruptions resulting
2 from coronavirus.

3 (5) ROLLING ALLOCATIONS.—Allocations under
4 this subsection may be made on a rolling basis as
5 additional needs develop and data becomes available.

6 (6) BEST AVAILABLE DATA.—The Secretary
7 shall make all allocations under this subsection
8 based on the best available data at the time of allo-
9 cation.

10 (b) ELIGIBLE ACTIVITIES.—Amounts made available
11 pursuant to subsection (a) may be used only for—

12 (1) eligible activities described in 105(a) of the
13 Housing and Community Development Act of 1974
14 (42 U.S.C. 5305(a)) relating to preventing, pre-
15 paring for, or responding to the public health emer-
16 gency relating to Coronavirus Disease 2019
17 (COVID–19); and

18 (2) reimbursement of costs for such eligible ac-
19 tivities relating to preventing, preparing for, or re-
20 sponding to Coronavirus Disease 2019 (COVID–19)
21 that were accrued before the date of the enactment
22 of this Act.

23 (c) INAPPLICABILITY OF PUBLIC SERVICES CAP.—
24 The limitation under paragraph (8) of section 105(a) of
25 the Housing and Community Development Act of 1974

1 (42 U.S.C. 5305(a)(8)) on the amount that may be used
2 for activities under such paragraph shall not apply with
3 respect to—

4 (1) amounts made available pursuant to sub-
5 section (a); and

6 (2) amounts made available in preceding appro-
7 priation Acts for fiscal years 2019 and 2020 for car-
8 rying out title I of the Housing and Community De-
9 velopment Act of 1974, to the extent such amounts
10 are used for activities described in subsection (b) of
11 this section.

12 (d) WAIVERS.—

13 (1) IN GENERAL.—The Secretary may waive, or
14 specify alternative requirements for, any provision of
15 any statute or regulation that the Secretary admin-
16 isters in connection with the use of amounts made
17 available pursuant to subsection (a)(1) and for fiscal
18 years 2019 and 2020 (except for requirements re-
19 lated to fair housing, nondiscrimination, labor stand-
20 ards, and the environment), if the Secretary finds
21 that good cause exists for the waiver or alternative
22 requirement and such waiver or alternative require-
23 ment would not be inconsistent with the overall pur-
24 pose of title I of the Housing and Community Devel-

1 opment Act of 1974, including for the purposes of
2 addressing the impact of coronavirus.

3 (2) NOTICE.—The Secretary shall notify the
4 public through the Federal Register or other appro-
5 priate means 5 days before the effective date of any
6 such waiver or alternative requirement in order for
7 such waiver or alternative requirement to take effect.
8 Such public notice may be provided on the Internet
9 at the appropriate Government web site or through
10 other electronic media, as determined by the Sec-
11 retary.

12 (e) STATEMENTS OF ACTIVITIES; COMPREHENSIVE
13 HOUSING AFFORDABILITY STRATEGIES.—

14 (1) INAPPLICABILITY OF REQUIREMENTS.—Sec-
15 tion 116(b) of such Act (42 U.S.C. 5316(b); relating
16 to submission of final statements of activities not
17 later than August 16 of a given fiscal year) and any
18 implementing regulations shall not apply to final
19 statements submitted in accordance with paragraphs
20 (2) and (3) of section 104 of such Act (42 U.S.C.
21 5304(a)) and comprehensive housing affordability
22 strategies submitted in accordance with section 105
23 of the Cranston-Gonzalez National Affordable Hous-
24 ing Act (42 U.S.C. 12705) for fiscal years 2019 and
25 2020.

1 (2) NEW REQUIREMENTS.—Final statements
2 and comprehensive housing affordability strategies
3 shall instead be submitted not later than August 16,
4 2021.

5 (3) AMENDMENTS.—Notwithstanding sub-
6 sections (a)(2), (a)(3), and (c) of section 104 of the
7 Housing and Community Development Act of 1974
8 (42 U.S.C. 5304) and section 105 of the Cranston-
9 Gonzalez National Affordable Housing Act (42
10 U.S.C. 12705), a grantee may not be required to
11 amend its statement of activities in order to engage
12 in activities to prevent, prepare, and respond to
13 coronavirus or the economic and housing disruption
14 caused by it, but shall make public a report within
15 180 days of the end of the crisis which fully ac-
16 counts for such activities.

17 (f) PUBLIC HEARINGS.—

18 (1) INAPPLICABILITY OF IN-PERSON HEARING
19 REQUIREMENTS.—A grantee may not be required to
20 hold in-person public hearings in connection with its
21 citizen participation plan, but shall provide citizens
22 with notice and a reasonable opportunity to com-
23 ment of not less than 15 days.

24 (2) VIRTUAL PUBLIC HEARINGS.—During the
25 period that national or local health authorities rec-

1 commend social distancing and limiting public gath-
2 erings for public health reasons, a grantee may ful-
3 fill applicable public hearing requirements for all
4 grants from funds made available pursuant to sub-
5 section (a)(1) and under the heading “Department
6 of Housing and Urban Development—Community
7 Planning and Development—Community Develop-
8 ment Fund” in appropriation Acts for fiscal years
9 2019 and 2020 by carrying out virtual public hear-
10 ings. Any such virtual hearings shall provide reason-
11 able notification and access for citizens in accord-
12 ance with the grantee’s certifications, timely re-
13 sponses from local officials to all citizen questions
14 and issues, and public access to all questions and re-
15 sponses.

16 (g) DUPLICATION OF BENEFITS.—The Secretary
17 shall ensure there are adequate procedures in place to pre-
18 vent any duplication of benefits as defined by section 312
19 of the Robert T. Stafford Disaster Relief and Emergency
20 Assistance Act (42 U.S.C. 5155) and act in accordance
21 with section 1210 of the Disaster Recovery Reform Act
22 of 2018 (division D of Public Law 115–254; 132 Stat.
23 3442) and section 312 of the Robert T. Stafford Disaster
24 Relief and Emergency Assistance Act (42 U.S.C. 5155).

1 **SEC. 116. COVID-19 EMERGENCY HOUSING RELIEF.**

2 (a) DEFINITION OF COVID-19 EMERGENCY PE-
3 RIOD.—For purposes of this section, the term “COVID-
4 19 emergency period” means the period that begins upon
5 the date of the enactment of this Act and ends upon the
6 date of the termination by the Federal Emergency Man-
7 agement Agency of the emergency declared on March 13,
8 2020, by the President under the Robert T. Stafford Dis-
9 aster Relief and Emergency Assistance Act (42 U.S.C.
10 4121 et seq.) relating to the Coronavirus Disease 2019
11 (COVID-19) pandemic.

12 (b) SUSPENSION OF COMMUNITY SERVICE, WORK,
13 PRESENCE IN UNIT, AND MINIMUM RENT REQUIRE-
14 MENTS AND TIME LIMITS ON ASSISTANCE.—

15 (1) SUSPENSION.—Notwithstanding any other
16 provision of law, during the COVID-19 emergency
17 period, the following provisions of law and require-
18 ments shall not apply:

19 (A) Section 12(c) of the United States
20 Housing Act of 1937 (42 U.S.C. 1437j(c); re-
21 lating to community service).

22 (B) Any work requirement or time limita-
23 tion on assistance established by a public hous-
24 ing agency participating in the Moving to Work
25 demonstration program authorized under sec-
26 tion 204 of the Departments of Veterans Af-

1 fairs and Housing and Urban Development and
2 Independent Agencies Appropriations Act, 1996
3 (Public Law 104–134; 110 Stat. 1321).

4 (C) Paragraph (3) of section 3(a) of the
5 United States Housing Act of 1937 (42 U.S.C.
6 1437a(a)(3); relating to minimum rental
7 amount).

8 (D) Section 982.312 of the regulations of
9 the Secretary of Housing and Urban Develop-
10 ment (24 C.F.R. 982.312); relating to absence
11 from unit).

12 (2) PROHIBITION.—No penalty may be imposed
13 nor any adverse action taken for failure on the part
14 of any tenant of public housing or a dwelling unit
15 assisted under section 8 of the United States Hous-
16 ing Act of 1937 (42 U.S.C. 1437f) to comply with
17 the laws and requirements specified in paragraph (1)
18 during the period specified in paragraph (1).

19 (c) HOUSING CHOICE VOUCHERS.—

20 (1) SECTION 8 VOUCHERS.—Notwithstanding
21 any other provision of law, the Secretary of Housing
22 and Urban Development shall provide that—

23 (A) during the COVID–19 emergency pe-
24 riod, a public housing agency may not termi-
25 nate the availability to an eligible household of

1 a housing choice voucher under section 8(o) of
2 the United States Housing Act of 1937 (42
3 U.S.C. 1437f(o)) for failure to enter into a
4 lease for an assisted dwelling unit;

5 (B) in the case of any eligible household on
6 whose behalf such a housing choice voucher has
7 been made available, if as of the termination of
8 the COVID–19 emergency period such avail-
9 ability has not terminated (including by reason
10 of subparagraph (A)) and such voucher has not
11 been used to enter into a lease for an assisted
12 dwelling unit, the public housing agency making
13 such voucher available may not terminate such
14 availability until the expiration of the 60-day
15 period beginning upon the termination of the
16 COVID–19 emergency period; and

17 (C) during the COVID–19 emergency pe-
18 riod, clause (i) of section 8(o)(8)(A) of the
19 United States Housing Act of 1937 (42 U.S.C.
20 1437f(o)(8)A)(i); relating to initial inspection of
21 dwelling units) shall not apply, except that in
22 any case in which an inspection of a dwelling
23 unit for which a housing assistance payment is
24 established is not conducted before an assist-
25 ance payment is made for such dwelling unit—

1 (i) such clause shall be applied by
2 substituting “the expiration of the 90-day
3 period beginning on the termination of the
4 COVID–19 emergency period (as such
5 term is defined in section 117(a) of the Fi-
6 nancial Protections and Assistance for
7 America’s Consumers, States, Businesses,
8 and Vulnerable Populations Act)” for “any
9 assistance payment is made”; and

10 (ii) the public housing agency shall in-
11 form the tenant household and the owner
12 of such dwelling unit of the inspection re-
13 quirement applicable to such dwelling unit
14 pursuant to clause (i).

15 (2) RURAL HOUSING VOUCHERS.—Notwith-
16 standing any other provision of law, the Secretary of
17 Agriculture shall provide that the same restrictions
18 and requirements applicable under paragraph (1) to
19 voucher assistance under section 8(o) of the United
20 States Housing Act of 1937 shall apply with respect
21 to voucher assistance under section 542 of the Hous-
22 ing Act of 1949 (42 U.S.C. 1490r). In applying such
23 restrictions and requirements, the Secretary may
24 take into consideration and provide for any dif-
25 ferences between such programs while ensuring that

1 the program under such section 542 is carried out
2 in accordance with the purposes of such restrictions
3 and requirements.

4 (d) SUSPENSION OF INCOME REVIEWS.—During the
5 COVID–19 emergency period, the Secretary of Housing
6 and Urban Development and the Secretary of Agriculture
7 shall waive any requirements under law or regulation re-
8 quiring review of the income of an individual or household
9 for purposes of assistance under a housing assistance pro-
10 gram administered by such Secretary, except—

11 (1) in the case of review of income upon the ini-
12 tial provision of housing assistance; or

13 (2) if such review is requested by an individual
14 or household due to a loss of income.

15 (e) AUTHORITY TO SUSPEND OR DELAY DEAD-
16 LINES.—During the COVID–19 emergency period, the
17 Secretary of Housing and Urban Development and the
18 Secretary of Agriculture may suspend or delay any dead-
19 line relating to public housing agencies or owners of hous-
20 ing assisted under a program administered by such Sec-
21 retary, except any deadline relating to responding to exi-
22 gent conditions related to health and safety or emergency
23 physical conditions.

24 (f) SUSPENSION OF ASSISTED HOUSING SCORING
25 ACTIVITIES.—The Secretary of Housing and Urban De-

1 velopment shall suspend scoring under the Section 8 Man-
2 agement Assessment Program and the Public Housing As-
3 sessment System during the period beginning upon the
4 date of the enactment of this Act and ending upon expira-
5 tion of the 90-day period that begins upon the termination
6 of the COVID–19 emergency period.

7 (g) REQUIREMENTS REGARDING RESIDUAL RE-
8 CEIPTS AND RESERVE FUNDS.—

9 (1) SUSPENSION OF REQUIREMENT TO SUBMIT
10 RESIDUAL RECEIPTS TO HUD.—During the COVID–
11 19 emergency period, any requirements for owners
12 of federally assisted multifamily housing to remit re-
13 sidual receipts to the Secretary of Housing and
14 Urban Development shall not apply.

15 (2) ELIGIBLE USES OF RESERVE FUNDS.—Dur-
16 ing the COVID–19 emergency period, any costs of
17 an owner of federally assisted multifamily housing
18 for items, activities, and services related to respond-
19 ing to coronavirus or COVID–19 shall be considered
20 eligible uses for the reserve fund for replacements
21 for such housing.

22 **SEC. 117. SUPPLEMENTAL FUNDING FOR SERVICE COORDI-**
23 **NATORS TO ASSIST ELDERLY HOUSEHOLDS.**

24 (a) IN GENERAL.—There is authorized to be appro-
25 priated \$300,000,000 for grants under section 676 of the

1 Housing and Community Development Act of 1992 (42
2 U.S.C. 13632) for costs of providing service coordinators
3 for purposes of coordinating services to prevent, prepare
4 for, or respond to the public health emergency relating to
5 Coronavirus Disease 2019 (COVID–19).

6 (b) **HIRING.**—In the hiring of staff using amounts
7 made available pursuant to this section, grantees shall
8 consider and hire, at all levels of employment and to the
9 greatest extent possible, a diverse staff, including by race,
10 ethnicity, gender, and disability status. Each grantee shall
11 submit a report to the Secretary of Housing and Urban
12 Development describing compliance with the preceding
13 sentence not later than the expiration of the 120-day pe-
14 riod that begins upon the termination of the emergency
15 declared on March 13, 2020, by the President under the
16 Robert T. Stafford Disaster Relief and Emergency Assist-
17 ance Act (42 U.S.C. 4121 et seq.) relating to the
18 Coronavirus Disease 2019 (COVID–19) pandemic.

19 (c) **ONE-TIME GRANTS.**—Grants made using
20 amounts made available pursuant to subsection (a) shall
21 not be renewable.

22 (d) **ONE-YEAR AVAILABILITY.**—Any amounts made
23 available pursuant to this section that are allocated for
24 a grantee and remaining unexpended upon the expiration

1 of the 12-month period beginning upon such allocation
2 shall be recaptured by the Secretary.

3 **SEC. 118. FAIR HOUSING.**

4 (a) DEFINITION OF COVID–19 EMERGENCY PE-
5 RIOD.— For purposes of this section, the term “COVID–
6 19 emergency period” means the period that begins upon
7 the date of the enactment of this Act and ends upon the
8 date of the termination by the Federal Emergency Man-
9 agement Agency of the emergency declared on March 13,
10 2020, by the President under the Robert T. Stafford Dis-
11 aster Relief and Emergency Assistance Act (42 U.S.C.
12 4121 et seq.) relating to the Coronavirus Disease 2019
13 (COVID–19) pandemic.

14 (b) FAIR HOUSING ACTIVITIES.—

15 (1) FHIP; FHAP.—

16 (A) AUTHORIZATION OF APPROPRIA-
17 TIONS.—To ensure that fair housing organiza-
18 tions and State and local civil rights agencies
19 have sufficient resources to deal with expected
20 increases in fair housing complaints, to inves-
21 tigate housing discrimination, including finan-
22 cial scams that target protected classes associ-
23 ated with or resulting from the COVID–19 pan-
24 demic, and during such pandemic, there is au-

1 thorized to be appropriated for contracts,
2 grants, and other assistance—

3 (i) \$55,000,000 for the Fair Housing
4 Initiatives Program under section 561 of
5 the Housing and Community Development
6 Act of 1987 (42 U.S.C. 3616a); and

7 (ii) \$35,000,000 for the Fair Housing
8 Assistance Program under the Fair Hous-
9 ing Act (42 U.S.C. 3601 et seq.).

10 Amounts made available pursuant to this sub-
11 paragraph may be used by such organizations
12 and agencies to establish the capacity to and to
13 carry out activities and services by telephone
14 and online means, including for individuals with
15 limited English proficiency and individuals with
16 a disability in accordance with requirements
17 under the Americans With Disabilities Act of
18 1990.

19 (B) PRIVATE ENFORCEMENT INITIA-
20 TIVE.—In entering into contracts for private
21 enforcement initiatives under 561(b) of the
22 Housing and Community Development Act of
23 1987 (42 U.S.C. 3616a(b)) using amounts
24 made available pursuant to subparagraph (A)(i)
25 of this subsection, the Secretary of Housing

1 and Urban Development shall give priority to
2 applications from qualified fair housing enforce-
3 ment organizations that have at least 2 years of
4 fair housing testing experience.

5 (C) 3-YEAR AVAILABILITY.—Any amounts
6 made available pursuant subparagraph (A) that
7 are allocated for a grantee and remain unex-
8 pended upon the expiration of the 3-year period
9 beginning upon such allocation shall be recap-
10 tured by the Secretary.

11 (2) OFFICE OF FAIR HOUSING AND EQUAL OP-
12 PORTUNITY.—There is authorized to be appropriated
13 \$200,000,000 for the Office of Fair Housing and
14 Equal Opportunity of the Department of Housing
15 and Urban Development for costs of fully staffing
16 such Office to ensure robust enforcement of the Fair
17 Housing Act during the COVID–19 pandemic, in-
18 cluding ensuring that—

19 (A) assistance provided under this Act is
20 provided and administered in a manner that af-
21 firmatively furthers fair housing in accordance
22 with the Fair Housing Act;

23 (B) such Office has sufficient capacity for
24 intake of housing discrimination complaints by
25 telephone and online mechanisms, including for

1 individuals with limited English proficiency and
2 individuals with a disability in accordance with
3 requirements under the Americans With Dis-
4 abilities Act of 1990 and section 504 of the Re-
5 habilitation Act of 1973 (29 U.S.C. 794); and
6 (C) such Office has the capacity to respond
7 to all housing discrimination complaints made
8 during the COVID–19 pandemic within time
9 limitations required under law.

10 In the hiring of staff using amounts made available
11 pursuant to this subsection, the Secretary of Hous-
12 ing and Urban Development shall consider and hire,
13 at all levels of employment and to the greatest ex-
14 tent possible, a diverse staff, including by race, eth-
15 nicity, gender, and disability status. The Secretary
16 shall submit a report to the Congress describing
17 compliance with the preceding sentence on a quar-
18 terly basis, for each of the first 4 calendar quarters
19 ending after the date of the enactment of this Act.

20 (c) FAIR HOUSING GUIDANCE AND EDUCATION.—

21 (1) PROHIBITION OF SHOWINGS.—Not later
22 than the expiration of the 30-day period beginning
23 on the date of the enactment of this Act, the Sec-
24 retary of Housing and Urban Development shall
25 issue guidance for owners of dwelling units assisted

1 under housing assistance programs of the Depart-
2 ment prohibiting, during the COVID–19 emergency
3 period, of any showings of occupied assisted dwelling
4 units to prospective tenants.

5 (2) EDUCATION.—There is authorized to be ap-
6 propriated \$10,000,000 for the Office of Fair Hous-
7 ing and Equal Opportunity of the Department of
8 Housing and Urban Development to carry out a na-
9 tional media campaign to educate the public of in-
10 creased housing rights during COVID–19 emergency
11 period, that provides that information and materials
12 used in such campaign are available—

13 (A) in the languages used by communities
14 with limited English proficiency

15 (B) to persons with disabilities.

16 **SEC. 119. HUD COUNSELING PROGRAM AUTHORIZATION.**

17 (a) FINDINGS.—The Congress finds the following:

18 (1) The spread of COVID–19, which is now
19 considered a global pandemic, is expected to nega-
20 tively impact the incomes of potentially millions of
21 homeowners, making it difficult for them to pay
22 their mortgages on time.

23 (2) Housing counseling is critical to ensuring
24 that homeowners have the resources they need to

1 navigate the loss mitigation options available to
2 them while they are experiencing financial hardship.

3 (b) AUTHORIZATION.—There is authorized to be ap-
4 propriated the Secretary of Housing and Urban Develop-
5 ment \$700,000,000 to carry out counseling services de-
6 scribed under section 106 of the Housing and Urban De-
7 velopment Act of 1968 (12 U.S.C. 1701x).

8 **SEC. 120. DEFENSE PRODUCTION ACT OF 1950.**

9 (a) INCREASE IN AUTHORIZATIONS.—

10 (1) AUTHORIZATIONS.—In addition to amounts
11 otherwise authorized to be appropriated, there is au-
12 thorized to be appropriated in the aggregate
13 \$3,000,000,000 for fiscal year 2020 and 2021 to
14 carry out titles I and III of the Defense Production
15 Act of 1950 to produce medical ventilators, personal
16 protection equipment, and other critically needed
17 medical supplies and to carry out any other actions
18 necessary to respond to the COVID–19 emergency.

19 (2) CARRYOVER FUNDS.—Section 304(e) of the
20 Defense Production Act of 1950 shall not apply at
21 the close of fiscal year 2020.

22 (3) COVID–19 EMERGENCY.—In this section,
23 the term “COVID–19 emergency” means the emer-
24 gency declared on March 13, 2020, by the President
25 under the Robert T. Stafford Disaster Relief and

1 Emergency Assistance Act (42 U.S.C. 4121 et seq.)
2 relating to the Coronavirus Disease 2019 (COVID–
3 19) pandemic.

4 (b) STRENGTHENING CONGRESSIONAL OVERSIGHT;
5 PUBLIC PORTAL.—

6 (1) IN GENERAL.—Not later than three months
7 after the date of enactment of this Act, and every
8 three months thereafter, the Secretary of Commerce,
9 in coordination with the Secretary of Health and
10 Human Services, the Secretary of Defense, and any
11 other Federal department or agency that has utilized
12 authority under title I or title III of the Defense
13 Production Act of 1950 to respond to the COVID–
14 19 emergency, shall submit a report to the Com-
15 mittee on Financial Services of the House of Rep-
16 resentatives and the Committee on Banking, Hous-
17 ing, and Urban Affairs of the Senate—

18 (A) on the use of such authority and the
19 expenditure of any funds in connection with
20 such authority;

21 (B) that includes details of each purchase
22 order made using such authorities, including
23 the product and amount of product ordered and
24 the entity that fulfilled the contract.

1 (2) PUBLIC AVAILABILITY.—The Secretary of
2 Commerce shall place all reports submitted under
3 paragraph (1) on an appropriate website available to
4 the public, in an easily searchable format.

5 (3) SUNSET.—The requirements under this sec-
6 tion shall terminate after the expenditure of all
7 funds appropriated pursuant to the authorizations
8 under subsection (a).

9 **TITLE II—ASSISTING SMALL**
10 **BUSINESSES AND COMMU-**
11 **NITY FINANCIAL INSTITU-**
12 **TIONS**

13 **SEC. 201. SMALL BUSINESS CREDIT FACILITY.**

14 (a) ESTABLISHMENT.—The Board of Governors of
15 the Federal Reserve System shall establish a credit facility
16 to provide loans to small businesses during the COVID-
17 19 emergency.

18 (b) DEFINITIONS.—In this section:

19 (1) COVID-19 EMERGENCY.—The term
20 “COVID-19 emergency” means the period that be-
21 gins upon the date of the enactment of this Act and
22 ends on the date of the termination by the Federal
23 Emergency Management Agency of the emergency
24 declared on March 13, 2020, by the President under
25 the Robert T. Stafford Disaster Relief and Emer-

1 agency Assistance Act (42 U.S.C. 4121 et seq.) relat-
2 ing to the Coronavirus Disease 2019 (COVID–19)
3 pandemic.

4 (2) SMALL BUSINESS.—The term “small busi-
5 ness” means—

6 (A) a small business concern (as defined
7 under section 3 of the Small Business Act (15
8 U.S.C. 632);

9 (B) a family farm;

10 (C) an independent contractor; and

11 (D) any other class of businesses to which
12 the Board of Governors determines loans would
13 promote full employment and price stability.

14 **SEC. 202. SMALL BUSINESS FINANCIAL ASSISTANCE PRO-**
15 **GRAM.**

16 (a) IN GENERAL.—The Secretary of the Treasury
17 shall establish a Small Business Financial Assistance Pro-
18 gram under which the Secretary shall provide loans and
19 loan guarantees to small businesses.

20 (b) APPLICATION.—In making loans and loan guar-
21 antees under this section, the Secretary shall—

22 (1) provide a simple application process for bor-
23 rowers; and

24 (2) establish clear and easy to understand un-
25 derwriting standards for such loans.

1 (c) ZERO-INTEREST LOANS.—Loans made by or
2 guaranteed by the Secretary under this section shall be
3 zero-interest loans, if the small business receiving such
4 loan does not involuntarily terminate any employee of the
5 small business during the COVID–19 emergency.

6 (d) ADVANCE.—

7 (1) IN GENERAL.—Upon request from an appli-
8 cant for a loan under this section, the Secretary may
9 provide to such applicant an advance, in cash, to
10 such applicant.

11 (2) AMOUNT.—An advance provided under
12 paragraph (1) shall be in an amount equal to the
13 revenue of the applicant for the period beginning
14 January 1, 2020 and ending January 31, 2020.

15 (3) PROCEDURES.—

16 (A) REVIEW.—The Secretary shall have 1
17 week from the receipt of a request for an ad-
18 vance under paragraph (1) to conduct a risk as-
19 sessment of the applicant to determine whether
20 to approve or deny such request.

21 (B) APPROVAL.—If the Secretary does not
22 deny a request under subparagraph (A), the ad-
23 vance shall be directly deposited into the ac-
24 count identified by the applicant.

1 (C) REMAINING FUNDS.—Not later than 4
2 weeks after approving a request of an applicant
3 under subparagraph (A), the Secretary shall
4 disburse the remaining funds to such applicant.

5 (e) FORGIVENESS.—If small business that receives a
6 loan or loan guarantee under this section demonstrates to
7 the Secretary that the number of full-time employees of
8 such small business on the date such small business sub-
9 mitted an application under this section is greater than
10 or equal to the number of full-time employees of such
11 small business on the date that is 1 year after the date
12 of such submission, the Secretary shall forgive the remain-
13 ing outstanding principal and interest on such loan or loan
14 guarantee.

15 (f) FUNDING.—The Secretary shall use
16 \$50,000,000,000 from the Exchange Stabilization Fund,
17 without further appropriation, to carry out this section.

18 (g) DEFINITIONS.—In this section:

19 (1) COVID–19 EMERGENCY.—The term
20 “COVID–19 emergency” means the period that—

21 (A) begins on the declaration of the emer-
22 gency declared on March 13, 2020, by the
23 President under the Robert T. Stafford Dis-
24 aster Relief and Emergency Assistance Act (42
25 U.S.C. 4121 et seq.) relating to the

1 Coronavirus Disease 2019 (COVID–19) pan-
2 demic; and

3 (B) ends on the termination by the Federal
4 Emergency Management Agency of such emer-
5 gency.

6 (2) SMALL BUSINESS.—The term “small busi-
7 ness” means—

8 (A) a small business concern (as defined
9 under section 3 of the Small Business Act (15
10 U.S.C. 632);

11 (B) a family farm; and

12 (C) an independent contractor.

13 **SEC. 203. SUSPENSION OF SMALL BUSINESS AND NON-**
14 **PROFIT LOAN PAYMENTS.**

15 (a) IN GENERAL.—

16 (1) IN GENERAL.—During the COVID–19
17 emergency, a debt collector may not, with respect to
18 a debt of a small business or non-profit (other than
19 debt related to a federally related mortgage loan)—

20 (A) capitalize unpaid interest;

21 (B) apply a higher interest rate triggered
22 by the nonpayment of a debt to the debt bal-
23 ance;

24 (C) charge a fee triggered by the non-
25 payment of a debt;

1 (D) sue or threaten to sue for nonpayment
2 of a debt;

3 (E) continue litigation to collect a debt
4 that was initiated before the date of enactment
5 of this section;

6 (F) submit or cause to be submitted a con-
7 fession of judgment to any court;

8 (G) enforce a security interest through re-
9 possession, limitation of use, or foreclosure;

10 (H) take or threaten to take any action to
11 enforce collection, or any adverse action for
12 nonpayment of a debt, or for nonappearance at
13 any hearing relating to a debt;

14 (I) commence or continue any action to
15 cause or to seek to cause the collection of a
16 debt, including pursuant to a court order issued
17 before the end of the 120-day period following
18 the end of the COVID–19 emergency, from
19 wages, Federal benefits, or other amounts due
20 to a small business or non-profit by way of gar-
21 nishment, deduction, offset, or other seizure;

22 (J) cause or seek to cause the collection of
23 a debt, including pursuant to a court order
24 issued before the end of the 120-day period fol-
25 lowing the end of the COVID–19 emergency, by

1 levying on funds from a bank account or seizing
2 any other assets of a small business or non-
3 profit;

4 (K) commence or continue an action to
5 evict a small business or non-profit from real or
6 personal property; or

7 (L) disconnect or terminate service from
8 utility service, including electricity, natural gas,
9 telecommunications or broadband, water, or
10 sewer.

11 (2) RULE OF CONSTRUCTION.—Nothing in this
12 subsection may be construed to prohibit a small
13 business or non-profit from voluntarily paying, in
14 whole or in part, a debt.

15 (3) REPAYMENT PERIOD.—After the expiration
16 of the COVID–19 emergency, with respect to a debt
17 described under paragraph (1), a debt collector—

18 (A) may not add to the debt balance any
19 interest or fee prohibited by paragraph (1);

20 (B) shall, for credit with a defined term or
21 payment period, extend the time period to repay
22 the debt balance by 1 payment period for each
23 payment that a small business or non-profit
24 missed during the COVID–19 emergency, with
25 the payments due in the same amounts and at

1 the same intervals as the pre-existing payment
2 schedule;

3 (C) shall, for an open end credit plan (as
4 defined under section 103 of the Truth in
5 Lending Act) or other credit without a defined
6 term, allow the small business or non-profit to
7 repay the debt balance in a manner that does
8 not exceed the amounts permitted by formulas
9 under section 170(c) of the Truth in Lending
10 Act and regulations promulgated thereunder;
11 and

12 (D) shall, when the small business or non-
13 profit notifies the debt collector, offer reason-
14 able and affordable repayment plans, loan
15 modifications, refinancing, options with a rea-
16 sonable time in which to repay the debt.

17 (4) COMMUNICATIONS IN CONNECTION WITH
18 THE COLLECTION OF A DEBT.—

19 (A) IN GENERAL.—During the COVID–19
20 emergency, without prior consent of a small
21 business or non-profit given directly to a debt
22 collector during the COVID–19 emergency, or
23 the express permission of a court of competent
24 jurisdiction, a debt collector may only commu-
25 nicate in writing in connection with the collec-

1 tion of any debt (other than debt related to a
2 federally related mortgage loan).

3 (B) REQUIRED DISCLOSURES.—

4 (i) IN GENERAL.—All written commu-
5 nications described under subparagraph
6 (A) shall inform the small business or non-
7 profit that the communication is for infor-
8 mational purposes and is not an attempt to
9 collect a debt.

10 (ii) REQUIREMENTS.—The disclosure
11 required under clause (i) shall be made—

12 (I) in type or lettering not small-
13 er than 14-point bold type;

14 (II) separate from any other dis-
15 closure;

16 (III) in a manner designed to en-
17 sure that the recipient sees the disclo-
18 sure clearly;

19 (IV) in English and Spanish and
20 in any additional languages in which
21 the debt collector communicates, in-
22 cluding the language in which the
23 loan was negotiated, to the extent
24 known by the debt collector; and

1 (V) may be provided by first-
2 class mail or electronically, if the bor-
3 rower has otherwise consented to elec-
4 tronic communication with the debt
5 collector and has not revoked such
6 consent.

7 (iii) ORAL NOTIFICATION.—Any oral
8 notification shall be provided in the lan-
9 guage the debt collector otherwise uses to
10 communicate with the borrower.

11 (iv) WRITTEN TRANSLATIONS.—In
12 providing written notifications in languages
13 other than English in this Section, a debt
14 collector may rely on written translations
15 developed by the Bureau of Consumer Fi-
16 nancial Protection.

17 (5) VIOLATIONS.—

18 (A) IN GENERAL.—Any person who vio-
19 lates this section shall—

20 (i) except as provided under clause
21 (ii), be subject to civil liability in accord-
22 ance with section 813 of the Fair Debt
23 Collection Practices Act, as if the person is
24 a debt collector for purposes of that sec-
25 tion; and

1 (ii) be liable to the small business or
2 non-profit for an amount 10 times the
3 amounts described in such section 813, for
4 each violation.

5 (B) PREDISPUTE ARBITRATION AGREE-
6 MENTS.—Notwithstanding any other provision
7 of law, no predispute arbitration agreement or
8 predispute joint-action waiver shall be valid or
9 enforceable with respect to a dispute brought
10 under this section, including a dispute as to the
11 applicability of this section, which shall be de-
12 termined under Federal law.

13 (6) TOLLING.—Except as provided in para-
14 graph (7)(D), any applicable time limitations, in-
15 cluding statutes of limitations, related to a debt
16 under Federal or State law shall be tolled during the
17 COVID–19 emergency.

18 (7) CLAIMS OF AFFECTED CREDITORS AND
19 DEBT COLLECTORS.—

20 (A) VALUATION OF PROPERTY.—With re-
21 spect to any action asserting a taking under the
22 Fifth Amendment of the Constitution of the
23 United States as a result of this section or
24 seeking a declaratory judgment regarding the
25 constitutionality of this section, the value of the

1 property alleged to have been taken without
2 just compensation shall be evaluated—

3 (i) with consideration of the likelihood
4 of full and timely payment of the obliga-
5 tion without the actions taken pursuant to
6 this section; and

7 (ii) without consideration of any as-
8 sistance provided directly or indirectly to
9 the small business or non-profit from other
10 Federal, State, and local government pro-
11 grams instituted or legislation enacted in
12 response to the COVID–19 emergency.

13 (B) SCOPE OF JUST COMPENSATION.—In
14 an action described in subparagraph (A), any
15 assistance or benefit provided directly or indi-
16 rectly to the person from other Federal, State,
17 and local government programs instituted in or
18 legislation enacted response to the COVID–19
19 emergency, shall be deemed to be compensation
20 for the property taken, even if such assistance
21 or benefit is not specifically provided as com-
22 pensation for property taken by this section.

23 (C) APPEALS.—Any appeal from an action
24 under this section shall be treated under section
25 158 of title 28, United States Code, as if it

1 were an appeal in a case under title 11, United
2 States Code.

3 (D) REPOSE.—Any action asserting a tak-
4 ing under the Fifth Amendment to the Con-
5 stitution of the United States as a result of this
6 section shall be brought within not later than
7 180 days after the end of the COVID–19 emer-
8 gency.

9 (8) DEFINITIONS.—In this section:

10 (A) COVID–19 EMERGENCY.—The term
11 “COVID–19 emergency” means the period that
12 begins upon the date of the enactment of this
13 Act and ends on the date of the termination by
14 the Federal Emergency Management Agency of
15 the emergency declared on March 13, 2020, by
16 the President under the Robert T. Stafford Dis-
17 aster Relief and Emergency Assistance Act (42
18 U.S.C. 4121 et seq.) relating to the
19 Coronavirus Disease 2019 (COVID–19) pan-
20 demic.

21 (B) CREDITOR.—The term “creditor”
22 means—

23 (i) any person who offers or extends
24 credit creating a debt or to whom a debt
25 is owed or other obligation for payment;

1 (ii) any lessor of real or personal
2 property; or

3 (iii) any provider of utility services.

4 (C) DEBT.—The term “debt”—

5 (i) means any obligation or alleged ob-
6 ligation—

7 (I) for which the original agree-
8 ment, or if there is no agreement, the
9 original obligation to pay was created
10 before the COVID–19 emergency,
11 whether or not such obligation has
12 been reduced to judgment; and

13 (II) that arises out of a trans-
14 action with a small business or non-
15 profit; and

16 (ii) does not include a federally re-
17 lated mortgage loan.

18 (D) DEBT COLLECTOR.—The term “debt
19 collector” means a creditor, and any person or
20 entity that engages in the collection of debt, in-
21 cluding the Federal Government and a State
22 government, irrespective of whether the debt is
23 allegedly owed to or assigned to that person or
24 to the entity.

1 (E) FEDERALLY RELATED MORTGAGE
2 LOAN.—The term “federally related mortgage
3 loan” has the meaning given that term under
4 section 3 of the Real Estate Settlement Proce-
5 dures Act of 1974 (12 U.S.C. 2602).

6 (F) NON-PROFIT.—The term “non-profit”
7 means an organization described in section
8 501(c)(3) of the Internal Revenue Code of 1986
9 and exempt from taxation under section 501(a)
10 of such Code.

11 (G) SMALL BUSINESS.—The term “small
12 business” has the meaning given the term
13 “small business concern” under section 3 of the
14 Small Business Act.

15 (b) CREDIT FACILITY FOR OTHER PURPOSES.—The
16 Board of Governors of the Federal Reserve System shall
17 establish a facility that the Board of Governors shall use
18 to make payments to holders of loans to compensate such
19 holders for documented financial losses—

20 (1) with respect to a loan made to an indi-
21 vidual, small business, or non-profit; and

22 (2) where such losses were caused by a suspen-
23 sion of payments required under Federal law in con-
24 nection with the COVID–19 emergency.

1 **SEC. 204. REAUTHORIZATION OF THE STATE SMALL BUSI-**
2 **NESS CREDIT INITIATIVE ACT OF 2010.**

3 The State Small Business Credit Initiative Act of
4 2010 (15 U.S.C. 5701 et seq.) is amended—

5 (1) by striking “2009 allocation” each place
6 such term appears and inserting “2019 allocation”;

7 (2) by striking “2010 allocation” each place
8 such term appears and inserting “2020 allocation”;

9 (3) by striking “date of enactment of this Act”
10 each place it appears and inserting “date of the en-
11 actment of the Small Business Support and Access
12 to Capital Act of 2020”;

13 (4) by striking “date of the enactment of this
14 Act” each place it appears and inserting “date of
15 the enactment of the Small Business Support and
16 Access to Capital Act of 2020”;

17 (5) in section 3003(b)(2)—

18 (A) in the section heading, by striking
19 “**2009 ALLOCATION FORMULA**” and inserting
20 striking “**2019 ALLOCATION FORMULA**”;

21 (B) by striking “2008 State employment
22 decline” each place such term appears and in-
23 serting “2018 State employment decline”;

24 (C) in subparagraph (A), by striking
25 “2009 allocation” and inserting “2019 alloca-
26 tion”; and

1 (D) in subparagraph (C)—

2 (i) in the subparagraph heading, by
3 striking “2008 STATE EMPLOYMENT DE-
4 CLINE DEFINED” and inserting “2018
5 STATE EMPLOYMENT DECLINE DEFINED”;

6 (ii) in clause (i), by striking “Decem-
7 ber 2007” and inserting “December
8 2017”; and

9 (iii) in clause (ii), by striking “Decem-
10 ber 2008” and inserting “December
11 2018”;

12 (6) in section 3003(b)(3)—

13 (A) in the section heading, by striking
14 “**2010 ALLOCATION FORMULA**” and inserting
15 striking “**2020 ALLOCATION FORMULA**”;

16 (B) by striking “2009 unemployment num-
17 ber” each place such term appears and insert-
18 ing “2019 unemployment number”; and

19 (C) in subparagraph (C)—

20 (i) in the subparagraph heading, by
21 striking “2009 UNEMPLOYMENT NUMBER
22 DEFINED” and inserting “2019 UNEMPLOY-
23 MENT NUMBER DEFINED”; and

24 (ii) by striking “December 2009” and
25 inserting “December 2019”;

1 (7) in section 3005(e), by striking “to the Sec-
2 retary a report” and inserting “to the Secretary and
3 Congress a report”;

4 (8) in section 3007—

5 (A) in subsection (a)(1), by striking “ to
6 the Secretary a report” and inserting “to the
7 Secretary and Congress a report”; and

8 (B) in subsection (b)—

9 (i) by striking “March 31, 2011” and
10 inserting “March 31, 2021”; and

11 (ii) by striking “to the Secretary” and
12 inserting “to the Secretary and Congress”;
13 and

14 (9) in section 3009—

15 (A) in subsection (b), by striking
16 “\$1,500,000,000” and inserting
17 “\$10,000,000,000”;

18 (B) in subsection (c), by adding at the end
19 the following new sentence: “At the end of such
20 period, any amounts that remain unexpended or
21 unobligated shall be transferred to the Commu-
22 nity Development Financial Institutions Fund
23 established under section 104(a) of the Riegle
24 Community Development and Regulatory Im-
25 provement Act of 1994.”.

1 **SEC. 205. FUNDING OF THE INITIATIVE TO BUILD GROWTH**
2 **EQUITY FUNDS FOR MINORITY BUSINESSES.**

3 (a) GRANT.—The Minority Business Development
4 Agency shall provide a grant of \$3,000,000,000 to fully
5 implement the Initiative to Build Growth Equity Funds
6 for Minority Businesses (the “Initiative”; award number
7 MB19OBD8020113), including to use such amounts as
8 capital for the Equity Funds.

9 (b) ADMINISTRATIVE EXPENSES.—Of the amounts
10 provided under subsection (a), the grant recipient may use
11 not more than 2.25 percent of such amount for adminis-
12 trative expenses, of which—

13 (1) not more than 1.5 percent per annum may
14 be used for fees to be paid to investment managers
15 for fund investment activities, including deal
16 sourcing, due diligence, investment monitoring, and
17 investment reporting; and

18 (2) not more than 0.75 percent per annum may
19 be used for fund administration activities by the
20 grant recipient, including fund manager evaluation,
21 selection, monitoring, and overall fund program
22 management.

23 (c) TREATMENT OF INTEREST.—Notwithstanding
24 any other provision of law, with the approval of the Minor-
25 ity Business Development Agency, grant funds made
26 available under subsection (a) may be deposited in inter-

1 est-bearing accounts pending disbursement, and any inter-
2 est which accrues may be retained without returning such
3 interest to the Treasury of the United States and interest
4 earned may be obligated and expended for the purposes
5 for which the grant was made available without further
6 appropriation.

7 (d) REPORTING AND AUDIT REQUIREMENTS.—

8 (1) REPORTING BY RECIPIENT.—The grant re-
9 cipient under this section shall issue a report to the
10 Minority Business Development Agency every 6
11 months detailing the use of grant funds received
12 under this section and any other information that
13 the Minority Business Development Agency may re-
14 quire.

15 (2) ANNUAL REPORT TO CONGRESS.—The Mi-
16 nority Business Development Agency shall issue an
17 annual report to the Congress containing the infor-
18 mation received under paragraph (1) and an anal-
19 ysis of the implementation of the Initiative.

20 (3) GAO AUDIT.—The Comptroller General of
21 the United States shall, every 2 years, carry out an
22 audit of the Initiative and issue a report to the Con-
23 gress and the Minority Business Development Agen-
24 cy containing the results of such audit.

1 (4) FUND MANAGERS.—Fund managers shall
2 annually report on their fund management activities,
3 including—

4 (A) fund performance;

5 (B) impacts of capital investments by in-
6 dustry and geography;

7 (C) racial, ethnic, and gender demo-
8 graphics of minority businesses receiving capital
9 from the Initiative; and

10 (D) any other ancillary and economic bene-
11 fits of capital investments from the Initiative.

12 (e) FUNDING.—There is authorized to be appro-
13 priated to the Minority Business Development Agency
14 \$3,000,000,000 to make the grant described under sub-
15 section (a).

16 **SEC. 206. COMMUNITY DEVELOPMENT FINANCIAL INSTITU-**
17 **TIONS FUND SUPPLEMENTAL APPROPRIA-**
18 **TION AUTHORIZATION.**

19 There is authorized to be appropriated
20 \$1,000,000,000 for fiscal year 2020, for providing finan-
21 cial assistance and technical assistance under subpara-
22 graphs (A) and (B) of section 108(a)(1) of the Community
23 Development Banking and Financial Institutions Act of
24 1994 (12 U.S.C. 4707(a)(1)), except that subsections (d)

1 and (e) of such section 108 shall not apply to the provision
2 of such assistance.

3 **SEC. 207. MINORITY DEPOSITORY INSTITUTION.**

4 (a) SENSE OF CONGRESS ON FUNDING THE LOAN-
5 LOSS RESERVE FUND FOR SMALL DOLLAR LOANS.—The
6 sense of Congress is the following:

7 (1) The Community Development Financial In-
8 stitutions Fund (the “CDFI Fund”) is an agency of
9 the Department of the Treasury, and was estab-
10 lished by the Riegle Community Development and
11 Regulatory Improvement Act of 1994. The mission
12 of the CDFI Fund is “to expand economic oppor-
13 tunity for underserved people and communities by
14 supporting the growth and capacity of a national
15 network of community development lenders, inves-
16 tors, and financial service providers”. A community
17 development financial institution (a “CDFI”) is a
18 specialized financial institution serving low-income
19 communities and a Community Development Entity
20 (a “CDE”) is a domestic corporation or partnership
21 that is an intermediary vehicle for the provision of
22 loans, investments, or financial counseling in low-in-
23 come communities. The CDFI Fund certifies CDFIs
24 and CDEs. Becoming a certified CDFI or CDE al-

1 lows organizations to participate in various CDFI
2 Fund programs as follows:

3 (A) The Bank Enterprise Award Program,
4 which provides FDIC-insured depository institu-
5 tions awards for a demonstrated increase in
6 lending and investments in distressed commu-
7 nities and CDFIs.

8 (B) The CDFI Program, which provides
9 Financial and Technical Assistance awards to
10 CDFIs to reinvest in the CDFI, and to build
11 the capacity of the CDFI, including financing
12 product development and loan loss reserves.

13 (C) The Native American CDFI Assistance
14 Program, which provides CDFIs and spon-
15 soring entities Financial and Technical Assist-
16 ance awards to increase lending and grow the
17 number of CDFIs owned by Native Americans
18 to help build capacity of such CDFIs.

19 (D) The New Market Tax Credit Program,
20 which provides tax credits for making equity in-
21 vestments in CDEs that stimulate capital in-
22 vestments in low-income communities.

23 (E) The Capital Magnet Fund, which pro-
24 vides awards to CDFIs and nonprofit affordable
25 housing organizations to finance affordable

1 housing solutions and related economic develop-
2 ment activities.

3 (F) The Bond Guarantee Program, a
4 source of long-term, patient capital for CDFIs
5 to expand lending and investment capacity for
6 community and economic development purposes.

7 (2) The Department of the Treasury is author-
8 ized to create multi-year grant programs designed to
9 encourage low-to-moderate income individuals to es-
10 tablish accounts at federally insured banks, and to
11 improve low-to-moderate income individuals' access
12 to such accounts on reasonable terms.

13 (3) Under this authority, grants to participants
14 in CDFI Fund programs may be used for loan-loss
15 reserves and to establish small-dollar loan programs
16 by subsidizing related losses. These grants also allow
17 for the providing recipients with the financial coun-
18 seling and education necessary to conduct trans-
19 actions and manage their accounts. These loans pro-
20 vide low-cost alternatives to payday loans and other
21 nontraditional forms of financing that often impose
22 excessive interest rates and fees on borrowers, and
23 lead millions of Americans to fall into debt traps.
24 Small-dollar loans can only be made pursuant to

1 terms, conditions, and practices that are reasonable
2 for the individual consumer obtaining the loan.

3 (4) Program participation is restricted to eligi-
4 ble institutions, which are limited to organizations
5 listed in section 501(c)(3) of the Internal Revenue
6 Code and exempt from tax under 501(a) of such
7 Code, federally insured depository institutions, com-
8 munity development financial institutions and State,
9 local, or Tribal government entities.

10 (5) Since its founding, the CDFI Fund has
11 awarded over \$3,300,000,000 to CDFIs and CDEs,
12 allocated \$54,000,000,000 in tax credits, and
13 \$1,510,000,000 in bond guarantees. According to
14 the CDFI Fund, some programs attract as much as
15 \$10 in private capital for every \$1 invested by the
16 CDFI Fund. The Administration and the Congress
17 should prioritize appropriation of funds for the loan
18 loss reserve fund and technical assistance programs
19 administered by the Community Development Finan-
20 cial Institution Fund, as included in the version of
21 the “Financial Services and General Government
22 Appropriations Act, 2020” (H.R. 3351) that passed
23 the House of Representatives on June, 26, 2019.

24 (b) DEFINITIONS.—In this section:

1 (1) COMMUNITY DEVELOPMENT FINANCIAL IN-
2 STITUTION.—The term “community development fi-
3 nancial institution” has the meaning given under
4 section 103 of the Riegle Community Development
5 and Regulatory Improvement Act of 1994 (12
6 U.S.C. 4702).

7 (2) MINORITY DEPOSITORY INSTITUTION.—The
8 term “minority depository institution” has the
9 meaning given under section 308 of the Financial
10 Institutions Reform, Recovery, and Enforcement Act
11 of 1989 (12 U.S.C. 1463 note), as amended by this
12 Act.

13 (c) INCLUSION OF WOMEN’S BANKS IN THE DEFINI-
14 TION OF MINORITY DEPOSITORY INSTITUTION.—Section
15 308(b)(1) of the Financial Institutions Reform, Recovery,
16 and Enforcement Act of 1989 (12 U.S.C. 1463 note) is
17 amended—

18 (1) by redesignating subparagraphs (A), (B),
19 and (C) as clauses (i), (ii), and (iii), respectively;

20 (2) by striking “means any” and inserting the
21 following: “means—

22 “(A) any”; and

23 (3) in clause (iii) (as so redesignated), by strik-
24 ing the period at the end and inserting “; or”; and

1 (4) by inserting at the end the following new
2 subparagraph:

3 “(B) any bank described in clause (i), (ii),
4 or (iii) of section 19(b)(1)(A) of the Federal
5 Reserve Act—

6 “(i) more than 50 percent of the out-
7 standing shares of which are held by 1 or
8 more women; and

9 “(ii) the majority of the directors on
10 the board of directors of which are
11 women.”.

12 (d) ESTABLISHMENT OF IMPACT BANK DESIGNA-
13 TION.—

14 (1) IN GENERAL.—Each appropriate Federal
15 banking agency shall establish a program under
16 which a depository institution with total consolidated
17 assets of less than \$10,000,000,000 may elect to be
18 designated as an impact bank if 50 percent or more
19 of the loans extended by such covered bank are ex-
20 tended to low-income borrowers.

21 (2) DESIGNATION.—Based on data obtained
22 through examinations, an appropriate Federal bank-
23 ing agency shall submit a notification to a depository
24 institution stating that the depository institution
25 qualifies for designation as an impact bank.

1 (3) APPLICATION.—A depository institution
2 that does not receive a notification described in
3 paragraph (2) may submit an application to the ap-
4 propriate Federal banking agency demonstrating
5 that the depository institution qualifies for designa-
6 tion as an impact bank.

7 (4) ADDITIONAL DATA OR OVERSIGHT.—A de-
8 pository institution is not required to submit addi-
9 tional data to an appropriate Federal banking agen-
10 cy or be subject to additional oversight from such an
11 agency if such data or oversight is related specifi-
12 cally and solely for consideration for a designation
13 as an impact bank.

14 (5) REMOVAL OF DESIGNATION.—If an appro-
15 priate Federal banking agency determines that a de-
16 pository institution designated as an impact bank no
17 longer meets the criteria for such designation, the
18 appropriate Federal banking agency shall rescind
19 the designation and notify the depository institution
20 of such rescission.

21 (6) RECONSIDERATION OF DESIGNATION; AP-
22 PEALS.—A depository institution may—

23 (A) submit to the appropriate Federal
24 banking agency a request to reconsider a deter-

1 mination that such depository institution no
2 longer meets the criteria for the designation; or

3 (B) file an appeal in accordance with pro-
4 cedures established by the appropriate Federal
5 banking agency.

6 (7) RULEMAKING.—Not later than 1 year after
7 the date of the enactment of this Act, the appro-
8 priate Federal banking agencies shall jointly issue
9 rules to carry out the requirements of this sub-
10 section, including by providing a definition of a low-
11 income borrower.

12 (8) FEDERAL DEPOSIT INSURANCE ACT DEFINI-
13 TIONS.—In this subsection, the terms “depository
14 institution” and “appropriate Federal banking agen-
15 cy” have the meanings given such terms, respec-
16 tively, in section 3 of the Federal Deposit Insurance
17 Act (12 U.S.C. 1813).

18 (e) MINORITY DEPOSITORY INSTITUTIONS ADVISORY
19 COMMITTEES.—

20 (1) ESTABLISHMENT.—Each covered regulator
21 shall establish an advisory committee to be called the
22 “Minority Depository Institutions Advisory Com-
23 mittee”.

24 (2) DUTIES.—Each Minority Depository Insti-
25 tutions Advisory Committee shall provide advice to

1 the respective covered regulator on meeting the goals
2 established by section 308 of the Financial Institu-
3 tions Reform, Recovery, and Enforcement Act of
4 1989 (12 U.S.C. 1463 note) to preserve the present
5 number of covered minority institutions, preserve the
6 minority character of minority-owned institutions in
7 cases involving mergers or acquisitions, provide tech-
8 nical assistance, and encourage the creation of new
9 covered minority institutions. The scope of the work
10 of each such Minority Depository Institutions Advi-
11 sory Committee shall include an assessment of the
12 current condition of covered minority institutions,
13 what regulatory changes or other steps the respec-
14 tive agencies may be able to take to fulfill the re-
15 quirements of such section 308, and other issues of
16 concern to minority depository institutions.

17 (3) MEMBERSHIP.—

18 (A) IN GENERAL.—Each Minority Deposi-
19 tory Institutions Advisory Committee shall con-
20 sist of no more than 10 members, who—

21 (i) shall serve for one two-year term;

22 (ii) shall serve as a representative of
23 a depository institution or an insured cred-
24 it union with respect to which the respec-
25 tive covered regulator is the covered regu-

1 lator of such depository institution or in-
2 sured credit union; and

3 (iii) shall not receive pay by reason of
4 their service on the advisory committee,
5 but may receive travel or transportation
6 expenses in accordance with section 5703
7 of title 5, United States Code.

8 (B) DIVERSITY.—To the extent prac-
9 ticable, each covered regulator shall ensure that
10 the members of Minority Depository Institu-
11 tions Advisory Committee of such agency reflect
12 the diversity of depository institutions.

13 (4) MEETINGS.—

14 (A) IN GENERAL.—Each Minority Deposi-
15 tory Institutions Advisory Committee shall meet
16 not less frequently than twice each year.

17 (B) INVITATIONS.—Each Minority Deposi-
18 tory Institutions Advisory Committee shall in-
19 vite the attendance at each meeting of the Mi-
20 nority Depository Institutions Advisory Com-
21 mittee of—

22 (i) one member of the majority party
23 and one member of the minority party of
24 the Committee on Financial Services of the
25 House of Representatives and the Com-

1 mittee on Banking, Housing, and Urban
2 Affairs of the Senate; and

3 (ii) one member of the majority party
4 and one member of the minority party of
5 any relevant subcommittees of such com-
6 mittees.

7 (5) NO TERMINATION OF ADVISORY COMMIT-
8 TEES.—The termination requirements under section
9 14 of the Federal Advisory Committee Act (5 U.S.C.
10 app.) shall not apply to a Minority Depository Insti-
11 tutions Advisory Committee established pursuant to
12 this subsection.

13 (6) DEFINITIONS.—In this subsection:

14 (A) COVERED REGULATOR.—The term
15 “covered regulator” means the Comptroller of
16 the Currency, the Board of Governors of the
17 Federal Reserve System, the Federal Deposit
18 Insurance Corporation, and the National Credit
19 Union Administration.

20 (B) COVERED MINORITY INSTITUTION.—
21 The term “covered minority institution” means
22 a minority depository institution (as defined in
23 section 308(b) of the Financial Institutions Re-
24 form, Recovery, and Enforcement Act of 1989
25 (12 U.S.C. 1463 note)) or a minority credit

1 union (as defined in section 1204(c) of the Fi-
2 nancial Institutions Reform, Recovery, and En-
3 forcement Act of 1989, as amended by this
4 Act).

5 (C) DEPOSITORY INSTITUTION.—The term
6 “depository institution” has the meaning given
7 under section 3 of the Federal Deposit Insur-
8 ance Act (12 U.S.C. 1813).

9 (D) INSURED CREDIT UNION.—The term
10 “insured credit union” has the meaning given
11 in section 101 of the Federal Credit Union Act
12 (12 U.S.C. 1752).

13 (7) TECHNICAL AMENDMENT.—Section 308(b)
14 of the Financial Institutions Reform, Recovery, and
15 Enforcement Act of 1989 (12 U.S.C. 1463 note) is
16 amended by adding at the end the following new
17 paragraph:

18 “(3) DEPOSITORY INSTITUTION.—The term ‘de-
19 pository institution’ means an ‘insured depository in-
20 stitution’ (as defined in section 3 of the Federal De-
21 posit Insurance Act (12 U.S.C. 1813)) and an in-
22 sured credit union (as defined in section 101 of the
23 Federal Credit Union Act (12 U.S.C. 1752)).”.

24 (f) FEDERAL DEPOSITS IN MINORITY DEPOSITORY
25 INSTITUTIONS.—

1 (1) IN GENERAL.—Section 308 of the Financial
2 Institutions Reform, Recovery, and Enforcement Act
3 of 1989 (12 U.S.C. 1463 note) is amended—

4 (A) by adding at the end the following new
5 subsection:

6 “(d) FEDERAL DEPOSITS.—The Secretary of the
7 Treasury shall ensure that deposits made by Federal agen-
8 cies in minority depository institutions and impact banks
9 are fully collateralized or fully insured, as determined by
10 the Secretary. Such deposits shall include reciprocal de-
11 posits as defined in section 337.6(e)(2)(v) of title 12, Code
12 of Federal Regulations (as in effect on March 6, 2019).”;
13 and

14 (B) in subsection (b), as amended by sec-
15 tion 6(g), by adding at the end the following
16 new paragraph:

17 “(4) IMPACT BANK.—The term ‘impact bank’
18 means a depository institution designated by an ap-
19 propriate Federal banking agency pursuant to sec-
20 tion 5 of the Ensuring Diversity in Community
21 Banking Act of 2020.”.

22 (2) TECHNICAL AMENDMENTS.—Section 308 of
23 the Financial Institutions Reform, Recovery, and
24 Enforcement Act of 1989 (12 U.S.C. 1463 note) is
25 amended—

1 (A) in the matter preceding paragraph (1),
2 by striking “section—” and inserting “sec-
3 tion:”; and

4 (B) in the paragraph heading for para-
5 graph (1), by striking “FINANCIAL” and insert-
6 ing “DEPOSITORY”.

7 (g) MINORITY BANK DEPOSIT PROGRAM.—

8 (1) IN GENERAL.—Section 1204 of the Finan-
9 cial Institutions Reform, Recovery, and Enforcement
10 Act of 1989 (12 U.S.C. 1811 note) is amended to
11 read as follows:

12 **“SEC. 1204. EXPANSION OF USE OF MINORITY BANKS AND**
13 **MINORITY CREDIT UNIONS.**

14 “(a) MINORITY BANK DEPOSIT PROGRAM.—

15 “(1) ESTABLISHMENT.—There is established a
16 program to be known as the ‘Minority Bank Deposit
17 Program’ to expand the use of minority banks and
18 minority credit unions.

19 “(2) ADMINISTRATION.—The Secretary of the
20 Treasury, acting through the Fiscal Service, shall—

21 “(A) on application by a depository institu-
22 tion or credit union, certify whether such depos-
23 itory institution or credit union is a minority
24 bank or minority credit union;

1 “(B) maintain and publish a list of all de-
2 pository institutions and credit unions that have
3 been certified pursuant to subparagraph (A);
4 and

5 “(C) periodically distribute the list de-
6 scribed in subparagraph (B) to—

7 “(i) all Federal departments and
8 agencies;

9 “(ii) interested State and local govern-
10 ments; and

11 “(iii) interested private sector compa-
12 nies.

13 “(3) INCLUSION OF CERTAIN ENTITIES ON
14 LIST.—A depository institution or credit union that,
15 on the date of the enactment of this section, has a
16 current certification from the Secretary of the
17 Treasury stating that such depository institution or
18 credit union is a minority bank or minority credit
19 union shall be included on the list described under
20 paragraph (2)(B).

21 “(b) EXPANDED USE AMONG FEDERAL DEPART-
22 MENTS AND AGENCIES.—

23 “(1) IN GENERAL.—Not later than 1 year after
24 the establishment of the program described in sub-
25 section (a), the head of each Federal department or

1 agency shall develop and implement standards and
2 procedures to ensure, to the maximum extent pos-
3 sible as permitted by law, the use of minority banks
4 and minority credit unions to serve the financial
5 needs of each such department or agency.

6 “(2) REPORT TO CONGRESS.—Not later than 2
7 years after the establishment of the program de-
8 scribed in subsection (a), and annually thereafter,
9 the head of each Federal department or agency shall
10 submit to Congress a report on the actions taken to
11 increase the use of minority banks and minority
12 credit unions to serve the financial needs of each
13 such department or agency.

14 “(c) DEFINITIONS.—For purposes of this section:

15 “(1) CREDIT UNION.—The term ‘credit union’
16 has the meaning given the term ‘insured credit
17 union’ in section 101 of the Federal Credit Union
18 Act (12 U.S.C. 1752).

19 “(2) DEPOSITORY INSTITUTION.—The term ‘de-
20 pository institution’ has the meaning given the term
21 ‘insured depository institution’ in section 3 of the
22 Federal Deposit Insurance Act (12 U.S.C. 1813).

23 “(3) MINORITY.—The term ‘minority’ means
24 any Black American, Native American, Hispanic
25 American, or Asian American.

1 “(4) MINORITY BANK.—The term ‘minority
2 bank’ means a minority depository institution as de-
3 fined in section 308 of this Act.

4 “(5) MINORITY CREDIT UNION.—The term ‘mi-
5 nority credit union’ means any credit union for
6 which more than 50 percent of the membership (in-
7 cluding board members) of such credit union are mi-
8 nority individuals, as determined by the National
9 Credit Union Administration pursuant to section
10 308 of this Act.”.

11 (2) CONFORMING AMENDMENTS.—The fol-
12 lowing provisions are amended by striking
13 “1204(c)(3)” and inserting “1204(c)”:

14 (A) Section 808(b)(3) of the Community
15 Reinvestment Act of 1977 (12 U.S.C.
16 2907(b)(3)).

17 (B) Section 40(g)(1)(B) of the Federal De-
18 posit Insurance Act (12 U.S.C.
19 1831q(g)(1)(B)).

20 (C) Section 704B(h)(4) of the Equal Cred-
21 it Opportunity Act (15 U.S.C. 1691c–2(h)(4)).

22 (h) DIVERSITY REPORT AND BEST PRACTICES.—

23 (1) ANNUAL REPORT.—Each covered regulator
24 shall submit to Congress an annual report on diver-
25 sity including the following:

1 (A) Data, based on voluntary self-identi-
2 fication, on the racial, ethnic, and gender com-
3 position of the examiners of each covered regu-
4 lator, disaggregated by length of time served as
5 an examiner.

6 (B) The status of any examiners of cov-
7 ered regulators, based on voluntary self-identi-
8 fication, as a veteran.

9 (C) Whether any covered regulator, as of
10 the date on which the report required under
11 this subsection is submitted, has adopted a pol-
12 icy, plan, or strategy to promote racial, ethnic,
13 and gender diversity among examiners of the
14 covered regulator.

15 (D) Whether any special training is devel-
16 oped and provided for examiners related specifi-
17 cally to working with banks that serve commu-
18 nities that are predominantly minorities, low in-
19 come, or rural, and the key focus of such train-
20 ing.

21 (2) BEST PRACTICES.—Each Office of Minority
22 and Women Inclusion of a covered regulator shall
23 develop, provide to the head of the covered regulator,
24 and make publicly available best practices—

1 (A) for increasing the diversity of can-
2 didates applying for examiner positions, includ-
3 ing through outreach efforts to recruit diverse
4 candidate to apply for entry-level examiner posi-
5 tions; and

6 (B) for retaining and providing fair consid-
7 eration for promotions within the examiner
8 staff for purposes of achieving diversity among
9 examiners.

10 (3) COVERED REGULATOR DEFINED.—In this
11 subsection, the term “covered regulator” means the
12 Comptroller of the Currency, the Board of Gov-
13 ernors of the Federal Reserve System, the Federal
14 Deposit Insurance Corporation, and the National
15 Credit Union Administration.

16 (i) INVESTMENTS IN MINORITY DEPOSITORY INSTI-
17 TUTIONS AND IMPACT BANKS.—

18 (1) CONTROL FOR CERTAIN INSTITUTIONS.—
19 Section 7(j)(8)(B) of the Federal Deposit Insurance
20 Act (12 U.S.C. 1817(j)(8)(B)) is amended to read
21 as follows:

22 “(B) ‘control’ means the power, directly or indi-
23 rectly—

24 “(i) to direct the management or policies
25 of an insured depository institution; or

1 “(ii)(I) with respect to an insured deposi-
2 tory institution, of a person to vote 25 per cen-
3 tum or more of any class of voting securities of
4 such institution; or

5 “(II) with respect to an insured depository
6 institution that is an impact bank (as des-
7 ignated pursuant to section 5 of the Ensuring
8 Diversity in Community Banking Act of 2020)
9 or a minority depository institution (as defined
10 in section 308(b) of the Financial Institutions
11 Reform, Recovery, and Enforcement Act of
12 1989), of an individual to vote 30 percent of
13 more of any class of voting securities of such an
14 impact bank or a minority depository institu-
15 tion.”.

16 (2) RULEMAKING.—The appropriate Federal
17 banking agency (as defined in section 3 of the Fed-
18 eral Deposit Insurance Act (12 U.S.C. 1813)) shall
19 jointly issue rules for de novo minority depository in-
20 stitutions and de novo impact banks (as designated
21 pursuant to section 5) to allow 3 years to meet the
22 capital requirements otherwise applicable to minority
23 depository institutions and impact banks.

24 (3) REPORT.—Not later than 1 year after the
25 date of the enactment of this Act, the appropriate

1 Federal banking agencies shall jointly submit to
2 Congress a report on—

3 (A) the principal causes for the low num-
4 ber of de novo minority depository institutions
5 during the 10-year period preceding the date of
6 the report;

7 (B) the main challenges to the creation of
8 de novo minority depository institutions and de
9 novo impact banks; and

10 (C) regulatory and legislative consider-
11 ations to promote the establishment of de novo
12 minority depository institutions and de novo im-
13 pact banks.

14 (j) REQUIREMENT TO MENTOR MINORITY DEPOSI-
15 TORY INSTITUTIONS OR COMMUNITY DEVELOPMENT FI-
16 NANCIAL INSTITUTIONS TO SERVE AS A DEPOSITORY OR
17 FINANCIAL AGENT.—

18 (1) IN GENERAL.—Before a large financial in-
19 stitution may be employed as a financial agent of
20 the Department of the Treasury or perform any rea-
21 sonable duties as depository of public moneys of the
22 Department of the Treasury, the large financial in-
23 stitution shall demonstrate participation as a mentor
24 in a covered mentor-protege program to a protege

1 firm that is a minority depository institution or a
2 community development financial institution.

3 (2) REPORT.—Not later than 6 months after
4 the date of the enactment of this Act and annually
5 thereafter, the Secretary of the Treasury shall sub-
6 mit to Congress a report on participants in a cov-
7 ered mentor-protege program, including an analysis
8 of outcomes of such program.

9 (3) PROCEDURES.—The Secretary of the Treas-
10 ury shall publish procedures for compliance with the
11 requirements of this subsection for large financial
12 institutions.

13 (4) DEFINITIONS.—In this subsection:

14 (A) COVERED MENTOR-PROTEGE PRO-
15 GRAM.—The term “covered mentor-protege pro-
16 gram” means a mentor-protege program estab-
17 lished by the Secretary of the Treasury pursu-
18 ant to section 45 of the Small Business Act (15
19 U.S.C. 657r).

20 (B) LARGE FINANCIAL INSTITUTION.—The
21 term “large financial institution” means any
22 entity—

23 (i) regulated by the Comptroller of the
24 Currency, the Board of Governors of the
25 Federal Reserve System, the Federal De-

1 posit Insurance Corporation, or the Na-
2 tional Credit Union Administration; and

3 (ii) that has total consolidated assets
4 greater than or equal to \$50,000,000,000.

5 (k) CUSTODIAL DEPOSIT PROGRAM FOR COVERED
6 MINORITY DEPOSITORY INSTITUTIONS AND IMPACT
7 BANKS.—

8 (1) ESTABLISHMENT.—The Secretary of the
9 Treasury shall establish a custodial deposit program
10 (in this subsection referred to as the “Program”)
11 under which a covered bank shall receive monthly
12 deposits from a qualifying account.

13 (2) APPLICATION.—A covered bank shall sub-
14 mit to the Secretary an application to participate in
15 the Program at such time, in such manner, and con-
16 taining such information as the Secretary may deter-
17 mine.

18 (3) PROGRAM OPERATIONS.—

19 (A) DESIGNATION OF CUSTODIAL ENTI-
20 TIES.—The Secretary shall designate eligible
21 custodial entities to make monthly deposits with
22 covered banks selected for participation in the
23 Program on behalf of a qualifying account.

24 (B) CUSTODIAL ACCOUNTS.—

1 (i) IN GENERAL.—The Secretary shall
2 establish a custodial deposit account for
3 each qualifying account with the eligible
4 custodial entity designated to make depos-
5 its with covered banks for each such quali-
6 fying account.

7 (ii) AMOUNT.—The Secretary shall
8 deposit a total amount not greater than 5
9 percent of a qualifying account into any
10 custodial deposit accounts established
11 under subparagraph (A).

12 (iii) DEPOSITS WITH PROGRAM PAR-
13 TICIPANTS.—

14 (I) MONTHLY DEPOSITS.—Each
15 month, each eligible custodial entity
16 designated by the Secretary shall de-
17 posit an amount not greater than the
18 insured amount, in the aggregate,
19 from each custodial deposit account,
20 in a single covered bank.

21 (II) LIMITATION.—With respect
22 to the funds of an individual quali-
23 fying account, the eligible custodial
24 entity may not deposit an amount

1 greater than the insured amount in a
2 single covered bank.

3 (III) INSURED AMOUNT DE-
4 FINED.—In this clause, the term “in-
5 sured amount” means the amount
6 that is the greater of—

7 (aa) the standard maximum
8 deposit insurance amount (as de-
9 fined in section 11(a)(1)(E) of
10 the Federal Deposit Insurance
11 Act (12 U.S.C. 1821(a)(1)(E)));
12 or

13 (bb) such higher amount ne-
14 gotiated between the Secretary
15 and the Corporation under which
16 the Corporation will insure all de-
17 posits of such higher amount.

18 (iv) LIMITATIONS.—The total amount
19 of funds deposited under the Program in a
20 covered bank may not exceed the lesser
21 of—

22 (I) 10 percent of the average
23 amount of deposits held by such cov-
24 ered bank in the previous quarter; or

25 (II) \$100,000,000.

1 (C) INTEREST.—

2 (i) IN GENERAL.—Each eligible custo-
3 dial entity designated by the Secretary
4 shall—

5 (I) collect interest from each cov-
6 ered bank in which such custodial en-
7 tity deposits funds pursuant to sub-
8 paragraph (B); and

9 (II) disburse such interest to the
10 Secretary each month.

11 (ii) INTEREST RATE.—The rate of any
12 interest collected under this subparagraph
13 may not exceed 50 percent of the discount
14 window primary credit interest rate most
15 recently published on the Federal Reserve
16 Statistical Release on selected interest
17 rates (daily or weekly), commonly referred
18 to as the H.15 release (commonly known
19 as the “Federal funds rate”).

20 (D) STATEMENTS.—Each eligible custodial
21 entity designated by the Secretary shall submit
22 to the Secretary monthly statements that in-
23 clude the total amount of funds deposited with,
24 and interest rate received from, each covered

1 bank by the eligible custodial entity on behalf of
2 qualifying entities.

3 (E) RECORDS.—The Secretary shall issue
4 a quarterly report to Congress and make pub-
5 licly available a record identifying all covered
6 banks participating in the Program and
7 amounts deposited under the Program in cov-
8 ered banks.

9 (4) REQUIREMENTS RELATING TO DEPOSITS.—
10 Deposits made with covered banks under this sub-
11 section may not—

12 (A) be considered by the Corporation to be
13 funds obtained, directly or indirectly, by or
14 through any deposit broker for deposit into 1 or
15 more deposit accounts (as described under sec-
16 tion 29 of the Federal Deposit Insurance Act
17 (12 U.S.C. 1831f)); or

18 (B) be subject to insurance fees from the
19 Corporation that are greater than insurance
20 fees for typical demand deposits not obtained,
21 directly or indirectly, by or through any deposit
22 broker (commonly known as “core deposits”).

23 (5) MODIFICATIONS.—

24 (A) IN GENERAL.—The Secretary shall
25 provide a 3-month period for public notice and

1 comment before making any material change to
2 the operation of the Program.

3 (B) EXCEPTION.—The requirements of
4 subparagraph (A) shall not apply if the Sec-
5 retary makes a material change to the Program
6 to comply with safety and soundness standards
7 or other law.

8 (6) TERMINATION.—

9 (A) BY COVERED BANK.—A covered bank
10 selected for participation in the Program pursu-
11 ant to paragraph (3) may terminate participa-
12 tion in the Program by providing the Secretary
13 a notification 60 days prior to termination.

14 (B) BY SECRETARY.—The Secretary may
15 terminate the participation of a covered bank in
16 the Program if the Secretary determines the
17 covered bank—

18 (i) violated any terms of participation
19 in the Program;

20 (ii) failed to comply with Federal
21 bank secrecy laws, as documented in writ-
22 ing by the primary regulator of the covered
23 bank;

24 (iii) failed to remain well capitalized;
25 or

1 (iv) failed comply with safety and
2 soundness standards, as documented in
3 writing by the primary regulator of the
4 covered bank.

5 (7) DEFINITIONS.—In this subsection:

6 (A) CORPORATION.—The term “Corpora-
7 tion” means the Federal Deposit Insurance
8 Corporation.

9 (B) COVERED BANK.—The term “covered
10 bank” means—

11 (i) a minority depository institution
12 that is regulated by the Corporation or the
13 National Credit Union Administration that
14 is well capitalized (as defined in section
15 38(b) of the Federal Deposit Insurance
16 Act (12 U.S.C. 1831o(b))); or

17 (ii) a depository institution designated
18 pursuant to section 5 of the Ensuring Di-
19 versity in Community Banking Act of 2020
20 that is well capitalized (as defined in sec-
21 tion 38(b) of the Federal Deposit Insur-
22 ance Act (12 U.S.C. 1831o(b))).

23 (C) ELIGIBLE CUSTODIAL ENTITY.—The
24 term “eligible custodial entity” means—

1 (i) an insured depository institution
2 (as defined in section 3 of the Federal De-
3 posit Insurance Act (12 U.S.C. 1813)),

4 (ii) an insured credit union (as de-
5 fined in section 101 of the Federal Credit
6 Union Act (12 U.S.C. 1752)), or

7 (iii) or a well capitalized State-char-
8 tered trust company,
9 designated by the Secretary under subsection
10 (k)(3)(A).

11 (D) FEDERAL BANK SECRECY LAWS.—The
12 term “Federal bank secrecy laws” means—

13 (i) section 21 of the Federal Deposit
14 Insurance Act (12 U.S.C. 1829b);

15 (ii) section 123 of Public Law 91–
16 508; and

17 (iii) subchapter II of chapter 53 of
18 title 31, United States Code.

19 (E) QUALIFYING ACCOUNT.—The term
20 “qualifying account” means any account estab-
21 lished in the Department of the Treasury
22 that—

23 (i) is controlled by the Secretary; and

1 (ii) is expected to maintain a balance
2 greater than \$200,000,000 for the fol-
3 lowing calendar month.

4 (F) SECRETARY.—The term “Secretary”
5 means the Secretary of the Treasury.

6 (G) WELL CAPITALIZED.—The term “well
7 capitalized” has the meaning given in section
8 38 of the Federal Deposit Insurance Act (12
9 U.S.C. 1831o).

10 (I) STREAMLINED COMMUNITY DEVELOPMENT FI-
11 NANCIAL INSTITUTION APPLICATIONS AND REPORTING.—

12 (1) APPLICATION PROCESSES.—Not later than
13 12 months after the date of the enactment of this
14 Act and with respect to any person having assets
15 under \$3,000,000,000 that submits an application
16 for deposit insurance with the Federal Deposit In-
17 surance Corporation that could also become a com-
18 munity development financial institution, the Fed-
19 eral Deposit Insurance Corporation, in consultation
20 with the Administrator of the Community Develop-
21 ment Financial Institutions Fund, shall—

22 (A) develop systems and procedures to
23 record necessary information to allow the Ad-
24 ministrator to conduct preliminary analysis for

1 such person to also become a community devel-
2 opment financial institution; and

3 (B) develop procedures to streamline the
4 application and annual certification processes
5 and to reduce costs for such person to become,
6 and maintain certification as, a community de-
7 velopment financial institution that serves low-
8 and moderate-income neighborhoods (as defined
9 under the Community Reinvestment Act of
10 1977 (12 U.S.C. 2901 et seq.)).

11 (2) REPORT ON IMPLEMENTATION.—Not later
12 than 18 months after the date of the enactment of
13 this Act, the Federal Deposit Insurance Corporation
14 shall submit to Congress a report describing the sys-
15 tems and procedures required under paragraph (1).

16 (3) ANNUAL REPORT.—

17 (A) IN GENERAL.—Section 17(a)(1) of the
18 Federal Deposit Insurance Act (12 U.S.C.
19 1827(a)(1)) is amended—

20 (i) in subparagraph (E), by striking
21 “and” at the end;

22 (ii) by redesignating subparagraph
23 (F) as subparagraph (G);

24 (iii) by inserting after subparagraph
25 (E) the following new subparagraph:

1 “(F) applicants for deposit insurance that
2 could also become a community development fi-
3 nancial institution (as defined in section 103 of
4 the Riegle Community Development and Regu-
5 latory Improvement Act of 1994), a minority
6 depository institution (as defined in section 308
7 of the Financial Institutions Reform, Recovery,
8 and Enforcement Act of 1989), or an impact
9 bank (as designated pursuant to section 5 of
10 the Ensuring Diversity in Community Banking
11 Act of 2020); and”.

12 (B) APPLICATION.—The amendment made
13 by this paragraph shall apply with respect to
14 the first report to be submitted after the date
15 that is 2 years after the date of the enactment
16 of this Act.

17 (m) TASK FORCE ON LENDING TO SMALL BUSINESS
18 CONCERNS.—

19 (1) IN GENERAL.—Not later than 6 months
20 after the date of the enactment of this Act, the Ad-
21 ministrator of the Small Business Administration
22 shall establish a task force to examine methods for
23 improving relationships between the Small Business
24 Administration and community development finan-
25 cial institutions, minority depository institutions,

1 and impact bank (as designated pursuant to section
2 5 of the Ensuring Diversity in Community Banking
3 Act of 2020) to increase the volume of loans pro-
4 vided by such institutions to small business concerns
5 (as defined under section 3 of the Small Business
6 Act (15 U.S.C. 632)).

7 (2) REPORT TO CONGRESS.—Not later than 18
8 months after the establishment of the task force de-
9 scribed in paragraph (1), the Administrator of the
10 Small Business Administration shall submit to Con-
11 gress a report on the findings of such task force.

12 (n) ASSISTANCE TO MINORITY DEPOSITORY INSTI-
13 TUTIONS AND IMPACT BANKS.—The Secretary of the
14 Treasury shall establish a program to provide assistance
15 to a minority depository institution or an impact bank (as
16 designated pursuant to section 5 of the Ensuring Diversity
17 in Community Banking Act of 2020) to support growth
18 and development of such minority depository institutions
19 and impact banks, including by providing assistance with
20 obtaining or converting a charter, bylaw amendments,
21 field-of-membership expansion requests, and online train-
22 ing and resources.

23 **SEC. 208. LOANS TO MDIS AND CDFIS.**

24 (a) IN GENERAL.—During the COVID–19 emergency
25 period, the Board of Governors of the Federal Reserve

1 System shall provide zero-interest loans to minority depos-
2 itory institutions and community development financial in-
3 stitutions to help mitigate the economic impact of
4 COVID–19 in low-income, underserved communities.

5 (b) ASSET LIMITATION.—Subsection (a) shall only
6 apply to minority depository institutions and community
7 development financial institutions with less than
8 \$1,000,000,000 in assets.

9 (c) INTEREST TO RESUME 18 MONTHS AFTER PAN-
10 DEMIC.—Notwithstanding subsection (a), the Board of
11 Governors shall charge interest on loans made pursuant
12 to subsection (a) after the end of the 18-month period be-
13 ginning at the end of the COVID–19 emergency period,
14 at a rate to be determined by the Board of Governors
15 based on the interest amount charged under the discount
16 window lending programs.

17 (d) COVID–19 PANDEMIC DEFINED.—In this sec-
18 tion, the term “COVID–19 emergency period” means the
19 period that begins upon the date of the enactment of this
20 Act and ends upon the date of the termination by the Fed-
21 eral Emergency Management Administration of the emer-
22 gency declared on March 13, 2020, by the President under
23 the Robert T. Stafford Disaster Relief and Emergency As-
24 sistance Act (42 U.S.C. 4121 et seq.) relating to the
25 Coronavirus Disease 2019 (COVID–19) pandemic.

1 **SEC. 209. INSURANCE OF TRANSACTION ACCOUNTS.**

2 (a) BANKS AND SAVINGS ASSOCIATIONS.—

3 (1) AMENDMENTS.—Section 11(a)(1) of the
4 Federal Deposit Insurance Act (12 U.S.C.
5 1821(a)(1)) is amended—

6 (A) in subparagraph (B)—

7 (i) by striking “The net amount” and
8 inserting the following:

9 “(i) IN GENERAL.—Subject to clause
10 (ii), the net amount”; and

11 (ii) by adding at the end the following
12 new clauses:

13 “(ii) AUTHORIZATION FOR INSURANCE
14 FOR TRANSACTION ACCOUNTS.—Notwith-
15 standing clause (i), the Corporation may
16 fully insure the net amount that any de-
17 positor at an insured depository institution
18 maintains in a transaction account. Such
19 amount shall not be taken into account
20 when computing the net amount due to
21 such depositor under clause (i).

22 “(iii) TRANSACTION ACCOUNT DE-
23 FINED.—For purposes of this subpara-
24 graph, the term ‘transaction account’ has
25 the meaning given that term under section

1 19 of the Federal Reserve Act (12 U.S.C.
2 461).”; and

3 (B) in subparagraph (C), by striking “sub-
4 paragraph (B)” and inserting “subparagraph
5 (B)(i)”.

6 (2) PROSPECTIVE REPEAL.—Effective January
7 1, 2022, section 11(a)(1) of the Federal Deposit In-
8 surance Act (12 U.S.C. 1821(a)(1)), as amended by
9 paragraph (1), is amended—

10 (A) in subparagraph (B)—

11 (i) by striking “DEPOSIT.—” and all
12 that follows through “clause (ii), the net
13 amount” and insert “DEPOSIT.—The net
14 amount”; and

15 (ii) by striking clauses (ii) and (iii);
16 and

17 (B) in subparagraph (C), by striking “sub-
18 paragraph (B)(i)” and inserting “subparagraph
19 (B)”.

20 (b) CREDIT UNIONS.—

21 (1) AMENDMENTS.—Section 207(k)(1) of the
22 Federal Credit Union Act (12 U.S.C. 1787(k)(1)) is
23 amended—

24 (A) in subparagraph (A)—

1 (i) by striking “Subject to the provi-
2 sions of paragraph (2), the net amount”
3 and inserting the following:

4 “(i) NET AMOUNT OF INSURANCE
5 PAYABLE.—Subject to clause (ii) and the
6 provisions of paragraph (2), the net
7 amount”; and

8 (ii) by adding at the end the following
9 new clauses:

10 “(ii) AUTHORIZATION FOR INSURANCE
11 FOR TRANSACTION ACCOUNTS.—Notwith-
12 standing clause (i), the Board may fully in-
13 sure the net amount that any member or
14 depositor at an insured credit union main-
15 tains in a transaction account. Such
16 amount shall not be taken into account
17 when computing the net amount due to
18 such member or depositor under clause (i).

19 “(iii) TRANSACTION ACCOUNT DE-
20 FINED.—For purposes of this subpara-
21 graph, the term ‘transaction account’ has
22 the meaning given that term under section
23 19 of the Federal Reserve Act (12 U.S.C.
24 461).”; and

1 (B) in subparagraph (B), by striking “sub-
2 paragraph (A)” and inserting “subparagraph
3 (A)(i)”.

4 (2) PROSPECTIVE REPEAL.—Effective January
5 1, 2022, section 207(k)(1) of the Federal Credit
6 Union Act (12 U.S.C. 1787(k)(1)), as amended by
7 paragraph (1), is amended—

8 (A) in subparagraph (A)—

9 (i) by striking “(i) NET AMOUNT OF
10 INSURANCE PAYABLE.—” and all that fol-
11 lows through “paragraph (2), the net
12 amount” and inserting “Subject to the
13 provisions of paragraph (2), the net
14 amount”; and

15 (ii) by striking clauses (ii) and (iii);
16 and

17 (B) in subparagraph (B), by striking “sub-
18 paragraph (A)(i)” and inserting “subparagraph
19 (A)”.

20 (c) COVID–19 EMERGENCY DEFINED.—In this sec-
21 tion, the term “COVID–19 emergency” means the period
22 that begins upon the date of the enactment of this Act
23 and ends upon the date of the termination by the Federal
24 Emergency Management Agency of the emergency de-
25 clared on March 13, 2020, by the President under the

1 Robert T. Stafford Disaster Relief and Emergency Assist-
2 ance Act (42 U.S.C. 4121 et seq.) relating to the
3 Coronavirus Disease 2019 (COVID–19) pandemic.

4 **TITLE III—SUPPORTING STATE,**
5 **TERRITORY, AND LOCAL GOV-**
6 **ERNMENTS**

7 **SEC. 301. MUNI FACILITY.**

8 (a) AMENDMENT TO AUTHORITY TO BUY AND SELL
9 BONDS AND NOTES.—Section 14(b) of the Federal Re-
10 serve Act (12 U.S.C. 355) is amended—

11 (1) in paragraph (1)—

12 (A) by inserting “and during unusual and
13 exigent circumstances,” before “bonds issued”;
14 and

15 (B) by striking “of 1933” and all that fol-
16 lows through “assured revenues”; and

17 (2) by adding at the end the following:

18 “(3) STATE DEFINED.—In this section, the
19 term ‘State’ means each of the several States, the
20 District of Columbia, each territory and possession
21 of the United States, and each federally recognized
22 Indian Tribe.”.

23 (b) FEDERAL RESERVE AUTHORIZATION TO PUR-
24 CHASE COVID–19 RELATED MUNICIPAL ISSUANCES.—

1 (1) AUTHORITY.—Within seven days after the
2 date of enactment of this subsection, the Federal
3 Reserve Board of Governors shall establish a facility
4 to buy and sell, at home or abroad, bills, notes,
5 bonds, and warrants with a maturity from date of
6 purchase of not exceeding 10 years that are issued
7 by any State or political subdivision thereof between
8 March 1, 2020, and July 1, 2021, in order to fund
9 a public health or public service response to the
10 COVID–19 pandemic. The Board of Governors of
11 the Federal Reserve System may extend the author-
12 ity under this subsection if the Board determines
13 necessary.

14 (2) REQUIRED PURCHASES.—The Board of
15 Governors of the Federal Reserve System shall es-
16 tablish policies and procedures to require the direct
17 placement of bills, notes, bonds, and warrants de-
18 scribed in paragraph (1) with the Board at an inter-
19 est cost that does not exceed the Federal funds rate
20 target for short-term interbank lending, within seven
21 days after the date of enactment of this section.

22 (3) REVIEW OF SPENDING.—During the 3-year
23 period beginning on the date on which all purchases
24 under this section are completed, relevant Federal
25 authorities shall review such purchases to determine

1 if funds were diverted from legitimate public health
2 or public services responses to the COVID–19 pan-
3 demic to make such purchase. The relevant Federal
4 authorities shall take appropriate action based on
5 findings of such review.

6 (4) DEFINITIONS.—In this subsection:

7 (A) PUBLIC HEALTH OR PUBLIC SERVICE
8 RESPONSE TO THE COVID–19 PANDEMIC.—The
9 term “public health or public service response
10 to the COVID–19 pandemic” means—

11 (i) the purchase, manufacture, or de-
12 livery of medical equipment, facilities, or
13 services—

14 (I) to treat or quarantine
15 COVID–19 patients;

16 (II) to protect first responders
17 interacting with such patients; or

18 (III) to test for COVID–19 infec-
19 tions and track social contacts of pa-
20 tients who have tested positive for the
21 virus;

22 (ii) the purchase, manufacture, or de-
23 livery of basic living supports for individ-
24 uals who are not COVID–19 patients dur-
25 ing periods of voluntary or mandatory so-

1 cial distancing or quarantine designed to
2 prevent the spread of COVID–19; or

3 (iii) the maintenance and delivery of
4 basic public services to communities re-
5 sponding to the public health or economic
6 effects of the COVID–19 pandemic.

7 (B) STATE.—The term “State” means
8 each of the several States, the District of Co-
9 lumbia, each territory and possession of the
10 United States, and each federally recognized In-
11 dian Tribe.

12 **SEC. 302. TEMPORARY WAIVER AND REPROGRAMMING AU-**
13 **THORITY.**

14 (a) WAIVER AUTHORITY.—

15 (1) IN GENERAL.—With respect to a covered
16 grant awarded to a State, territory, or local govern-
17 ment by a Federal financial regulator, the Federal
18 financial regulator may, upon request, waive any
19 matching or cost-sharing requirements with respect
20 to such grant until January 1, 2023.

21 (2) REQUIREMENTS FOR WAIVER RECIPI-
22 ENTS.—A State, territory, or local government
23 granted a waiver with respect to a grant under sub-
24 section (a) shall waive any matching or cost-sharing

1 requirements that such government imposes on sub-
2 grantees on such grant until January 1, 2023.

3 (b) REPROGRAMMING AUTHORITY.—

4 (1) IN GENERAL.—With respect to a covered
5 grant awarded to a State, territory, or local govern-
6 ment by a Federal financial regulator, the Federal
7 financial regulator may, upon request, permit the
8 State, territory, or local government to reprogram
9 awarded grant funds for purposes related to unem-
10 ployment, childcare, and healthcare, if the majority
11 of normally funded activities under such grant are
12 not in areas related to unemployment, childcare, and
13 healthcare.

14 (2) CONSIDERATION FOR FUTURE GRANTS.—
15 Any grantee (or sub-grantee) with respect to which
16 a Federal financial regulator allows to reprogram
17 funds under paragraph (1) shall be given priority by
18 such Federal financial regulator for future awards of
19 the type reprogrammed.

20 (c) DEFINITIONS.—In this section:

21 (1) COVERED GRANTS.—The term “covered
22 award” means a grant—

23 (A) that was awarded to a State, territory,
24 or local government before the date of enact-
25 ment of this Act and under which the State,

1 territory, or local government may still receive
2 additional grant amounts; or

3 (B) with respect to which the period of
4 performance does not expire before January 1,
5 2023.

6 (2) FEDERAL FINANCIAL REGULATOR.—The
7 term “Federal financial regulator” means the Board
8 of Governors of the Federal Reserve System, the
9 Bureau of Consumer Financial Protection, the De-
10 partment of Housing and Urban Development, the
11 Department of the Treasury (other than the Inter-
12 nal Revenue Service), the Federal Deposit Insurance
13 Corporation, the Office of the Comptroller of the
14 Currency, the National Credit Union Administra-
15 tion, and the Securities and Exchange Commission.

16 **TITLE IV—PROMOTING FINAN-**
17 **CIAL STABILITY AND TRANS-**
18 **PARENT MARKETS**

19 **SEC. 401. TEMPORARY HALT TO RULEMAKINGS UNRE-**
20 **LATED TO COVID-19.**

21 (a) IN GENERAL.—Until the end of the 30-day period
22 following the end of the COVID-19 emergency period, the
23 Federal financial regulators—

24 (1) may not adopt or amend any rule, regula-
25 tion, guidance, or order unless such rule, regulation,

1 guidance, or order is directly related to responding
2 to the COVID–19 emergency; and

3 (2) shall keep open and extend any ongoing
4 public comment period related to a proposed or final
5 rule, unless such rule is related to responding to the
6 COVID–19 emergency.

7 (b) NOTICE AND SUNSET OF EMERGENCY AC-
8 TIONS.—The Federal financial regulators shall—

9 (1) provide the Committee on Financial Serv-
10 ices of the House of Representatives and the Com-
11 mittee on Banking, Housing, and Urban Affairs of
12 the Senate with a notice of any regulatory actions
13 taken during the COVID–19 emergency period,
14 along with an explanation of how such action was
15 necessary and appropriate in response to the
16 COVID–19 emergency; and

17 (2) limit the period of effectiveness of any ac-
18 tion taken in response to the COVID–19 emergency
19 to be not longer than 12-months following the end
20 of the COVID–19 emergency period.

21 (c) VOTING BY REGULATORS.—Any action taken pur-
22 suant to this section by a Federal financial regulator head-
23 ed by a multi-person entity may only be taken by unani-
24 mous vote.

25 (d) DEFINITIONS.—In this section:

1 (1) COVID–19 EMERGENCY PERIOD.—For pur-
2 poses of this Act, the term “COVID–19 emergency
3 period” means the period that begins upon the date
4 of the enactment of this Act and ends upon the date
5 of the termination by the Federal Emergency Man-
6 agement Agency of the emergency declared on
7 March 13, 2020, by the President under the Robert
8 T. Stafford Disaster Relief and Emergency Assist-
9 ance Act (42 U.S.C. 4121 et seq.) relating to the
10 Coronavirus Disease 2019 (COVID–19) pandemic.

11 (2) FEDERAL FINANCIAL REGULATOR.—In this
12 section, the term “Federal financial regulator”
13 means the Board of Governors of the Federal Re-
14 serve System, the Bureau of Consumer Financial
15 Protection, the Department of Housing and Urban
16 Development, the Department of the Treasury
17 (other than the Internal Revenue Service), the Fed-
18 eral Deposit Insurance Corporation, the Federal
19 Housing Finance Agency, the Office of the Comp-
20 troller of the Currency, the National Credit Union
21 Administration, and the Securities and Exchange
22 Commission.

23 **SEC. 402. TEMPORARY BAN ON STOCK BUYBACKS.**

24 (a) IN GENERAL.—It shall be unlawful for any issuer,
25 the securities of which are traded on a national securities

1 exchange, to purchase securities of the issuer during the
2 period beginning on the date of enactment of this section
3 and ending 120 days after the end of the COVID–19
4 emergency period.

5 (b) EARLY TERMINATION.—The Securities and Ex-
6 change Commission may terminate the prohibition under
7 subsection (a) after the end of the COVID–19 emergency
8 period and before the end of the 120-day period described
9 under subsection (a), if—

10 (1) the Commission determines such termi-
11 nation is in the public interest; and

12 (2) immediately notifies the Congress and the
13 public of such determination and the reason for such
14 determination, including on the website of the Com-
15 mission.

16 (c) ENFORCEMENT; RULEMAKING.—

17 (1) IN GENERAL.—The Securities and Ex-
18 change Commission shall have the authority to en-
19 force this Act and may issue such rules as may be
20 necessary to carry out this Act.

21 (2) COMMISSION VOTING.—Any action taken by
22 the Commission pursuant to this section may only be
23 taken upon a unanimous vote of the commissioners.

24 (d) DEFINITIONS.—In this section:

1 (1) COVID–19 EMERGENCY PERIOD.—The
2 term “COVID–19 emergency period” means the pe-
3 riod that begins upon the date of the enactment of
4 this Act and ends upon the date of the termination
5 by the Federal Emergency Management Agency of
6 the emergency declared on March 13, 2020, by the
7 President under the Robert T. Stafford Disaster Re-
8 lief and Emergency Assistance Act (42 U.S.C. 4121
9 et seq.) relating to the Coronavirus Disease 2019
10 (COVID–19) pandemic.

11 (2) OTHER DEFINITIONS.—The terms “issuer”,
12 “national securities exchange”, and “security” have
13 the meaning given those terms, respectively, under
14 section 3 of the Securities Exchange Act of 1934.

15 **SEC. 403. DISCLOSURES RELATED TO SUPPLY CHAIN DIS-**
16 **RUPTION RISK.**

17 Section 13 of the Securities Exchange Act of 1934
18 (15 U.S.C. 78m) is amended by adding at the end the
19 following:

20 “(s) DISCLOSURES RELATED TO SUPPLY CHAIN DIS-
21 RUPTION RISK.—

22 “(1) IN GENERAL.—Each issuer required to file
23 an annual report under subsection (a) shall disclose
24 in that report—

25 “(A) an identification of—

1 “(i) the risks in the issuer’s sourcing
2 of goods, labor, services, and other supply
3 chain related matters, including—

4 “(I) risks of dependency upon
5 sole sourcing arrangements or
6 sourcing concentrated in one geo-
7 graphic locality;

8 “(II) shipping risks; and

9 “(III) risks arising from natural
10 disasters, pandemics, extreme weath-
11 er, armed conflicts, refugee and re-
12 lated disruptions, trade conflicts or
13 disruptions, and labor wage, safety,
14 and health care practices; and

15 “(ii) the impacts any risk or disrup-
16 tion identified in clause (i) would have on
17 the issuer’s workforce, suppliers, and cus-
18 tomers;

19 “(B) the issuer’s business continuity or
20 other contingency plans that will be imple-
21 mented in the case of a supply chain disruption
22 in order to mitigate such risks and impacts;
23 and

24 “(C) all other material information.

1 “(2) UPDATES.—Disclosures required under
2 this subsection shall be updated when there are ma-
3 terial changes.”.

4 **SEC. 404. DISCLOSURES RELATED TO GLOBAL PANDEMIC**
5 **RISK.**

6 (a) IN GENERAL.—Section 13 of the Securities Ex-
7 change Act of 1934 (15 U.S.C. 78m), as amended by sec-
8 tion 403, is further amended by adding at the end the
9 following:

10 “(t) DISCLOSURES RELATED TO GLOBAL PANDEMIC
11 RISK.—

12 “(1) IN GENERAL.—Each issuer required to file
13 current reports under subsection (a) shall, in the
14 event the World Health Organization declares a pan-
15 demic, file a report with the Commission containing
16 a description of—

17 “(A) the risks and exposures to the issuer
18 related to the pandemic, including risks to
19 health and worker safety faced by the issuer’s
20 employees and independent contractors;

21 “(B) the steps the issuer is taking to miti-
22 gate such risks and exposures, including meas-
23 ures to protect the workforce, including infor-
24 mation related to wages, healthcare, and leave;

1 “(C) a preliminary view on the effect the
2 pandemic may have on the issuer’s business,
3 solvency, and workforce; and

4 “(D) all other material information.

5 “(2) UPDATES.—Disclosures required under
6 this subsection shall be updated when there are ma-
7 terial changes.

8 “(3) PUBLIC AVAILABILITY OF REPORTS.—The
9 Commission shall make each report filed to the
10 Commission under paragraph (1) available to the
11 public, including on the website of the Commis-
12 sion.”.

13 (b) APPLICATION.—Section 13(t) of the Securities
14 Exchange Act of 1934, as added by subsection (a), shall
15 apply to a pandemic declared by the World Health Organi-
16 zation that is in existence on the date of enactment of
17 this Act or that is declared after the date of enactment
18 of this Act.

19 **SEC. 405. OVERSIGHT OF FEDERAL AID RELATED TO**
20 **COVID-19.**

21 (a) CONGRESSIONAL COVID-19 AID OVERSIGHT
22 PANEL.—

23 (1) ESTABLISHMENT.—There is hereby estab-
24 lished the Congressional COVID-19 Aid Oversight
25 Panel (hereafter in this subsection referred to as the

1 “Oversight Panel”) as an establishment in the legis-
2 lative branch.

3 (2) DUTIES.—The Oversight Panel shall review
4 the current state of the financial markets and the
5 regulatory system and submit regular reports to
6 Congress on the following:

7 (A) The use of Federal aid provided during
8 the COVID–19 emergency.

9 (B) The impact of Federal aid related to
10 COVID–19 on the financial markets and finan-
11 cial institutions.

12 (3) MEMBERSHIP.—

13 (A) IN GENERAL.—The Oversight Panel
14 shall consist of 5 members, as follows:

15 (i) 1 member appointed by the Speak-
16 er of the House of Representatives.

17 (ii) 1 member appointed by the minor-
18 ity leader of the House of Representatives.

19 (iii) 1 member appointed by the ma-
20 jority leader of the Senate.

21 (iv) 1 member appointed by the mi-
22 nority leader of the Senate.

23 (v) 1 member appointed by the Speak-
24 er of the House of Representatives and the
25 majority leader of the Senate, after con-

1 sultation with the minority leader of the
2 Senate and the minority leader of the
3 House of Representatives.

4 (B) PAY.—Each member of the Oversight
5 Panel shall each be paid at a rate equal to the
6 daily equivalent of the annual rate of basic pay
7 for level I of the Executive Schedule for each
8 day (including travel time) during which such
9 member is engaged in the actual performance of
10 duties vested in the Commission.

11 (C) PROHIBITION OF COMPENSATION OF
12 FEDERAL EMPLOYEES.—Members of the Over-
13 sight Panel who are full-time officers or em-
14 ployees of the United States or Members of
15 Congress may not receive additional pay, allow-
16 ances, or benefits by reason of their service on
17 the Oversight Panel.

18 (D) TRAVEL EXPENSES.—Each member
19 shall receive travel expenses, including per diem
20 in lieu of subsistence, in accordance with appli-
21 cable provisions under subchapter I of chapter
22 57 of title 5, United States Code.

23 (E) QUORUM.—Four members of the Over-
24 sight Panel shall constitute a quorum but a
25 lesser number may hold hearings.

1 (F) VACANCIES.—A vacancy on the Over-
2 sight Panel shall be filled in the manner in
3 which the original appointment was made.

4 (G) MEETINGS.—The Oversight Panel
5 shall meet at the call of the Chairperson or a
6 majority of its members.

7 (4) STAFF.—

8 (A) IN GENERAL.—The Oversight Panel
9 may appoint and fix the pay of any personnel
10 as the Oversight Panel considers appropriate.

11 (B) EXPERTS AND CONSULTANTS.—The
12 Oversight Panel may procure temporary and
13 intermittent services under section 3109(b) of
14 title 5, United States Code.

15 (C) STAFF OF AGENCIES.—Upon request
16 of the Oversight Panel, the head of any Federal
17 department or agency may detail, on a reim-
18 bursable basis, any of the personnel of that de-
19 partment or agency to the Oversight Panel to
20 assist it in carrying out its duties under this
21 section.

22 (5) POWERS.—

23 (A) HEARINGS AND SESSIONS.—The Over-
24 sight Panel may, for the purpose of carrying
25 out this section, hold hearings, sit and act at

1 times and places, take testimony, and receive
2 evidence as the Panel considers appropriate and
3 may administer oaths or affirmations to wit-
4 nesses appearing before it.

5 (B) POWERS OF MEMBERS AND AGENTS.—

6 Any member or agent of the Oversight Panel
7 may, if authorized by the Oversight Panel, take
8 any action which the Oversight Panel is author-
9 ized to take by this section.

10 (C) OBTAINING OFFICIAL DATA.—The
11 Oversight Panel may secure directly from any
12 department or agency of the United States in-
13 formation necessary to enable it to carry out
14 this section. Upon request of the Chairperson of
15 the Oversight Panel, the head of that depart-
16 ment or agency shall furnish that information
17 to the Oversight Panel.

18 (D) REPORTS.—The Oversight Panel shall
19 receive and consider all reports required to be
20 submitted to the Oversight Panel under this
21 section.

22 (6) AUTHORIZATION OF APPROPRIATIONS.—

23 There is authorized to be appropriated to the Over-
24 sight Panel such sums as may be necessary for any
25 fiscal year, half of which shall be derived from the

1 applicable account of the House of Representatives,
2 and half of which shall be derived from the contin-
3 gent fund of the Senate.

4 (7) SUNSET.—The Oversight Panel established
5 by this subsection shall terminate on the date that
6 is two years following the termination by the Federal
7 Emergency Management Agency of the emergency
8 declared on March 13, 2020, by the President under
9 the Robert T. Stafford Disaster Relief and Emer-
10 gency Act (42 U.S.C. 4121 et seq.) relating to the
11 Coronavirus Disease 2019 (COVID–19) pandemic.

12 (8) DEFINITIONS.—In this subsection:

13 (A) COVID–19 EMERGENCY.—The term
14 “COVID–19 emergency” means the period that
15 begins upon the date of the enactment of this
16 Act and ends one year after the termination by
17 the Federal Emergency Management Agency of
18 the emergency declared on March 13, 2020, by
19 the President under the Robert T. Stafford Dis-
20 aster Relief and Emergency Act (42 U.S.C.
21 4121 et seq.) relating to the Coronavirus Dis-
22 ease 2019 (COVID–19) pandemic.

23 (B) FEDERAL AID.—The term “Federal
24 aid” means any emergency lending provided
25 under section 13(3) of the Federal Reserve Act

1 or any Federal financial support in the form of
2 a grant, loan, or loan guarantee.

3 (b) SPECIAL INSPECTOR GENERAL AUTHORITY OVER
4 FEDERAL AID RELATED TO COVID-19.—Section 121 of
5 the Emergency Economic Stabilization Act of 2008 (12
6 U.S.C. 5231) is amended—

7 (1) in subsection (k)—

8 (A) in paragraph (1), by striking “or” at
9 the end;

10 (B) in paragraph (2), by striking the pe-
11 riod at the end and inserting “; or”; and

12 (C) by adding at the end the following:

13 “(3) the date on which all Federal aid related
14 to the COVID-19 emergency is repaid.”; and

15 (2) by adding at the end the following:

16 “(l) RESPONSIBILITY WITH RESPECT TO FEDERAL
17 AID RELATED TO COVID-19.—

18 “(1) IN GENERAL.—The Special Inspector Gen-
19 eral shall have the same authority and responsibil-
20 ities with respect to Federal aid provided during the
21 COVID-19 emergency as the Special Inspector Gen-
22 eral has with respect to financial assistance (includ-
23 ing the purchase of troubled assets) provided under
24 this title.

25 “(2) DEFINITIONS.—In this section:

1 “(A) COVID–19 EMERGENCY.—The term
2 ‘COVID–19 emergency’ means the period that
3 begins upon the date of the enactment of this
4 Act and ends one year after the termination by
5 the Federal Emergency Management Agency of
6 the emergency declared on March 13, 2020, by
7 the President under the Robert T. Stafford Dis-
8 aster Relief and Emergency Act (42 U.S.C.
9 4121 et seq.) relating to the Coronavirus Dis-
10 ease 2019 (COVID–19) pandemic.

11 “(B) FEDERAL AID.—The term ‘Federal
12 aid’ means any emergency lending provided
13 under section 13(3) of the Federal Reserve Act
14 or any Federal financial support in the form of
15 a grant, loan, or loan guarantee.”.

16 **SEC. 406. INTERNATIONAL FINANCIAL INSTITUTIONS.**

17 (a) UNITED STATES PARTICIPATION IN, AND CON-
18 TRIBUTIONS TO, THE NINETEENTH REPLENISHMENT OF
19 THE RESOURCES OF THE INTERNATIONAL DEVELOPMENT
20 ASSOCIATION.— The International Development Associa-
21 tion Act (22 U.S.C. 284 et seq.) is amended by adding
22 at the end the following:

23 **“SEC. 31. NINETEENTH REPLENISHMENT.**

24 “(a) The United States Governor of the International
25 Development Association is authorized to contribute on

1 behalf of the United States \$3,004,200,000 to the nine-
2 tenth replenishment of the resources of the Association,
3 subject to obtaining the necessary appropriations.

4 “(b) In order to pay for the United States contribu-
5 tion provided for in subsection (a), there are authorized
6 to be appropriated, without fiscal year limitation,
7 \$3,004,200,000 for payment by the Secretary of the
8 Treasury.”.

9 (b) UNITED STATES PARTICIPATION IN, AND CON-
10 TRIBUTIONS TO, THE FIFTEENTH REPLENISHMENT OF
11 THE RESOURCES OF THE AFRICAN DEVELOPMENT
12 FUND.—The African Development Fund Act (22 U.S.C.
13 290g et seq.) is amended by adding at the end the fol-
14 lowing:

15 **“SEC. 226. FIFTEENTH REPLENISHMENT.**

16 “(a) The United States Governor of the Fund is au-
17 thorized to contribute on behalf of the United States
18 \$513,900,000 to the fifteenth replenishment of the re-
19 sources of the Fund, subject to obtaining the necessary
20 appropriations.

21 “(b) In order to pay for the United States contribu-
22 tion provided for in subsection (a), there are authorized
23 to be appropriated, without fiscal year limitation,
24 \$513,900,000 for payment by the Secretary of the Treas-
25 ury.”.

1 (c) UNITED STATES PARTICIPATION IN, AND CON-
2 TRIBUTIONS TO, THE SEVENTH CAPITAL INCREASE FOR
3 THE AFRICAN DEVELOPMENT BANK.— The African De-
4 velopment Bank Act (22 U.S.C. 290i et seq.) is amended
5 by adding at the end the following:

6 **“SEC. 1345. SEVENTH CAPITAL INCREASE.**

7 “(a) SUBSCRIPTION AUTHORIZED.—

8 “(1) The United States Governor of the Bank
9 may subscribe on behalf of the United States to
10 532,023 additional shares of the capital stock of the
11 Bank.

12 “(2) Any subscription by the United States to
13 the capital stock of the Bank shall be effective only
14 to such extent and in such amounts as are provided
15 in advance in appropriations Acts.

16 “(b) LIMITATIONS ON AUTHORIZATION OF APPRO-
17 PRIATIONS.—

18 “(1) In order to pay for the increase in the
19 United States subscription to the Bank under sub-
20 section (a), there are authorized to be appropriated,
21 without fiscal year limitation, \$7,286,587,008 for
22 payment by the Secretary of the Treasury.

23 “(2) Of the amount authorized to be appro-
24 priated under paragraph (1)—

1 “(A) \$437,190,016 shall be for paid in
2 shares of the Bank; and

3 “(B) \$6,849,396,992 shall be for callable
4 shares of the Bank.”.

5 **SEC. 407. CONDITIONS ON FEDERAL AID TO CORPORA-**
6 **TIONS.**

7 (a) REQUIREMENTS ON ALL CORPORATIONS UNTIL
8 FEDERAL AID RELATED TO COVID-19 IS REPAID.—Any
9 corporation that receives Federal aid related to COVID-
10 19 shall, until the date on which all such Federal aid is
11 repaid by the corporation to the Federal Government,
12 comply with the following:

13 (1) RESTRICTIONS ON EXECUTIVE BONUSES.—
14 The corporation may not pay a bonus to any execu-
15 tive of the corporation.

16 (2) BAN ON EXECUTIVE GOLDEN PARA-
17 CHUTES.—The corporation may not pay any type of
18 compensation (whether present, deferred, or contin-
19 gent) to an executive of the corporation, if such com-
20 pensation is in connection with the termination of
21 employment of the executive.

22 (3) BAN ON STOCK BUYBACKS.—The corpora-
23 tion may not purchase securities of the corporation.

24 (4) BAN ON DIVIDENDS.—The corporation may
25 not pay dividends on securities of the corporation.

1 (5) BAN ON FEDERAL LOBBYING.—The cor-
2 poration may not carry out any Federal lobbying ac-
3 tivities.

4 (b) PERMANENT REQUIREMENTS ON ACCELERATED
5 FILERS RECEIVING FEDERAL AID RELATED TO COVID-
6 19.—

7 (1) IN GENERAL.—An accelerated filer that re-
8 ceives Federal aid related to COVID-19 shall per-
9 manently comply with the following:

10 (A) WORKER BOARD REPRESENTATION.—

11 (i) IN GENERAL.—At least $\frac{1}{3}$ of the
12 members of the accelerated filer’s directors
13 are chosen by the employees of the acceler-
14 ated filer in a one-employee-one-vote elec-
15 tion process.

16 (ii) COMPLIANCE DATE.—An acceler-
17 ated filer shall comply with the require-
18 ments under clause (i) not later than the
19 end of the 2-year period beginning on the
20 date of enactment of this Act.

21 (iii) DEFINITIONS.—In this subpara-
22 graph—

23 (I) the term “director” has the
24 meaning given the term in section 3

1 of the Securities Exchange Act of
2 1934 (15 U.S.C. 78c); and

3 (II) the term “employee” has the
4 meaning given the term in section 2
5 of the National Labor Relations Act
6 (29 U.S.C. 152).

7 (B) ADDITIONAL DISCLOSURES.—If the se-
8 curities of the corporation are traded on a na-
9 tional securities exchange, the corporation shall
10 issue the following disclosures to the Securities
11 and Exchange Commission on a quarterly basis
12 (and make such disclosures available to share-
13 holders of the corporation and the public):

14 (i) The political spending disclosures
15 required under paragraph (2).

16 (ii) The human capital management
17 disclosures required under paragraph (3).

18 (iii) The environmental, social, and
19 governance disclosures required under
20 paragraph (4).

21 (iv) The Federal aid disclosures re-
22 quired under paragraph (5).

23 (v) The disclosures of financial per-
24 formance on a country-by-country basis re-
25 quired under paragraph (6).

1 (2) POLITICAL SPENDING DISCLOSURES.—

2 (A) IN GENERAL.—With respect to an ac-
3 celerated filer, the disclosures required under
4 this paragraph are—

5 (i) a description of any expenditure
6 for political activities made during the pre-
7 ceding quarter;

8 (ii) the date of each expenditure for
9 political activities;

10 (iii) the amount of each expenditure
11 for political activities;

12 (iv) if the expenditure for political ac-
13 tivities was made in support of or opposed
14 to a candidate, the name of the candidate
15 and the office sought by, and the political
16 party affiliation of, the candidate;

17 (v) the name or identity of trade asso-
18 ciations or organizations described in sec-
19 tion 501(c) of the Internal Revenue Code
20 of 1986 and exempt from tax under sec-
21 tion 501(a) of such Code which receive
22 dues or other payments as described in
23 paragraph (1)(A)(i)(III);

24 (vi) a summary of each expenditure
25 for political activities made during the pre-

1 ceding year in excess of \$10,000, and each
2 expenditure for political activities for a
3 particular election if the total amount of
4 such expenditures for that election is in ex-
5 cess of \$10,000;

6 (vii) a description of the specific na-
7 ture of any expenditure for political activi-
8 ties the corporation intends to make for
9 the forthcoming fiscal year, to the extent
10 the specific nature is known to the cor-
11 poration; and

12 (viii) the total amount of expenditures
13 for political activities intended to be made
14 by the corporation for the forthcoming fis-
15 cal year.

16 (B) DEFINITIONS.—In this paragraph:

17 (i) EXPENDITURE FOR POLITICAL AC-
18 TIVITIES.—The term “expenditure for po-
19 litical activities”—

20 (I) means—

21 (aa) an independent expend-
22 iture (as defined in section
23 301(17) of the Federal Election
24 Campaign Act of 1971 (52
25 U.S.C. 30101(17)));

1 (bb) an electioneering com-
2 munication (as defined in section
3 304(f)(3) of that Act (52 U.S.C.
4 30104(f)(3))) and any other pub-
5 lic communication (as defined in
6 section 301(22) of that Act (52
7 U.S.C. 30101(22))) that would
8 be an electioneering communica-
9 tion if it were a broadcast, cable,
10 or satellite communication; or

11 (cc) dues or other payments
12 to trade associations or organiza-
13 tions described in section 501(c)
14 of the Internal Revenue Code of
15 1986 and exempt from tax under
16 section 501(a) of that Code that
17 are, or could reasonably be an-
18 ticipated to be, used or trans-
19 ferred to another association or
20 organization for the purposes de-
21 scribed in item (aa) or (bb); and
22 (II) does not include—

23 (aa) direct lobbying efforts
24 through registered lobbyists em-

1 employed or hired by the corpora-
2 tion;

3 (bb) communications by a
4 corporation to its shareholders
5 and executive or administrative
6 personnel and their families; or

7 (cc) the establishment and
8 administration of contributions to
9 a separate segregated fund to be
10 utilized for political purposes by
11 a corporation.

12 (ii) EXCEPTION.—The term “corpora-
13 tion” does not include an investment com-
14 pany registered under section 8 of the In-
15 vestment Company Act of 1940 (15 U.S.C.
16 80a–8).

17 (3) HUMAN CAPITAL MANAGEMENT DISCLO-
18 SURES.—With respect to an accelerated filer, the
19 disclosures required under this paragraph are the
20 following:

21 (A) Workforce demographic information,
22 including the number of full-time employees,
23 the number of part-time employees, the number
24 of contingent workers (including temporary and
25 contract workers), and any policies or practices

1 relating to subcontracting, outsourcing, and
2 insourcing.

3 (B) Workforce stability information, in-
4 cluding information about the voluntary turn-
5 over or retention rate, the involuntary turnover
6 rate, the internal hiring rate, and the internal
7 promotion rate.

8 (C) Workforce composition, including data
9 on diversity (including racial and gender com-
10 position) and any policies and audits related to
11 diversity.

12 (D) Workforce skills and capabilities, in-
13 cluding information about training of employees
14 (including the average number of hours of
15 training and spending on training per employee
16 per year), skills gaps, and alignment of skills
17 and capabilities with business strategy.

18 (E) Workforce culture and empowerment,
19 including information about—

20 (i) policies and practices of the cor-
21 poration relating to freedom of association
22 and work-life balance initiatives;

23 (ii) any incidents of verified workplace
24 harassment in the previous 5 fiscal years
25 of the corporation;

1 (iii) policies and practices of the cor-
2 poration relating to employee engagement
3 and psychological wellbeing, including
4 management discussion regarding—

5 (I) the creation of an autono-
6 mous work environment;

7 (II) fostering a sense of purpose
8 in the workforce;

9 (III) trust in management; and

10 (IV) a supportive, fair, and con-
11 structive workplace.

12 (F) Workforce health and safety, including
13 information about—

14 (i) the frequency, severity, and lost
15 time due to injuries, illness, and fatalities;

16 (ii) the total dollar value of assessed
17 fines under the Occupational Safety and
18 Health Act of 1970;

19 (iii) the total number of actions
20 brought under section 13 of the Occupa-
21 tional Safety and Health Act of 1970 to
22 prevent imminent dangers; and

23 (iv) the total number of actions
24 brought against the corporation under sec-

1 tion 11(c) of the Occupational Safety and
2 Health Act of 1970.

3 (G) Workforce compensation and incen-
4 tives, including information about—

5 (i) total workforce compensation, in-
6 cluding disaggregated information about
7 compensation for full-time, part-time, and
8 contingent workers;

9 (ii) policies and practices about how
10 performance, productivity, and sustain-
11 ability are considered when setting pay and
12 making promotion decisions; and

13 (iii) policies and practices relating to
14 any incentives and bonuses provided to em-
15 ployees below the named executive level
16 and any policies or practices designed to
17 counter any risks create by such incentives
18 and bonuses.

19 (H) Workforce recruiting, including infor-
20 mation about the quality of hire, new hire en-
21 gagement rate, and new hire retention rate.

22 (4) ENVIRONMENTAL, SOCIAL AND GOVERN-
23 ANCE DISCLOSURES.—With respect to an accelerated
24 filer, the disclosures required under this paragraph
25 are disclosures that satisfy the recommendations of

1 the Task Force on Climate-related Financial Disclo-
2 sures of the Financial Stability Board as reported in
3 June, 2017.

4 (5) FEDERAL AID DISCLOSURES.—With respect
5 to an accelerated filer, the disclosure required under
6 this paragraph is a description of how the Federal
7 aid related to COVID–19 received by the corporation
8 is being used to support the corporation’s employees.

9 (6) DISCLOSURES OF FINANCIAL PERFORMANCE
10 ON A COUNTRY-BY-COUNTRY BASIS.—

11 (A) IN GENERAL.—With respect to an ac-
12 celerated filer, the disclosures required under
13 this paragraph are the following:

14 (i) CONSTITUENT ENTITY INFORMA-
15 TION.—Information on any constituent en-
16 tity of the corporation, including the fol-
17 lowing:

18 (I) The complete legal name of
19 the constituent entity.

20 (II) The tax jurisdiction, if any,
21 in which the constituent entity is resi-
22 dent for tax purposes.

23 (III) The tax jurisdiction in
24 which the constituent entity is orga-

1 nized or incorporated (if different
2 from the tax jurisdiction of residence).

3 (IV) The tax identification num-
4 ber, if any, used for the constituent
5 entity by the tax administration of the
6 constituent entity's tax jurisdiction of
7 residence.

8 (V) The main business activity or
9 activities of the constituent entity.

10 (ii) TAX JURISDICTION.—Information
11 on each tax jurisdiction in which one or
12 more constituent entities is resident, pre-
13 sented as an aggregated or consolidated
14 form of the information for the constituent
15 entities resident in each tax jurisdiction,
16 including the following:

17 (I) Revenues generated from
18 transactions with other constituent
19 entities.

20 (II) Revenues not generated from
21 transactions with other constituent
22 entities.

23 (III) Profit or loss before income
24 tax.

1 (IV) Total income tax paid on a
2 cash basis to all tax jurisdictions.

3 (V) Total accrued tax expense re-
4 corded on taxable profits or losses.

5 (VI) Stated capital.

6 (VII) Total accumulated earn-
7 ings.

8 (VIII) Total number of employ-
9 ees on a full-time equivalent basis.

10 (IX) Net book value of tangible
11 assets, which, for purposes of this sec-
12 tion, does not include cash or cash
13 equivalents, intangibles, or financial
14 assets.

15 (iii) SPECIAL RULES.—The informa-
16 tion listed in clause (ii) shall be provided,
17 in aggregated or consolidated form, for any
18 constituent entity or entities that have no
19 tax jurisdiction of residence. In addition, if
20 a constituent entity is an owner of a con-
21 stituent entity that does not have a juris-
22 diction of tax residence, then the owner's
23 share of such entity's revenues and profits
24 will be aggregated or consolidated with the

1 information for the owner’s tax jurisdiction
2 of residence.

3 (B) DEFINITIONS.—In this paragraph—

4 (i) the term “constituent entity”
5 means, with respect to an accelerated filer,
6 any separate business entity of the acceler-
7 ated filer;

8 (ii) the term “tax jurisdiction”—

9 (I) means a country or a jurisdic-
10 tion that is not a country but that has
11 fiscal autonomy; and

12 (II) includes a territory or pos-
13 session of the United States that has
14 fiscal autonomy.

15 (c) PERMANENT REQUIREMENTS ON ALL CORPORA-
16 TIONS RECEIVING FEDERAL AID RELATED TO COVID-
17 19.—Any corporation that receives Federal aid related to
18 COVID-19 shall permanently comply with the following:

19 (1) PAID LEAVE FOR WORKERS.—The corpora-
20 tion shall provide at least 14 days of paid leave to
21 workers (employees and contractors, full-time and
22 part-time) who—

23 (A) are unable to telework;

24 (B) need to be isolated or quarantined to
25 prevent the spread of COVID-19; or

1 (C) need time off to care for the needs of
2 family members.

3 (2) MINIMUM WAGE.—The corporation shall
4 pay each employee (full-time and part-time) of the
5 corporation a wage of not less than \$15 an hour, be-
6 ginning not later than January 1, 2021.

7 (3) LIMITATION ON CEO AND EXECUTIVE
8 PAY.—The corporation may not have a CEO to me-
9 dian worker pay ratio of greater than 50 to 1 and
10 no officer or employee of the corporation may re-
11 ceived higher compensation than the chief executive
12 officer (or any equivalent position).

13 (d) REQUIREMENTS ON ALL CORPORATIONS RECEIV-
14 ING FEDERAL AID RELATED TO COVID–19 UNTIL THE
15 END OF THE EMERGENCY.—Any corporation that receives
16 Federal aid related to COVID–19 shall, until the COVID–
17 19 emergency ends, comply with the following:

18 (1) WORKFORCE LEVELS AND BENEFITS.—The
19 corporation shall maintain at least the same work-
20 force levels and benefits that existed before the
21 COVID–19 emergency.

22 (2) MAINTENANCE OF WORKER PAY.—The cor-
23 poration shall maintain worker (employee or con-
24 tractor, full-time and part-time) pay throughout the
25 entire duration of the COVID–19 emergency at or

1 above the pay level the worker was earning before
2 the emergency.

3 (3) MAINTENANCE OF COLLECTIVE BARGAINING
4 AGREEMENTS.—The corporation may not alter any
5 collective bargaining agreement that was in place at
6 the beginning of the COVID–19 emergency.

7 (e) ENFORCEMENT; RULEMAKING.—The Securities
8 and Exchange Commission and the Secretary of the
9 Treasury shall have the authority to enforce this section
10 and may issue such rules as may be necessary to carry
11 out this section.

12 (f) DEFINITIONS.—In this section:

13 (1) ACCELERATED FILER.—The Securities and
14 Exchange Commission shall define the term “accel-
15 erated filer” for purposes of this section.

16 (2) CEO TO MEDIAN WORKER PAY RATIO.—
17 With respect to an accelerated filer, the term “CEO
18 to median worker pay ratio” means the ratio of—

19 (A) the annual total compensation of the
20 chief executive officer (or any equivalent posi-
21 tion) of the corporation; and

22 (B) the median of the annual total com-
23 pensation of all employees of the corporation,
24 except the chief executive officer (or any equiva-
25 lent position) of the corporation.

1 (3) COVID–19 EMERGENCY.—The term
2 “COVID–19 emergency” means the period that be-
3 gins upon the date of the enactment of this Act and
4 ends upon the termination by the Federal Emer-
5 gency Management Agency of the emergency de-
6 clared on March 13, 2020, by the President under
7 the Robert T. Stafford Disaster Relief and Emer-
8 gency Act (42 U.S.C. 4121 et seq.) relating to the
9 Coronavirus Disease 2019 (COVID–19).

10 (4) FEDERAL AID.—The term “Federal aid”
11 means any emergency lending provided under section
12 13(3) of the Federal Reserve Act or any Federal fi-
13 nancial support in the form of a grant, loan, or loan
14 guarantee.

15 (5) S CORPORATION.—The term “S corpora-
16 tion” has the meaning given that term under section
17 1361(a) of the Internal Revenue Code of 1986.

18 (6) SECURITIES TERMS.—The terms “national
19 securities exchange” and “security” have the mean-
20 ing given those terms, respectively, under section 3
21 of the Securities Exchange Act of 1934.

22 **SEC. 408. AUTHORITY FOR WARRANTS AND DEBT INSTRU-**
23 **MENTS.**

24 (a) DEFINITIONS.—In this section:

1 (1) ASSET.—The term “asset” means any fi-
2 nancial instrument that the Secretary, after con-
3 sultation with the Chairman of the Board of Gov-
4 ernors of the Federal Reserve System, determines
5 the purchase of which or the guarantee of which is
6 necessary to promote economic stability.

7 (2) COMPANY.—The term “company” means
8 any entity that is not subject to the prohibitions in
9 subsection (e).

10 (3) SECRETARY.—The term “Secretary” means
11 the Secretary of the Treasury.

12 (b) WARRANT OR SENIOR DEBT INSTRUMENT.—The
13 Secretary may not purchase, or make any commitment to
14 purchase, or guarantee, or make any commitment to guar-
15 antee, any asset in response to the coronavirus disease
16 (COVID–19) outbreak, unless the Secretary receives from
17 the company from which such assets are to be purchased
18 or are to be guaranteed—

19 (1) in the case of a company, the securities of
20 which are traded on a national securities exchange,
21 a warrant giving the right to the Secretary to receive
22 preferred voting stock; or

23 (2) in the case of any company other than one
24 described in paragraph (1), a warrant for preferred

1 voting stock, or a senior debt instrument from such
2 company.

3 (c) TERMS AND CONDITIONS.—The terms and condi-
4 tions of any warrant or senior debt instrument required
5 under subsection (b) shall meet the following require-
6 ments:

7 (1) PURPOSES.—Such terms and conditions
8 shall, at a minimum, be designed—

9 (A) to provide for reasonable participation
10 by the Secretary, for the benefit of taxpayers,
11 in equity appreciation in the case of a warrant
12 or other equity security, or a reasonable interest
13 rate premium, in the case of a debt instrument;
14 and

15 (B) to provide additional protection for the
16 taxpayer against losses from sale of assets by
17 the Secretary and any associated administrative
18 expenses.

19 (2) TERMS OF PREFERRED VOTING STOCK.—
20 Any preferred voting stock received from a company
21 should include the following terms:

22 (A) VOTING RIGHTS.—The Secretary shall
23 have the right to vote on matters brought be-
24 fore the stockholders generally. The Secretary
25 shall control a percentage of votes equal to the

1 percentage of the total value of the company
2 the government's share will represent after the
3 investment.

4 (B) BANKRUPTCY IMMUNITY.—The rights
5 associated with the preferred voting stock shall
6 not be subject to modification, amendment, or
7 any change by the bankruptcy laws of the
8 United States or any other state.

9 (3) AUTHORITY TO SELL, EXERCISE, OR SUR-
10 RENDER.—

11 (A) IN GENERAL.—For the primary benefit
12 of taxpayers, the Secretary may sell, exercise,
13 or surrender a warrant or any senior debt in-
14 strument received under this section, based on
15 the conditions established under paragraph (1).

16 (B) PROCEEDS.—Of any proceeds received
17 through the sale, exercise, or surrender of any
18 warrant or any senior debt instrument—

19 (i) 65 percent shall be transferred or
20 credited to the Housing Trust Fund estab-
21 lished under section 1338 of the Federal
22 Housing Enterprises Financial Safety and
23 Soundness Act of 1992 (12 U.S.C. 4568);
24 and

1 (ii) 35 percent shall be transferred or
2 credited to the Capital Magnet Fund under
3 section 1339 of the Federal Housing En-
4 terprises Financial Safety and Soundness
5 Act of 1992 (12 U.S.C. 4569).

6 (4) CONVERSION.—The warrant shall provide
7 that if, after the warrant is received by the Sec-
8 retary under this section, the company that issued
9 the warrant is no longer listed or traded on a na-
10 tional securities exchange or securities association,
11 as described in subsection (b)(1), the Secretary will
12 have an option to convert the warrants to senior
13 debt to ensure that the Treasury is appropriately
14 compensated for the value of the warrant, in an
15 amount determined by the Secretary for the primary
16 benefit of taxpayers.

17 (5) PROTECTIONS.—Any warrant representing
18 securities to be received by the Secretary under this
19 section shall contain anti-dilution provisions of the
20 type employed in capital market transactions, as de-
21 termined by the Secretary for the primary benefit of
22 taxpayers. Such provisions shall protect the value of
23 the securities from market transactions such as
24 stock splits, stock distributions, dividends, and other

1 distributions, mergers, and other forms of reorga-
2 nization or recapitalization.

3 (6) EXERCISE PRICE.—The exercise price for
4 any warrant issued pursuant to this section shall be
5 set by the Secretary, for the primary benefit of tax-
6 payers.

7 (7) SUFFICIENCY.—The company shall guar-
8 antee to the Secretary that it has authorized shares
9 of stock available to fulfill its obligations under this
10 section. Should the company not have sufficient au-
11 thorized shares, including preferred shares that may
12 carry dividend rights equal to a multiple number of
13 common shares, the Secretary may, to the extent
14 necessary for the primary benefit of taxpayers, ac-
15 cept a senior debt note in an amount, and on such
16 terms as will compensate the Secretary with equiva-
17 lent value, in the event that a sufficient shareholder
18 vote to authorize the necessary additional shares
19 cannot be obtained.

20 (d) EXCEPTIONS.—The Secretary may establish an
21 exception to the requirements of this section and appro-
22 priate alternative requirements for any participating com-
23 pany that is legally prohibited from issuing securities and
24 debt instruments, so as not to allow circumvention of the
25 requirements of this section.

1 (e) PROHIBITIONS OF FOREIGN COMPANIES.—

2 (1) IN GENERAL.—The Secretary may not pur-
3 chase, or make any commitment to purchase, or
4 guarantee, or make any commitment to guarantee,
5 any asset in response to the coronavirus disease
6 (COVID–19) outbreak from—

7 (A) any foreign incorporated entity that
8 the Secretary has determined is an inverted do-
9 mestic corporation or any subsidiary of such en-
10 tity; or

11 (B) any joint venture if more than 10 per-
12 cent of the joint venture (by vote or value) is
13 held by a foreign incorporated entity that the
14 Secretary has determined is an inverted domes-
15 tic corporation or any subsidiary of such entity.

16 (2) INVERTED DOMESTIC CORPORATION.—

17 (A) IN GENERAL.—For purposes of this
18 subsection, a foreign incorporated entity shall
19 be treated as an inverted domestic corporation
20 if, pursuant to a plan (or a series of related
21 transactions)—

22 (i) the entity completes on or after
23 May 8, 2014, the direct or indirect acquisi-
24 tion of—

1 (I) substantially all of the prop-
2 erties held directly or indirectly by a
3 domestic corporation; or

4 (II) substantially all of the assets
5 of, or substantially all of the prop-
6 erties constituting a trade or business
7 of, a domestic partnership; and

8 (ii) after the acquisition, either—

9 (I) more than 50 percent of the
10 stock (by vote or value) of the entity
11 is held—

12 (aa) in the case of an acqui-
13 sition with respect to a domestic
14 corporation, by former share-
15 holders of the domestic corpora-
16 tion by reason of holding stock in
17 the domestic corporation; or

18 (bb) in the case of an acqui-
19 sition with respect to a domestic
20 partnership, by former partners
21 of the domestic partnership by
22 reason of holding a capital or
23 profits interest in the domestic
24 partnership; or

1 (II) the management and control
2 of the expanded affiliated group which
3 includes the entity occurs, directly or
4 indirectly, primarily within the United
5 States, as determined pursuant to
6 regulations prescribed by the Sec-
7 retary, and such expanded affiliated
8 group has significant domestic busi-
9 ness activities.

10 (B) EXCEPTION FOR CORPORATIONS WITH
11 SUBSTANTIAL BUSINESS ACTIVITIES IN FOR-
12 EIGN COUNTRY OF ORGANIZATION.—

13 (i) IN GENERAL.—A foreign incor-
14 porated entity described in subparagraph
15 (A) shall not be treated as an inverted do-
16 mestic corporation if after the acquisition
17 the expanded affiliated group which in-
18 cludes the entity has substantial business
19 activities in the foreign country in which or
20 under the law of which the entity is cre-
21 ated or organized when compared to the
22 total business activities of such expanded
23 affiliated group.

24 (ii) SUBSTANTIAL BUSINESS ACTIVI-
25 TIES.—The Secretary shall establish regu-

1 lations for determining whether an affili-
2 ated group has substantial business activi-
3 ties for purposes of clause (i), except that
4 such regulations may not treat any group
5 as having substantial business activities if
6 such group would not be considered to
7 have substantial business activities under
8 the regulations prescribed under section
9 7874 of the Internal Revenue Code of
10 1986, as in effect on January 18, 2017.

11 (C) SIGNIFICANT DOMESTIC BUSINESS AC-
12 TIVITIES.—

13 (i) IN GENERAL.—For purposes of
14 subparagraph (A)(ii)(II), an expanded af-
15 filiated group has significant domestic
16 business activities if at least 25 percent
17 of—

18 (I) the employees of the group
19 are based in the United States;

20 (II) the employee compensation
21 incurred by the group is incurred with
22 respect to employees based in the
23 United States;

24 (III) the assets of the group are
25 located in the United States; or

1 (IV) the income of the group is
2 derived in the United States.

3 (ii) DETERMINATION.—Determina-
4 tions pursuant to clause (i) shall be made
5 in the same manner as such determina-
6 tions are made for purposes of determining
7 substantial business activities under regu-
8 lations referred to in subparagraph (B) as
9 in effect on January 18, 2017, but applied
10 by treating all references in such regula-
11 tions to “foreign country” and “relevant
12 foreign country” as references to “the
13 United States”. The Secretary may issue
14 regulations decreasing the threshold per-
15 cent in any of the tests under such regula-
16 tions for determining if business activities
17 constitute significant domestic business ac-
18 tivities for purposes of this subparagraph.

19 (3) WAIVER.—

20 (A) IN GENERAL.—The Secretary may
21 waive paragraph (1) if the Secretary determines
22 that the waiver is—

23 (i) required in the interest of national
24 security; or

1 (ii) necessary for the efficient or effec-
2 tive administration of Federal or federally
3 funded—

4 (I) programs that provide health
5 benefits to individuals; or

6 (II) public health programs.

7 (B) REPORT TO CONGRESS.—The Sec-
8 retary shall, not later than 14 days after
9 issuing such waiver, submit a written notifica-
10 tion of the waiver to the relevant authorizing
11 committees of Congress and the Committees on
12 Appropriations of the Senate and the House of
13 Representatives.

14 (4) DEFINITIONS AND SPECIAL RULES.—

15 (A) DEFINITIONS.—In this subsection, the
16 terms “expanded affiliated group”, “foreign in-
17 corporated entity”, “domestic”, and “foreign”
18 have the meaning given those terms in section
19 835(c) of the Homeland Security Act of 2002
20 (6 U.S.C. 395(c)).

21 (B) SPECIAL RULES.—In applying para-
22 graph (2) of this subsection for purposes of
23 paragraph (1) of this subsection, the rules de-
24 scribed under 835(c)(1) of the Homeland Secu-

1 rity Act of 2002 (6 U.S.C. 395(c)(1)) shall
2 apply.

3 (5) REGULATIONS REGARDING MANAGEMENT
4 AND CONTROL.—

5 (A) IN GENERAL.—The Secretary shall, for
6 purposes of this subsection, prescribe regula-
7 tions for purposes of determining cases in which
8 the management and control of an expanded af-
9 filiated group is to be treated as occurring, di-
10 rectly or indirectly, primarily within the United
11 States. The regulations prescribed under the
12 preceding sentence shall apply to periods after
13 May 8, 2014.

14 (B) EXECUTIVE OFFICERS AND SENIOR
15 MANAGEMENT.—The regulations prescribed
16 under subparagraph (A) shall provide that the
17 management and control of an expanded affili-
18 ated group shall be treated as occurring, di-
19 rectly or indirectly, primarily within the United
20 States if substantially all of the executive offi-
21 cers and senior management of the expanded
22 affiliated group who exercise day-to-day respon-
23 sibility for making decisions involving strategic,
24 financial, and operational policies of the ex-
25 panded affiliated group are based or primarily

1 located within the United States. Individuals
2 who in fact exercise such day-to-day responsibil-
3 ities shall be treated as executive officers and
4 senior management regardless of their title.

5 (f) PREEMPTION.—Any State or Federal laws that
6 prohibit the transactions authorized by this statute, in-
7 cluding state or federal laws that prohibit company direc-
8 tors from agreeing to the transactions authorized by this
9 statute, are preempted and superseded by this statute.

10 **SEC. 409. AUTHORIZATION TO PARTICIPATE IN THE NEW**
11 **ARRANGEMENTS TO BORROW OF THE INTER-**
12 **NATIONAL MONETARY FUND.**

13 Section 17 of the Bretton Woods Agreements Act (22
14 U.S.C. 286e-2) is amended—

15 (1) in subsection (a)—

16 (A) by redesignating paragraphs (3)
17 through (5) as paragraphs (4) through (6) and
18 inserting after paragraph (2) the following:

19 “(3) In order to carry out the purposes of a
20 one-time decision of the Executive Directors of the
21 International Monetary Fund (the Fund) to expand
22 the resources of the New Arrangements to Borrow,
23 established pursuant to the decision of January 27,
24 1997 referred to in paragraph (1) above, the Sec-
25 retary of the Treasury is authorized to make loans,

1 in an amount not to exceed the dollar equivalent of
2 28,202,470,000 of Special Drawing Rights, in addi-
3 tion to any amounts previously authorized under this
4 section; except that prior to activation of the New
5 Arrangements to Borrow, the Secretary shall report
6 to Congress on whether supplementary resources are
7 needed to forestall or cope with an impairment of
8 the international monetary system and whether the
9 Fund has fully explored other means of funding to
10 the Fund.”; and

11 (B) in paragraph (6) (as so redesignated
12 by subparagraph (A) of this paragraph), by
13 striking “December 16, 2022” and inserting
14 “December 31, 2025”; and

15 (2) in subsection (e)(1), by inserting “(a)(3),”
16 after “(a)(2),”.

17 **SEC. 410. EMERGENCY RELIEF THROUGH LOANS AND LOAN**
18 **GUARANTEES.**

19 (a) IN GENERAL.—Notwithstanding any other provi-
20 sion of law, to provide liquidity to eligible businesses re-
21 lated to losses incurred as a direct result of coronavirus,
22 the Secretary is authorized to make or guarantee loans
23 to eligible businesses, including women-owned, minority-
24 owned, veteran-owned and rural businesses, that do not,
25 in the aggregate, exceed **【\$150,000,000,000】** and provide

1 the subsidy amounts necessary for such loans and loan
2 guarantees in accordance with the provisions of the Fed-
3 eral Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).

4 (c) LOANS AND LOAN GUARANTEES.—

5 (1) IN GENERAL.—The Secretary shall review
6 and decide on applications for loans and loan guar-
7 antees under this section and may enter into agree-
8 ments to make or guarantee loans to one or more
9 obligors if the Secretary determines, in the Sec-
10 retary's discretion, that—

11 (A) the obligor is a eligible business for
12 which credit is not reasonably available at the
13 time of the transaction;

14 (B) the intended obligation by the obligor
15 is prudently incurred; and

16 (C) the loan is sufficiently secured.

17 (2) TERMS AND LIMITATIONS.—

18 (A) FORMS; TERMS AND CONDITIONS.—

19 Subject to section 407 of this division, a loan
20 or loan guarantee shall be issued under this
21 section in such form and on such terms and
22 conditions and contain such covenants, rep-
23 resentatives, warranties, and requirements (in-
24 cluding requirements for audits) as the Sec-
25 retary determines appropriate. Any loans made

1 by the Secretary under this section shall be at
2 a rate not less than a rate determined by the
3 Secretary taking into consideration the current
4 average yield on outstanding marketable obliga-
5 tions of the United States of comparable matu-
6 rity.

7 (B) PROCEDURES.—As soon as prac-
8 ticable, but in no case later than 10 days after
9 the date of enactment of this Act, the Secretary
10 shall publish procedures for application and
11 minimum requirements, which may be supple-
12 mented by the Secretary in the Secretary's dis-
13 cretion, for the making of loans and loan guar-
14 antees under this section.

15 (d) FINANCIAL PROTECTION OF GOVERNMENT.—

16 (1) IN GENERAL.—To the extent feasible and
17 practicable, the Secretary shall ensure that the Fed-
18 eral Government is compensated for the risk as-
19 sumed in making loans and loan guarantees under
20 this section.

21 (2) GOVERNMENT PARTICIPATION IN GAINS.—If
22 an eligible business receives a loan or loan guarantee
23 from the Federal Government under this section, the
24 Secretary is authorized to enter into contracts under
25 which the Federal Government, contingent on the fi-

1 nancial success of the eligible business, would par-
2 ticipate in the gains of the eligible business or its se-
3 curity holders through the use of such instruments
4 as warrants, stock options, common or preferred
5 stock, or other appropriate equity instruments.

6 (e) DEPOSIT OF PROCEEDS.—Amounts collected by
7 the Secretary under this section, including the proceeds
8 of investments, earnings, and interest collected, shall be
9 deposited in the Treasury as miscellaneous receipts.

10 (f) ADMINISTRATIVE EXPENSES.—Notwithstanding
11 any other provision of law, the Secretary may use
12 \$100,000,000 of the funds made available under this sec-
13 tion to pay costs and administrative expenses associated
14 with the provision of direct loans or guarantees authorized
15 under this section.

16 (g) CONFORMING AMENDMENT.—Section 5302(a)(1)
17 of title 31, United States Code, is amended—

18 (1) by striking “and” before “section 3”; and

19 (2) by inserting “Financial Protections and As-
20 sistance for America’s Consumers, States, Busi-
21 nesses, and Vulnerable Populations Act,” before
22 “and for investing”.

1 **SEC. 411. LIMITATION ON CERTAIN EMPLOYEE COMPENSA-**
2 **TION.**

3 (a) IN GENERAL.—The Secretary may only enter into
4 a loan or loan agreement under section 410(a) with an
5 eligible business after the eligible business enters into a
6 legally binding agreement with the Secretary that, during
7 the period beginning March 1, 2020, and ending March
8 1, 2022 or the termination of the loan or loan agreement
9 under section 410(a), which is later, no officer or employee
10 of the eligible business—

11 (1) will receive from the eligible business total
12 compensation which exceeds \$425,000, during any
13 12 consecutive months of such period; and

14 (2) will receive from the eligible business sever-
15 ance pay or other benefits upon termination of em-
16 ployment with the eligible business which exceeds
17 twice the compensation described in paragraph (1).

18 (b) TOTAL COMPENSATION DEFINED.—In this sec-
19 tion, the term “total compensation” includes salary, bo-
20 nuses, awards of stock, and other financial benefits pro-
21 vided by an eligible business to an officer or employee of
22 the eligible business.

23 **SEC. 412. INTERNATIONAL FINANCE CORPORATION.**

24 The International Finance Corporation Act (22
25 U.S.C. 282 et seq.) is amended by adding at the end the
26 following:

1 **“SEC. 18. CAPITAL INCREASES AND AMENDMENT TO THE**
2 **ARTICLES OF AGREEMENT.**

3 “(a) VOTES AUTHORIZED.—The United States Gov-
4 ernor of the Corporation is authorized to vote in favor of—

5 “(1) a resolution to increase the authorized cap-
6 ital stock of the Corporation by 16,999,998 shares,
7 to implement the conversion of a portion of the re-
8 tained earnings of the Corporation into paid-in cap-
9 ital, which will result in the United States being
10 issued an additional 3,771,899 shares of capital
11 stock, without any cash contribution;

12 “(2) a resolution to increase the authorized cap-
13 ital stock of the Corporation on a general basis by
14 4,579,995 shares; and

15 “(3) a resolution to increase the authorized cap-
16 ital stock of the Corporation on a selective basis by
17 919,998 shares.

18 “(b) AMENDMENT OF THE ARTICLES OF AGREE-
19 MENT.—The United States Governor of the Corporation
20 is authorized to agree to and accept an amendment to Ar-
21 ticle II, Section 2(c)(ii) of the Articles of Agreement of
22 the Corporation that would increase the vote by which the
23 Board of Governors of the Corporation may increase the
24 capital stock of the Corporation from a four-fifths major-
25 ity to an 85 percent majority.”.

1 **SEC. 413. OVERSIGHT AND REPORTS.**

2 (a) OVERSIGHT.—

3 (1) SIGTARP.—As provided for under section
4 405 of this division, the Special Inspector General
5 for the Troubled Asset Relief Program (SIGTARP)
6 shall have oversight of the Secretary's administra-
7 tion of the loans and loan guarantees provided under
8 section 410, the use of the funds by eligible busi-
9 nesses, and compliance with the requirements of sec-
10 tion 407.

11 (2) OVERSIGHT PANEL.—As provided for under
12 section 405 of this division, the Congressional
13 COVID–19 Aid Oversight Panel shall have oversight
14 of the Secretary's administration of the loans and
15 loan guarantees provided under section 410, the use
16 of the funds by eligible businesses, and compliance
17 with the requirements of section 407.

18 (b) SECRETARY.—The Secretary shall, with respect
19 to the loans and loan guarantees provided under section
20 410, make such reports as are required under section
21 5302 of title 31, United States Code.

22 (c) GOVERNMENT ACCOUNTABILITY OFFICE.—

23 (1) STUDY.—The Comptroller General of the
24 United States shall conduct a study on the loans
25 and loan guarantees provided under section 410.

1 (2) REPORT.—Not later than 9 months after
2 the date of enactment of this Act, and annually
3 thereafter through the year succeeding the last year
4 for which loans or loan guarantees provided under
5 section 410 are in effect, the Comptroller General
6 shall submit to the Committee on Financial Services,
7 the Committee on Appropriations, and the Com-
8 mittee on the Budget of the House of Representa-
9 tives and the Committee on Banking, Housing, and
10 Urban Affairs, the Committee on Appropriations,
11 and the Committee on the Budget of the Senate a
12 report on the loans and loan guarantees provided
13 under section 410.

14 (d) DIVERSITY REPORT.—The Congressional
15 COVID–19 Aid Oversight Panel, in conjunction with the
16 SIGTARP, shall collect diversity data from any corpora-
17 tion that receives Federal aid related to COVID–19, and
18 issue a report that will be made publicly available no later
19 than one year after the disbursement of funds. In addition
20 to any other data, the report shall include the following:

21 (1) EMPLOYEE DEMOGRAPHICS.—The gender,
22 race, and ethnic identity (and to the extent possible,
23 results disaggregated by ethnic group) of the cor-
24 poration’s employees, as otherwise known or pro-
25 vided voluntarily for the total number of employees

1 (full- and part-time) and the career level of employ-
2 ees (executive and manager versus employees in
3 other roles).

4 (2) SUPPLIER DIVERSITY.—The number and
5 dollar value invested with minority- and women-
6 owned suppliers (and to the extent possible, results
7 disaggregated by ethnic group), including profes-
8 sional services (legal and consulting) and asset man-
9 agers, and deposits and other accounts with minority
10 depository institutions, as compared to all vendor in-
11 vestments.

12 (3) PAY EQUITY.—A comparison of pay
13 amongst racial and ethnic minorities (and to the ex-
14 tent possible, results disaggregated by ethnic group)
15 as compared to their white counterparts and com-
16 parison of pay between men and women for similar
17 roles and assignments.

18 (4) CORPORATE BOARD DIVERSITY.—Corporate
19 board demographic data, including total number of
20 board members, gender, race and ethnic identity of
21 board members (and to the extent possible, results
22 disaggregated by ethnic group), as otherwise known
23 or provided voluntarily, board position titles, as well
24 as any leadership and subcommittee assignments.

1 (5) DIVERSITY AND INCLUSION OFFICES.—The
2 reporting structure of lead diversity officials, number
3 of staff and budget dedicated to diversity and inclu-
4 sion initiatives.

5 (e) DIVERSITY AND INCLUSION INITIATIVES.—Any
6 corporation that receives Federal aid related to COVID–
7 19 must maintain officials and budget dedicated to diver-
8 sity and inclusion initiatives for no less than 5 years after
9 disbursement of funds.

10 **SEC. 414. DEFINITIONS.**

11 In this title:

12 (1) COVERED LOSS.—The term “covered loss”
13 includes losses, direct or incremental, incurred as a
14 result of COVID–19, as determined by the Sec-
15 retary.

16 (2) ELIGIBLE BUSINESS.—The term “eligible
17 business” means a United States business that has
18 incurred covered losses such that the continued oper-
19 ations of the business are jeopardized, as determined
20 by the Secretary, and that has not otherwise applied
21 for or received economic relief in the form of loans
22 or loan guarantees provided under any other provi-
23 sion of this Act.

1 (3) SECRETARY.—The term “Secretary” means
2 the Secretary of the Treasury, or the designee of the
3 Secretary of the Treasury.

4 **SEC. 415. RULE OF CONSTRUCTION.**

5 Nothing in this title shall be construed to allow the
6 Secretary to provide relief to eligible businesses except in
7 the form of secured loans and loan guarantees as provided
8 in this title and under terms and conditions that are in
9 the interest of the Federal Government.

10 **TITLE V—INVESTING IN A**
11 **SUSTAINABLE RECOVERY**

12 **SEC. 501. IMPROVING CORPORATE GOVERNANCE**
13 **THROUGH DIVERSITY.**

14 (a) PURPOSE.—The purpose of this section, and the
15 amendment made by this section, is to create account-
16 ability to ensure that corporate boards reflect the diversity
17 and perspectives of the communities and consumers im-
18 pacted by the hardships due to the coronavirus disease
19 (COVID–19) outbreak and future major disasters.

20 (b) SUBMISSION OF DATA RELATING TO DIVERSITY
21 BY ISSUERS.—

22 (1) IN GENERAL.—Section 13 of the Securities
23 Exchange Act of 1934 (15 U.S.C. 78m) is amended
24 by adding at the end the following:

1 “(s) SUBMISSION OF DATA RELATING TO DIVER-
2 SITY.—

3 “(1) DEFINITIONS.—In this subsection—

4 “(A) the term ‘executive officer’ has the
5 meaning given the term in section 230.501(f) of
6 title 17, Code of Federal Regulations, as in ef-
7 fect on the date of enactment of this subsection;
8 and

9 “(B) the term ‘veteran’ has the meaning
10 given the term in section 101 of title 38, United
11 States Code.

12 “(2) SUBMISSION OF DISCLOSURE.—Each
13 issuer required to file an annual report under sub-
14 section (a) shall disclose in any proxy statement and
15 any information statement relating to the election of
16 directors filed with the Commission the following:

17 “(A) Data, based on voluntary self-identi-
18 fication, on the racial, ethnic, and gender com-
19 position of—

20 “(i) the board of directors of the
21 issuer;

22 “(ii) nominees for the board of direc-
23 tors of the issuer; and

24 “(iii) the executive officers of the
25 issuer.

1 “(B) The status of any member of the
2 board of directors of the issuer, any nominee
3 for the board of directors of the issuer, or any
4 executive officer of the issuer, based on vol-
5 untary self-identification, as a veteran.

6 “(C) Whether the board of directors of the
7 issuer, or any committee of that board of direc-
8 tors, has, as of the date on which the issuer
9 makes a disclosure under this paragraph,
10 adopted any policy, plan, or strategy to promote
11 racial, ethnic, and gender diversity among—

12 “(i) the board of directors of the
13 issuer;

14 “(ii) nominees for the board of direc-
15 tors of the issuer; or

16 “(iii) the executive officers of the
17 issuer.

18 “(3) ALTERNATIVE SUBMISSION.—In any 1-
19 year period in which an issuer required to file an an-
20 nual report under subsection (a) does not file with
21 the Commission a proxy statement relating to the
22 election of directors or an information statement, the
23 issuer shall disclose the information required under
24 paragraph (2) in the first annual report of issuer

1 that the issuer submits to the Commission after the
2 end of that 1-year period.

3 “(4) ANNUAL REPORT.—Not later than 18
4 months after the date of the enactment of this sub-
5 section, and annually thereafter, the Commission
6 shall submit to the Committee on Financial Services
7 of the House of Representatives and to the Com-
8 mittee on Banking, Housing, and Urban Affairs of
9 the Senate and publish on the website of the Com-
10 mission a report that analyzes the information dis-
11 closed pursuant to paragraphs (1), (2), and (3) and
12 identifies any trends in such information.

13 “(5) BEST PRACTICES.—

14 “(A) IN GENERAL.—The Director of the
15 Office of Minority and Women Inclusion of the
16 Commission shall, not later than the end of the
17 3-year period beginning on the date of the en-
18 actment of this subsection and every three
19 years thereafter, publish best practices for com-
20 pliance with this subsection.

21 “(B) COMMENTS.—The Director of the Of-
22 fice of Minority and Women Inclusion of the
23 Commission may, pursuant to subchapter II of
24 chapter 5 of title 5, United States Code, solicit

1 public comments related to the best practices
2 published under subparagraph (A).”.

3 (2) RULEMAKING.—

4 (A) IN GENERAL.—The Securities and Ex-
5 change Commission shall issue rules to carry
6 out the amendment made by paragraph (1)
7 within the 6-month period beginning on the end
8 of the COVID–19 emergency period.

9 (B) COVID–19 EMERGENCY PERIOD DE-
10 FINED.—In this subsection, the term “COVID–
11 19 emergency period” means the period that
12 begins upon the date of the enactment of this
13 Act and ends upon the date of the termination
14 by the Federal Emergency Management Admin-
15 istration of the emergency declared on March
16 13, 2020, by the President under the Robert T.
17 Stafford Disaster Relief and Emergency Assist-
18 ance Act (42 U.S.C. 4121 et seq.) relating to
19 the Coronavirus Disease 2019 (COVID–19)
20 pandemic.

21 (c) DIVERSITY ADVISORY GROUP.—

22 (1) ESTABLISHMENT.—The Securities and Ex-
23 change Commission shall establish a Diversity Advi-
24 sory Group (the “Advisory Group”), which shall be

1 composed of representatives from the government,
2 academia, and the private sector.

3 (2) STUDY AND RECOMMENDATIONS.—The Ad-
4 visory Group shall—

5 (A) carry out a study that identifies strate-
6 gies that can be used to increase gender, racial,
7 and ethnic diversity among members of boards
8 of directors of issuers; and

9 (B) not later than 9 months after the es-
10 tablishment of the Advisory Group, submit a re-
11 port to the Commission, the Committee on Fi-
12 nancial Services of the House of Representa-
13 tives, and the Committee on Banking, Housing,
14 and Urban Affairs of the Senate that—

15 (i) describes any findings from the
16 study conducted pursuant to subparagraph
17 (A); and

18 (ii) makes recommendations of strate-
19 gies that issuers could use to increase gen-
20 der, racial, and ethnic diversity among
21 board members.

22 (3) ANNUAL REPORT.—Not later than 1 year
23 following the submission of a report pursuant to
24 paragraph (2), and annually thereafter, the Commis-
25 sion shall submit a report to the Committee on Fi-

1 nancial Services of the House of Representatives and
2 the Committee on Banking, Housing, and Urban Af-
3 fairs of the Senate that describes the status of gen-
4 der, racial, and ethnic diversity among members of
5 the board of directors of issuers.

6 (4) PUBLIC AVAILABILITY OF REPORTS.—The
7 Commission shall make all reports of the Advisory
8 Group available to issuers and the public, including
9 on the website of the Commission.

10 (5) DEFINITIONS.—For the purposes of this
11 subsection:

12 (A) ISSUER.—The term “issuer” has the
13 meaning given the term in section 3 of the Se-
14 curities Exchange Act of 1934.

15 (B) COMMISSION.—The term “Commis-
16 sion” means the Securities and Exchange Com-
17 mission.

18 **SEC. 502. DIVERSE INVESTMENT ADVISERS.**

19 (a) FINDINGS.—The Congress finds the following:

20 (1) Diverse individual-owned and controlled
21 firms continue to face obstacles, such as discrimina-
22 tion and other related barriers, when competing for
23 investment adviser services opportunities, including
24 Federal opportunities.

1 (2) The Government Accountability Office
2 found in September 2017 that asset management
3 firms (also known as firms providing investment ad-
4 viser services) registered in the United States man-
5 age more than \$70,000,000,000,000 of assets and
6 that minority- and women-owned asset management
7 firms manage less than 1 percent of such assets.

8 (3) Conscious efforts to facilitate diverse and
9 inclusive firm selection for investment advisers serv-
10 ices opportunities are required to overcome obstacles
11 facing diverse individual-owned and controlled firms,
12 especially as women- and minority-owned businesses
13 across the financial services sector struggle to re-
14 cover from the impacts of the coronavirus disease
15 (COVID–19) outbreak and future major disasters.

16 (4) Despite evidence that women and minority-
17 owned firms perform as well as and sometimes out-
18 perform their industry counterparts, they are not
19 consistently selected to manage institutional assets.
20 Although women and minority-owned firms account
21 for approximately 8.6 percent of the asset manage-
22 ment industry, recent reports show that they only
23 manage 1.1 percent of all assets under management
24 or \$785 billion out of \$71.4 trillion, and are under-
25 represented as managers in every asset class.

1 (b) INVESTMENT ADVISER CONTRACTING BY PER-
2 SONS REGISTERED WITH THE SECURITIES AND EX-
3 CHANGE COMMISSION.—The Securities Exchange Act of
4 1934 (15 U.S.C. 78a et seq.) is amended by inserting after
5 section 15G the following:

6 **“SEC. 15H. INVESTMENT ADVISER CONTRACTING REQUIRE-**
7 **MENTS.**

8 “(a) REQUIRED FOR REGISTRATION.—No broker,
9 dealer, investment adviser, investment company, or self-
10 regulatory organization may be registered with the Com-
11 mission unless such person—

12 “(1) does not contract for the services of an in-
13 vestment adviser for externally managed funds; or

14 “(2) in contracting for the services of an invest-
15 ment adviser for externally managed funds after the
16 date of the enactment of this section, has in place
17 procedures that require the person, before con-
18 tracting for such services—

19 “(A) to publish, unless prohibited by law
20 or regulation, a request for proposal for such
21 services; and

22 “(B) if one or more diverse individual
23 owned and controlled firms submits a proposal
24 to provide such services that satisfies the cri-
25 teria set forth in the request for proposal, to in-

1 vite at least one such diverse individual-owned
2 and controlled firm to present their proposal, or
3 certify to the Commission that no diverse indi-
4 vidual-owned and controlled firms submitted a
5 proposal, unless such invitation is prohibited by
6 other law or regulation.

7 “(b) REPORTS.—

8 “(1) PERSONS CONTRACTING FOR THE SERV-
9 ICES OF INVESTMENT ADVISERS FOR EXTERNALLY
10 MANAGED FUNDS.—Each broker, dealer, investment
11 adviser, investment company, and self-regulatory or-
12 ganization who contracts for the services of an in-
13 vestment adviser for externally managed funds and
14 who is registered with the Commission shall, each
15 fiscal year of such person, submit to the Office of
16 Minority and Women Inclusion of the Commission a
17 report that identifies, for the previous fiscal year—

18 “(A) the percentage of services of invest-
19 ment advisers for externally managed funds the
20 person contracted for that were provided by a
21 diverse individual-owned and controlled firm;

22 “(B) the dollar value of any contracts with
23 diverse-individual owned and controlled firms
24 providing the services of investment advisers for
25 externally managed funds as a percentage of

1 the dollar value of all contracts with all firms
2 providing the services of investment advisers for
3 externally managed funds;

4 “(C) the efforts made by the person to
5 communicate opportunities for investment ad-
6 viser services for externally managed funds to
7 diverse-individual owned and controlled firms
8 providing the services of investment advisers for
9 externally managed funds;

10 “(D) the number of diverse-individual
11 owned and controlled firms that were consid-
12 ered by the person to provide the services of in-
13 vestment advisers for externally managed funds
14 and, with respect to each such firm, the race
15 and gender of the owners of such firm; and

16 “(E) for any investment adviser for exter-
17 nally managed funds services contract oppor-
18 tunity in which a diverse-individual owned and
19 controlled firm was not considered, a descrip-
20 tion of why a diverse-individual owned and con-
21 trolled firm was not considered.

22 “(2) INCLUSION OF REPORT INFORMATION ON
23 FORM ADV.—Any person who is required to file a re-
24 port under paragraph (1) shall, in any Form ADV
25 filed by, or required to be filed by such person, in-

1 include all information required to be filed in the re-
2 port under paragraph (1) in such Form ADV filing.

3 “(3) ANNUAL REPORT BY THE OFFICE OF MI-
4 NORITY AND WOMEN INCLUSION.—The Director of
5 the Office of Minority and Women Inclusion of the
6 Commission shall issue an annual report to the
7 Commission and the Congress on the use of diverse
8 individual-owned and controlled firms offering in-
9 vestment advising services for externally managed
10 funds, including a summary of reports received
11 under paragraph (1) and under section 13B(b).

12 “(4) COMMISSION REPORT TO CONGRESS.—The
13 Commission shall issue a report every 5 years to the
14 Congress on the steps taken by the Commission to
15 implement this section and section 13B.

16 “(c) EXCEPTION.—This section shall not apply to—

17 “(1) a contract described in section 15 of the
18 Investment Company Act of 1940, except for an ini-
19 tial contract—

20 “(A) pursuant to which a person serves or
21 acts as an unaffiliated sub-adviser to a reg-
22 istered investment company; and

23 “(B) which is exempt from the shareholder
24 approval requirement of section 15 in reliance
25 on an order or rule of the Commission; or

1 “(2) a diverse individual-owned and controlled
2 firm with assets under \$100,000,000.

3 “(d) DEFINITIONS.—For the purposes of this section:

4 “(1) AFFILIATED PERSON.—The term ‘affili-
5 ated person’ has the meaning given that term under
6 section 2(a) of the Investment Company Act of
7 1940.

8 “(2) DIVERSE INDIVIDUAL-OWNED AND CON-
9 TROLLED FIRM.—The term ‘diverse individual-owned
10 and controlled firm’ means a firm—

11 “(A) which is at least 51 percent owned by
12 one or more individuals who are women, minori-
13 ties, or veterans; or

14 “(B) whose management and daily busi-
15 ness operations are—

16 “(i) in the case of a firm the shares
17 of which are traded on a national securities
18 exchange, controlled by a board with a ma-
19 jority of members who are women, minori-
20 ties, or veterans; and

21 “(ii) in the case of any other firm, at
22 least 51 percent controlled by one or more
23 individuals who are women, minorities, or
24 veterans.

1 “(3) INVESTMENT ADVISER.—The term ‘invest-
2 ment adviser’ has the meaning given the term in sec-
3 tion 202(a)(11) of the Investment Advisers Act of
4 1940.

5 “(4) MINORITY.—The term ‘minority’ has the
6 meaning given the term in section 308(b) of the Fi-
7 nancial Institutions Reform, Recovery, and Enforce-
8 ment Act of 1989 and also includes any indigenous
9 person in the United States or its territories.

10 “(5) UNAFFILIATED SUB-ADVISER TO A REG-
11 ISTERED INVESTMENT COMPANY.—With respect to a
12 registered investment company, the term ‘unaffili-
13 ated sub-adviser to a registered investment company’
14 means a person described under section 2(a)(20)(B)
15 of the Investment Company Act of 1940 that is not
16 an affiliated person of a person described under sec-
17 tion 2(a)(20)(A) of the Investment Company Act of
18 1940.

19 “(6) VETERAN.—The term ‘veteran’ has the
20 meaning given the term in section 101 of title 38,
21 United States Code.”.

22 (c) INVESTMENT ADVISER CONTRACTING BY PER-
23 SONS REGISTERING SECURITIES.—The Securities Ex-
24 change Act of 1934 is amended by inserting after section
25 13A the following:

1 **“SEC. 13B. INVESTMENT ADVISER CONTRACTING REQUIRE-**
2 **MENTS.**

3 “(a) IN GENERAL.—Any issuer required to file an an-
4 nual report under section 13 shall, when contracting for
5 the services of an investment adviser for externally man-
6 age funds—

7 “(1) publish, unless prohibited by law or regula-
8 tion, a request for proposal for such services; and

9 “(2) if one or more diverse individual owned
10 and controlled firms submits a proposal to provide
11 such services that satisfies the criteria set forth in
12 the request for proposal, invite at least one such di-
13 verse individual-owned and controlled firm to present
14 their proposal, or certify to the Commission that no
15 diverse individual-owned and controlled firms sub-
16 mitted a proposal, unless such invitation is prohib-
17 ited by other law or regulation.

18 “(b) REPORT.—Any issuer required to file an annual
19 report under section 13 who contracts for the services of
20 an investment adviser for externally managed funds shall,
21 each fiscal year of such issuer, submit to the Office of
22 Minority and Women Inclusion of the Commission a re-
23 port that identifies, for the previous fiscal year—

24 “(1) the percentage of services of investment
25 advisers for externally managed funds the issuer

1 contracted for that were provided by a diverse indi-
2 vidual-owned and controlled firm;

3 “(2) the dollar value of any contracts with di-
4 verse-individual owned and controlled firms pro-
5 viding the services of investment advisers for exter-
6 nally managed funds as a percentage of the dollar
7 value of all contracts with all firms providing the
8 services of investment advisers for externally man-
9 aged funds;

10 “(3) the efforts made by the issuer to commu-
11 nicate investment adviser services for externally
12 managed funds contract opportunities to diverse-in-
13 dividual owned and controlled firms providing the
14 services of investment advisers for externally man-
15 aged funds;

16 “(4) the number of diverse-individual owned
17 and controlled firms that were considered by the
18 issuer to provide the services of investment advisers
19 for externally managed funds and, with respect to
20 each such firm, the race and gender of the owners
21 of such firm; and

22 “(5) for any investment adviser services for ex-
23 ternally managed funds contract opportunity in
24 which a diverse-individual owned and controlled firm
25 was not considered, a description of why a diverse-

1 individual owned and controlled firm was not consid-
2 ered.

3 “(c) EXCEPTION.—This section shall not apply to—

4 “(1) a contract described in section 15 of the
5 Investment Company Act of 1940, except for an ini-
6 tial contract—

7 “(A) pursuant to which a person serves or
8 acts as an unaffiliated sub-adviser to a reg-
9 istered investment company; and

10 “(B) which is exempt from the shareholder
11 approval requirement of section 15 in reliance
12 on an order or rule of the Commission; or

13 “(2) a diverse individual-owned and controlled
14 firm with assets under \$100,000,000.

15 “(d) DEFINITIONS.—In this section, the terms, ‘af-
16 filiated person’, ‘diverse individual-owned and controlled
17 firm’, ‘investment adviser’, ‘minority’, ‘unaffiliated sub-ad-
18 viser to a registered investment company’, and ‘veteran’
19 have the meaning given such terms in section 15H(d).”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 section shall take effect after the end of the 180-day pe-
22 riod beginning on the date of the termination by the Fed-
23 eral Emergency Management Administration of the emer-
24 gency declared on March 13, 2020, by the President under
25 the Robert T. Stafford Disaster Relief and Emergency As-

1 sistence Act (42 U.S.C. 4121 et seq.) relating to the
2 Coronavirus Disease 2019 (COVID–19) pandemic.

3 **SEC. 503. FINANCIAL LITERACY EDUCATION COMMISSION**
4 **EMERGENCY RESPONSE.**

5 (a) PURPOSE.—The purpose of this section is to pro-
6 vide financial literacy education, including information on
7 access to banking services and other financial products,
8 for individuals seeking information and resources as they
9 recover from any financial distress caused by the
10 coronavirus disease (COVID–19) outbreak and future
11 major disasters.

12 (b) FINANCIAL LITERACY AND EDUCATION COMMIS-
13 SION RESPONSE TO THE COVID–19 EMERGENCY.—

14 (1) SPECIAL MEETING.—Not later than the end
15 of the 60-day period beginning on the date of enact-
16 ment of this section, the Financial Literacy and
17 Education Commission (the “Commission”) shall
18 convene a special meeting to discuss and plan assist-
19 ance related to the financial impacts of the COVID–
20 19 emergency.

21 (2) UPDATE OF THE COMMISSION’S WEBSITE.—

22 (A) IN GENERAL.—Not later than the end
23 of the 60-day period beginning on the date of
24 enactment of this section, the Commission shall
25 update the website of the Commission with a

1 full list of tools to help individuals recover from
2 any financial hardship as a result of the
3 COVID–19 emergency.

4 (B) SPECIFIC REQUIREMENTS.—In per-
5 forming the update required under subpara-
6 graph (A), the Commission shall—

7 (i) place special emphasis on providing
8 an additional set of tools geared towards
9 women, racial and ethnic minorities, vet-
10 erans, disabled, and LGBTQ+ commu-
11 nities; and

12 (ii) provide information in English
13 and Spanish.

14 (C) INFORMATION FROM MEMBERS.—Not
15 later than the end of the 60-day period begin-
16 ning on the date of enactment of this section,
17 each Federal department or agency that is a
18 member of the Commission shall provide an up-
19 date on the website of the Commission dis-
20 closing any tools that the department or agency
21 is offering to individuals or to employees of the
22 department or agency related to the COVID–19
23 emergency.

24 (3) IMPLEMENTATION REPORT TO CONGRESS.—

25 The Secretary of the Treasury and the Director of

1 the Bureau of Consumer Financial Protection shall,
2 jointly and not later than the end of the 30-day pe-
3 riod following the date on which the meeting re-
4 quired under paragraph (1) is held and all updates
5 required under paragraph (2) have been completed,
6 report to Congress on the implementation of this
7 section.

8 (4) COVID–19 EMERGENCY DEFINED.—In this
9 subsection, the term “COVID–19 emergency” means
10 the emergency declared on March 13, 2020, by the
11 President under the Robert T. Stafford Disaster Re-
12 lief and Emergency Assistance Act (42 U.S.C. 4121
13 et seq.) relating to the Coronavirus Disease 2019
14 (COVID–19) pandemic.

15 **SEC. 504. INTERAGENCY PANDEMIC GUIDANCE FOR CON-**
16 **SUMERS.**

17 (a) INTERAGENCY PANDEMIC GUIDANCE.—

18 (1) GUIDANCE.—Not later than the end of the
19 60-day period beginning on the date of enactment of
20 this section, the Federal financial regulators shall
21 issue interagency regulatory guidance on prepared-
22 ness, flexibility, and relief options for consumers in
23 pandemics and major disasters, such as deferment,
24 forbearance, affordable payment plan options, and

1 other options such as delays on debt collections and
2 wage garnishments.

3 (2) UPDATES.—The Federal financial regu-
4 lators shall update the guidance required under
5 paragraph (1) as necessary to keep such guidance
6 current.

7 (b) PANDEMIC PREPAREDNESS TESTING.—

8 (1) IN GENERAL.—Not later than the end of
9 the 2-year period beginning on the date of enact-
10 ment of this section, and every 5 years thereafter,
11 the Federal financial regulators shall carry out test-
12 ing along with the institutions regulated by the Fed-
13 eral financial regulators to determine how effectively
14 such institutions will be able to respond to a pan-
15 demic or major disaster.

16 (2) REPORT.—After the end of each test re-
17 quired under paragraph (1), the Federal financial
18 regulators shall, jointly, issue a report to Congress
19 containing the results of such test and any regu-
20 latory or legislative recommendations the regulators
21 may have to increase pandemic preparedness.

22 (c) DEFINITIONS.—In this section:

23 (1) FEDERAL FINANCIAL REGULATORS.—The
24 term “Federal financial regulators” means the
25 Board of Governors of the Federal Reserve System,

1 the Bureau of Consumer Financial Protection, the
2 Comptroller of the Currency, the Director of the
3 Federal Housing Finance Agency, the Federal De-
4 posit Insurance Corporation, the National Credit
5 Union Administration, the Secretary of Agriculture,
6 and the Secretary of Housing and Urban Develop-
7 ment.

8 (2) MAJOR DISASTER.—The term “major dis-
9 aster” means a major disaster declared by the Presi-
10 dent under section 401 of the Robert T. Stafford
11 Disaster Relief and Emergency Assistance Act (42
12 U.S.C. 5170), under which assistance is authorized
13 under section 408 of such Act (42 U.S.C. 5174), or
14 section 501 of such Act (42 U.S.C. 5191).

15 **SEC. 505. SEC PANDEMIC GUIDANCE FOR INVESTORS.**

16 (a) PANDEMIC GUIDANCE.—

17 (1) GUIDANCE.—Not later than the end of the
18 60-day period beginning on the date of enactment of
19 this section, the Securities and Exchange Commis-
20 sion shall issue regulatory guidance on preparedness,
21 flexibility, relief, and investor protection for inves-
22 tors in pandemics and major disasters, including rel-
23 evant disclosures.

1 (2) UPDATES.—The Commission shall update
2 the guidance required under paragraph (1) as nec-
3 essary to keep such guidance current.

4 (b) PANDEMIC PREPAREDNESS TESTING.—

5 (1) IN GENERAL.—Not later than the end of
6 the 60-day period beginning on the date of enact-
7 ment of this Act, and every 5 years thereafter, the
8 Securities and Exchange Commission shall carry out
9 testing along with the entities regulated by the Com-
10 mission to determine how effectively such entities
11 will be able to respond to a pandemic or major dis-
12 aster.

13 (2) REPORT.—After the end of each test re-
14 quired under paragraph (1), the Commission shall
15 issue a report to Congress containing the results of
16 such test and any regulatory or legislative rec-
17 ommendations the Commission may have to increase
18 pandemic preparedness.

19 (c) MAJOR DISASTER DEFINED.—In this section, the
20 term “major disaster” means a major disaster declared
21 by the President under section 401 of the Robert T. Staf-
22 ford Disaster Relief and Emergency Assistance Act (42
23 U.S.C. 5170), under which assistance is authorized
24 under section 408 of such Act (42 U.S.C. 5174), or sec-
25 tion 501 of such Act (42 U.S.C. 5191).

1 **SEC. 506. UPDATES OF THE PANDEMIC INFLUENZA PLAN**
2 **AND NATIONAL PLANNING FRAMEWORKS.**

3 (a) IN GENERAL.—Not later than one year following
4 the end of the Declaration of the National Emergency, the
5 President shall ensure that the Pandemic Influenza Plan
6 (2017 Update) and the National Planning Frameworks
7 are updated. The Secretary of the Treasury, in consulta-
8 tion with the Federal financial regulators, shall provide
9 to the President the following:

10 (1) An assessment of the effectiveness of cur-
11 rent plans and strategies to address the economic, fi-
12 nancial, and monetary issues arising from a pan-
13 demic or other disaster.

14 (2) A description of the most significant chal-
15 lenges to protecting the economy, the financial sys-
16 tem, and consumers, during a pandemic or other
17 disaster, including the specific challenges experi-
18 enced by women, racial and ethnic minorities, di-
19 verse-owned businesses, veterans, and the disabled.

20 (3) Actions that could be carried out in a crisis,
21 as defined by the preparedness plans described in
22 subsection (a), such as the following:

23 (A) Significant increases of unemployment
24 insurance benefits (including payment amounts)
25 for all workers under a certain income thresh-

1 old, including freelancers and the self-employed,
2 during the crisis.

3 (B) Loan deference, modification, and for-
4 bearance mechanisms of all consumer and busi-
5 ness payments, allowing long-term repayment
6 plans and excluding no industries, during the
7 crisis.

8 (C) Suspension of foreclosure and eviction
9 proceedings taken against individuals or busi-
10 nesses during the crisis.

11 (D) Suspension of all negative consumer
12 credit reporting during the crisis.

13 (E) Prohibition of debt collection, reposses-
14 sion, and garnishment of wages during the cri-
15 sis.

16 (F) Provision of emergency homeless as-
17 sistance during the crisis.

18 (G) An increase in Community Develop-
19 ment Block Grants during the crisis and to im-
20 prove community response.

21 (H) Reduction of hurdles in the form of
22 waivers and authorities to modify existing hous-
23 ing and homelessness programs to facilitate re-
24 sponse to the crisis.

1 (I) Expand the size standards for eligible
2 businesses with access no-interest or low-inter-
3 est loans through the Small Business Adminis-
4 tration during the crisis.

5 (J) Remove the size standard limits on eli-
6 gible businesses with access no-interest or low-
7 interest loans through the Small Business Ad-
8 ministration during the crisis for businesses
9 that agree to maintain their employment work-
10 force and preserve benefits during the crisis.

11 (K) Support for additional no-interest or
12 low-interest loans for small businesses through
13 the Small Business Administration during the
14 crisis.

15 (L) Utilization of the Community Develop-
16 ment Financial Institutions (CDFI) Fund to
17 support small businesses as well as low-income
18 communities during the crisis.

19 (M) Support for State, territory, and local
20 government financing during the crisis.

21 (N) Waiver of matching requirements for
22 municipal governments during the crisis.

23 (O) Suspension of requirements relating to
24 minimum distributions for retirement plans and

1 individual retirement accounts for the calendar
2 years of which the crisis is occurring.

3 (b) SPECIAL CONSIDERATION FOR DIVERSITY.—In
4 issuing the updates required under subsection (a), the
5 President shall ensure that consideration is given as to
6 how to minimize the economic impacts of a crisis on
7 women, minorities, diverse-owned businesses, veterans,
8 and the disabled.

9 (c) MAKING PLANS PUBLIC.—The updated plans de-
10 scribed in subsection (a) shall be made publicly available,
11 but may have classified information redacted.

12 (d) DEFINITIONS.—In this section:

13 (1) DECLARATION OF THE NATIONAL EMER-
14 GENCY.—The term “Declaration of the National
15 Emergency” means the emergency declared by the
16 President under section 501 of the Robert T. Staf-
17 ford Disaster Relief and Emergency Assistance Act
18 (42 U.S.C. 5191) relating to the COVID–19 pan-
19 demic.

20 (2) FEDERAL FINANCIAL REGULATOR.—The
21 term “Federal financial regulators” means the Bu-
22 reau of Consumer Financial Protection, the Federal
23 Deposit Insurance Corporation, the Federal Housing
24 Finance Agency, the Board of Governors of the Fed-
25 eral Reserve System, the Office of the Comptroller

1 of the Currency, the National Credit Union Adminis-
2 tration, and the Securities and Exchange Commis-
3 sion.

4 **DIVISION J—EDUCATION RELIEF**
5 **AND OTHER PROGRAMS**
6 **TITLE I—EDUCATION**
7 **PROVISIONS**

8 **SEC. 100101. SHORT TITLE.**

9 This title may be cited as the “COVID–19 Pandemic
10 Education Relief Act of 2020”.

11 **SEC. 100102. DEFINITIONS.**

12 In this title:

13 (1) CORONAVIRUS.—The term “coronavirus”
14 has the meaning given that term in section 506 of
15 the Coronavirus Preparedness and Response Supple-
16 mental Appropriations Act, 2020 (Public Law 116–
17 123).

18 (2) INSTITUTION OF HIGHER EDUCATION.—The
19 term “institution of higher education” has the
20 meaning given that term in section 102 of the High-
21 er Education Act of 1965 (20 U.S.C. 1002).

22 (3) QUALIFYING EMERGENCY.—The term
23 “qualifying emergency” means—

24 (A) a public health emergency related to
25 the coronavirus declared by the Secretary of

1 Health and Human Services pursuant to sec-
2 tion 319 of the Public Health Service Act (42
3 U.S.C. 247d);

4 (B) an event related to the coronavirus for
5 which the President declared a major disaster
6 or an emergency under section 401 or 501, re-
7 spectively, of the Robert T. Stafford Disaster
8 Relief and Emergency Assistance Act (42
9 U.S.C. 5170 and 5191); or

10 (C) a national emergency related to the
11 coronavirus declared by the President under
12 section 201 of the National Emergencies Act
13 (50 U.S.C. 1601 et seq.).

14 (4) SECRETARY.—The term “Secretary” means
15 the Secretary of Education.

16 (5) FOREIGN INSTITUTION.—The term “foreign
17 institution” means an institution of higher education
18 located outside the United States that is described
19 in paragraphs (1)(C) and (2) of section 102(a) of
20 the Higher Education Act of 1965 (20 U.S.C.
21 1002(a)).

22 **SEC. 100103. CAMPUS-BASED AID WAIVERS.**

23 (a) WAIVER OF NON-FEDERAL SHARE REQUIRE-
24 MENT.—Notwithstanding sections 413C(a)(2) and
25 443(b)(5) of the Higher Education Act of 1965 (20

1 U.S.C. 1070b–2(a)(2) and 1087–53(b)(5)), with respect
2 to funds made available for award years 2019–2020 and
3 2020–2021, the Secretary shall waive the requirement
4 that a participating institution of higher education provide
5 a non-Federal share to match Federal funds provided to
6 the institution for the programs authorized pursuant to
7 subpart 3 of part A and part C of title IV of the Higher
8 Education Act of 1965 (20 U.S.C. 1070b et seq. and
9 1087–51 et seq.), except nothing in this subsection shall
10 affect the non-Federal share requirement under section
11 443(c)(3) of such Act that applies to private for-profit or-
12 ganizations.

13 (b) AUTHORITY TO REALLOCATE.—Notwithstanding
14 sections 413D, 442, and 488 of the Higher Education Act
15 of 1965 (20 U.S.C. 1070b–3, 1087–52, and 1095), during
16 a period of a qualifying emergency, an institution may
17 transfer up to 100 percent of the institution’s unexpended
18 allotment under section 442 of such Act to the institu-
19 tion’s allotment under section 413D of such Act, but may
20 not transfer any funds from the institution’s unexpended
21 allotment under section 413D of such Act to the institu-
22 tion’s allotment under section 442 of such Act.

1 **SEC. 100104. USE OF SUPPLEMENTAL EDUCATIONAL OP-**
2 **PORTUNITY GRANTS FOR EMERGENCY AID.**

3 (a) IN GENERAL.—Notwithstanding section 413B of
4 the Higher Education Act of 1965 (20 U.S.C. 1070b–1),
5 an institution of higher education may reserve any amount
6 of an institution’s allocation under subpart 3 of part A
7 of title IV of the Higher Education Act of 1965 (20 U.S.C.
8 1070b et seq.) for a fiscal year to award, in such fiscal
9 year, emergency financial aid grants to assist under-
10 graduate or graduate students for unexpected expenses
11 and unmet financial need as the result of a qualifying
12 emergency.

13 (b) DETERMINATIONS.—In determining eligibility for
14 and awarding emergency financial aid grants under this
15 section, an institution of higher education may—

16 (1) waive the amount of need calculation under
17 section 471 of the Higher Education Act of 1965
18 (20 U.S.C. 1087kk);

19 (2) allow for a student affected by a qualifying
20 emergency to receive funds in an amount that is not
21 more than the maximum Federal Pell Grant for the
22 applicable award year; and

23 (3) utilize a contract with a scholarship-grant-
24 ing organization designated for the sole purpose of
25 accepting applications from or disbursing funds to
26 students enrolled in the institution of higher edu-

1 cation, if such scholarship-granting organization dis-
2 burses the full allocated amount provided to the in-
3 stitution of higher education to the recipients.

4 (c) SPECIAL RULE.—Any emergency financial aid
5 grants to students under this section shall not be treated
6 as other financial assistance for the purposes of section
7 471 of the Higher Education Act of 1965 (20 U.S.C.
8 1087kk).

9 **SEC. 100105. FEDERAL WORK-STUDY DURING A QUALIFYING**
10 **EMERGENCY.**

11 (a) IN GENERAL.—In the event of a qualifying emer-
12 gency, an institution of higher education participating in
13 the program under part C of title IV of the Higher Edu-
14 cation Act of 1965 (20 U.S.C. 1087–51 et seq.) may make
15 payments under such part to affected work-study stu-
16 dents, for the period of time (not to exceed one academic
17 year) in which affected students were unable to fulfill the
18 students' work-study obligation for all or part of such aca-
19 demic year due to such qualifying emergency, as follows:

20 (1) Payments may be made under such part to
21 affected work-study students in an amount equal to
22 or less than the amount of wages such students
23 would have been paid under such part had the stu-
24 dents been able to complete the work obligation nec-

1 essary to receive work study funds, as a one time
2 grant or as multiple payments.

3 (2) Payments shall not be made to any student
4 who was not eligible for work study or was not com-
5 pleting the work obligation necessary to receive work
6 study funds under such part prior to the occurrence
7 of the qualifying emergency.

8 (3) Any payments made to affected work-study
9 students under this subsection shall meet the match-
10 ing requirements of section 443 of the Higher Edu-
11 cation Act of 1965 (20 U.S.C. 1087–53), unless
12 such matching requirements are waived by the Sec-
13 retary.

14 (b) DEFINITION OF AFFECTED WORK-STUDY STU-
15 DENT.—In this section, the term “affected work-study
16 student” means a student enrolled at an eligible institu-
17 tion participating in the program under part C of title IV
18 of the Higher Education Act of 1965 (20 U.S.C. 1087–
19 51 et seq.) who—

20 (1) received a work-study award under section
21 443 of the Higher Education Act of 1965 (20
22 U.S.C. 1087–53) for the academic year during which
23 a qualifying emergency occurred;

24 (2) earned Federal work-study wages from such
25 eligible institution for such academic year; and

1 (3) was prevented from fulfilling the student's
2 work-study obligation for all or part of such aca-
3 demic year due to such qualifying emergency.

4 **SEC. 100106. ADJUSTMENT OF SUBSIDIZED LOAN USAGE**
5 **LIMITS.**

6 Notwithstanding section 455(q)(3) of the Higher
7 Education Act of 1965 (20 U.S.C. 1087e(q)(3)), the Sec-
8 retary shall exclude from a student's period of enrollment
9 for purposes of loans made under part D of title IV of
10 the Higher Education Act of 1965 (20 U.S.C. 1087a et
11 seq.) any semester (or the equivalent) that the student
12 does not complete due to a qualifying emergency, if the
13 Secretary is able to administer such policy in a manner
14 that limits complexity and the burden on the student.

15 **SEC. 100107. EXCLUSION FROM FEDERAL PELL GRANT DU-**
16 **RATION LIMIT.**

17 The Secretary shall exclude from a student's Federal
18 Pell Grant duration limit under section 401(c)(5) of the
19 Higher Education Act of 1965 (2 U.S.C. 1070a(c)(5)) any
20 semester (or the equivalent) that the student does not
21 complete due to a qualifying emergency if the Secretary
22 is able to administer such policy in a manner that limits
23 complexity and the burden on the student.

1 **SEC. 100108. INSTITUTIONAL REFUNDS AND FEDERAL STU-**
2 **DENT LOAN FLEXIBILITY.**

3 (a) INSTITUTIONAL WAIVER.—

4 (1) IN GENERAL.—The Secretary shall waive
5 the institutional requirement under section 484B of
6 the Higher Education Act of 1965 (20 U.S.C.
7 1091b) with respect to the amount of grant or loan
8 assistance (other than assistance received under part
9 C of title IV of such Act) to be returned under such
10 section if a recipient of assistance under title IV of
11 the Higher Education Act of 1965 (20 U.S.C. 1070
12 et seq.) withdraws from the institution of higher
13 education during the payment period or period of
14 enrollment as a result of a qualifying emergency.

15 (2) WAIVERS.—The Secretary shall require
16 each institution using a waiver relating to the with-
17 drawal of recipients under this subsection to report
18 the number of such recipients, the amount of grant
19 or loan assistance (other than assistance received
20 under part C of title IV of such Act) associated with
21 each such recipient, and the total amount of grant
22 or loan assistance (other than assistance received
23 under part C of title IV of such Act) for which each
24 institution has not returned assistance under title IV
25 to the Secretary.

1 (b) STUDENT WAIVER.—The Secretary shall waive
2 the amounts that students are required to return under
3 section 484B of the Higher Education Act of 1965 (20
4 U.S.C. 1091b) with respect to Federal Pell Grants or
5 other grant assistance if the withdrawals on which the re-
6 turns are based are withdrawals by students who withdrew
7 from the institution of higher education as a result of a
8 qualifying emergency.

9 (c) CANCELING LOAN OBLIGATION.—Notwith-
10 standing any other provision of the Higher Education Act
11 of 1965 (20 U.S.C. 1001 et seq.), the Secretary shall can-
12 cel the borrower's obligation to repay the entire portion
13 of a loan made under part D of title IV of such Act (20
14 U.S.C. 1087a et seq.) associated with a payment period
15 for a recipient of such loan who withdraws from the insti-
16 tution of higher education during the payment period as
17 a result of a qualifying emergency.

18 (d) APPROVED LEAVE OF ABSENCE.—Notwith-
19 standing any other provision of the Higher Education Act
20 of 1965 (20 U.S.C. 1001 et seq.), for purposes of receiving
21 assistance under title IV of the Higher Education Act of
22 1965 (20 U.S.C. 1070 et seq.), an institution of higher
23 education may, as a result of a qualifying emergency, pro-
24 vide a student with an approved leave of absence that does
25 not require the student to return at the same point in the

1 academic program that the student began the leave of ab-
2 sence if the student returns within the same semester (or
3 the equivalent).

4 **SEC. 100109. SATISFACTORY ACADEMIC PROGRESS.**

5 Notwithstanding section 484 of the Higher Education
6 Act of 1965 (20 U.S.C. 1091), in determining whether a
7 student is maintaining satisfactory academic progress for
8 purposes of title IV of the Higher Education Act of 1965
9 (20 U.S.C. 1070 et seq.), an institution of higher edu-
10 cation may, as a result of a qualifying emergency, exclude
11 from the quantitative component of the calculation any at-
12 tempted credits that were not completed by such student
13 without requiring an appeal by such student.

14 **SEC. 100110. CONTINUING EDUCATION AT AFFECTED FOR-**
15 **EIGN INSTITUTIONS.**

16 (a) IN GENERAL.—Notwithstanding section 481(b)
17 of the Higher Education Act of 1965 (20 U.S.C. 1088(b)),
18 with respect to a foreign institution, in the case of a public
19 health emergency, major disaster or emergency, or na-
20 tional emergency declared by the applicable government
21 authorities in the country in which the foreign institution
22 is located, the Secretary may permit any part of an other-
23 wise eligible program to be offered via distance education
24 for the duration of such emergency or disaster and the

1 following payment period for purposes of title IV of the
2 Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

3 (b) ELIGIBILITY.—An otherwise eligible program
4 that is offered in whole or in part through distance edu-
5 cation by a foreign institution between March 1, 2020, and
6 the date of enactment of this Act shall be deemed eligible
7 for the purposes of part D of title IV of the Higher Edu-
8 cation Act of 1965 (20 U.S.C. 1087a et seq.) for the dura-
9 tion of the emergency or disaster affecting the institution
10 as described in subsection (a) and the following payment
11 period for purposes of title IV of the Higher Education
12 Act of 1965 (20 U.S.C. 1070 et seq.). An institution of
13 higher education that uses the authority provided in the
14 previous sentence shall report such use to the Secretary—

15 (1) for the 2019–2020 award year, not later
16 than June 30, 2020; and

17 (2) for an award year subsequent to the 2019–
18 2020 award year, not later than 30 days after such
19 use.

20 (c) REPORT.—Not later than 180 days after the date
21 of enactment of this Act, and every 180 days thereafter
22 for the duration of the applicable disaster or emergency
23 and the following payment period, the Secretary shall sub-
24 mit to the authorizing committees (as defined in section
25 103 of the Higher Education Act of 1965 (20 U.S.C.

1 1003)) a report that identifies each foreign institution
2 that carried out a distance education program authorized
3 under this section.

4 (d) WRITTEN ARRANGEMENTS.—

5 (1) IN GENERAL.—Notwithstanding section 102
6 of the Higher Education Act of 1965 (20 U.S.C.
7 1002), with respect to a foreign institution, in the
8 case of a public health emergency, major disaster or
9 emergency, or national emergency declared by the
10 applicable government authorities in the country in
11 which the foreign institution is located, the Sec-
12 retary may allow a foreign institution to enter into
13 a written arrangement with an institution of higher
14 education located in the United States that partici-
15 pates in the Federal Direct Loan Program under
16 part D of title IV of the Higher Education Act of
17 1965 (20 U.S.C. 1087a et seq.), for the duration of
18 such emergency or disaster and the following pay-
19 ment period, for the purpose of allowing a student
20 of the foreign institution who is a borrower of a loan
21 made under such part to take courses from the insti-
22 tution of higher education located in the United
23 States.

24 (2) FORM OF ARRANGEMENTS.—

1 (A) PUBLIC OR OTHER NONPROFIT INSTI-
2 TUTIONS.—A foreign institution that is a public
3 or other nonprofit institution may enter into a
4 written arrangement under paragraph (1) only
5 with an institution of higher education de-
6 scribed in section 101 of such Act (20 U.S.C.
7 1001).

8 (B) OTHER INSTITUTIONS.—A foreign in-
9 stitution that is a graduate medical school,
10 nursing school, or a veterinary school and that
11 is not a public or other nonprofit institution
12 may enter into a written arrangement under
13 paragraph (1) with an institution of higher edu-
14 cation described in section 101 or section 102
15 of such Act (20 U.S.C. 1001 and 1002).

16 (3) REPORT ON USE.—An institution of higher
17 education that uses the authority described in para-
18 graph (2) shall report such use to the Secretary—

19 (A) for the 2019–2020 award year, not
20 later than June 30, 2020; and

21 (B) for an award year subsequent to the
22 2019–2020 award year, not later than 30 days
23 after such use.

24 (4) REPORT FROM THE SECRETARY.—Not later
25 than 180 days after the date of enactment of this

1 Act, and every 180 days thereafter for the duration
2 of the applicable disaster or emergency and the fol-
3 lowing payment period, the Secretary shall submit to
4 the authorizing committees (as defined in section
5 103 of the Higher Education Act of 1965 (20
6 U.S.C. 1003)) a report that identifies each foreign
7 institution that entered into a written arrangement
8 authorized under paragraph (1).

9 **SEC. 100111. HBCU CAPITAL FINANCING.**

10 (a) DEFERMENT PERIOD.—

11 (1) IN GENERAL.—Notwithstanding any provi-
12 sion of title III of the Higher Education Act of 1965
13 (20 U.S.C. 1051 et seq.), or any regulation promul-
14 gated under such title, the Secretary may grant a
15 deferment, for the duration of a qualifying emer-
16 gency, to an institution of higher education that has
17 received a loan under part D of title III of such Act
18 (20 U.S.C. 1066 et seq.).

19 (2) TERMS.—During the deferment period
20 granted under this subsection—

21 (A) the institution of higher education
22 shall not be required to pay any periodic install-
23 ment of principal or interest required under the
24 loan agreement for such loan; and

1 (B) the Secretary shall make principal and
2 interest payments otherwise due under the loan
3 agreement.

4 (3) CLOSING.—At the closing of a loan deferred
5 under this subsection, terms shall be set under
6 which the institution of higher education shall be re-
7 quired to repay the Secretary for the payments of
8 principal and interest made by the Secretary during
9 the deferment, on a schedule that begins upon re-
10 payment to the lender in full on the loan agreement,
11 except in no case shall repayment be required to
12 begin before the date that is 1 full fiscal year after
13 the date that is the end of the qualifying emergency.

14 (b) TERMINATION DATE.—

15 (1) IN GENERAL.—The authority provided
16 under this section to grant a loan deferment under
17 subsection (a) shall terminate on the date on which
18 the qualifying emergency is no longer in effect.

19 (2) DURATION.—Any provision of a loan agree-
20 ment or insurance agreement modified by the au-
21 thority under this section shall remain so modified
22 for the duration of the period covered by the loan
23 agreement or insurance agreement.

24 (c) REPORT.—Not later than 180 days after the date
25 of enactment of this Act, and every 180 days thereafter

1 during the period beginning on the first day of the quali-
2 fying emergency and ending on September 30 of the fiscal
3 year following the end of the qualifying emergency, the
4 Secretary shall submit to the authorizing committees (as
5 defined in section 103 of the Higher Education Act of
6 1965 (20 U.S.C. 1003)) a report that identifies each insti-
7 tution of higher education that received assistance under
8 this section.

9 **SEC. 100112. WAIVER AUTHORITY AND REPORTING RE-**
10 **QUIREMENT FOR INSTITUTIONAL AID.**

11 (a) **WAIVER AUTHORITY.**—Notwithstanding any
12 other provision of the Higher Education Act of 1965
13 (U.S.C. 1001 et seq.), unless enacted with specific ref-
14 erence to this section, for any institution of higher edu-
15 cation that was receiving assistance under title III, title
16 V, or subpart 4 of part A of title VII of such Act (20
17 U.S.C. 1051 et seq.; 1101 et seq.; 1136a et seq.) at the
18 time of a qualifying emergency, the Secretary may, for the
19 period beginning on the first day of the qualifying emer-
20 gency and ending on September 30 of the fiscal year fol-
21 lowing the end of the qualifying emergency—

22 (1) waive—

23 (A) the eligibility data requirements set
24 forth in section 391(d) and 521(e) of the High-

1 er Education Act of 1965 (20 U.S.C. 1068(d)
2 and 1103(e));

3 (B) the wait-out period set forth in section
4 313(d) of the Higher Education Act of 1965
5 (20 U.S.C. 1059(d));

6 (C) the allotment requirements under
7 paragraphs (2) and (3) of subsection 318(e) of
8 the Higher Education Act of 1965 (20 U.S.C.
9 1059e(e)), and references to “the academic year
10 preceding the beginning of that fiscal year” in
11 paragraph (1);

12 (D) the allotment requirements under sub-
13 sections (b), (c), and (g) of section 324 of the
14 Higher Education Act of 1965 (20 U.S.C.
15 1063), and references to “the end of the school
16 year preceding the beginning of that fiscal
17 year” under subsection (a) and references to
18 “the academic year preceding such fiscal year”
19 under subsection (h) of such section;

20 (E) subparagraphs (A), (C), (D), and (E)
21 of section 326(f)(3) of the Higher Education
22 Act of 1965 (20 U.S.C. 1063b(f)(3)), and ref-
23 erences to “previous year” under subparagraph
24 (B) of such section;

1 (F) subparagraphs (A), (C), (D), and (E)
2 of section 723(f)(3) and section 724(f)(3) of the
3 Higher Education Act of 1965 (20 U.S.C.
4 1136a(f)(3) and 1136b(f)(3)), and references to
5 “previous academic year” under subparagraph
6 (B) of such sections; and

7 (G) the allotment restriction set forth in
8 section 318(d)(4) and 323(c)(2) of the Higher
9 Education Act of 1965 (20 U.S.C. 1059e(d)(4)
10 and 1062(c)(2)); and

11 (2) waive or modify any statutory or regulatory
12 provision to ensure that institutions that were re-
13 ceiving assistance under such titles at the time of a
14 qualifying emergency are not adversely affected by
15 any formula calculation for fiscal year 2020 and for
16 the period beginning on the first day of the quali-
17 fying emergency and ending on September 30 of the
18 fiscal year following the end of the qualifying emer-
19 gency, as necessary.

20 (b) USE OF UNEXPENDED FUNDS.—Any funds paid
21 to an institution under title III, title V, or subpart 4 of
22 part A of title VII of the Higher Education Act of 1965
23 (20 U.S.C. 1051 et seq.; 1101 et seq.) and not expended
24 or used for the purposes for which the funds were paid
25 to the institution during the 5-year period following the

1 date on which the funds were first paid to the institution,
2 may be carried over and expended during the succeeding
3 5-year period.

4 (c) REPORT.—Not later than 180 days after the date
5 of enactment of this Act, and every 180 days thereafter
6 for the period beginning on the first day of the qualifying
7 emergency and ending on September 30 of the fiscal year
8 following the end of the qualifying emergency, the Sec-
9 retary shall submit to the authorizing committees (as de-
10 fined in section 103 of the Higher Education Act of 1965
11 (20 U.S.C. 1003)) a report that identifies each institution
12 that received a waiver or modification under this section.

13 **SEC. 100113. AUTHORIZED USES AND OTHER MODIFICA-**
14 **TIONS FOR GRANTS.**

15 (a) IN GENERAL.—The Secretary is authorized to
16 modify the required and allowable uses of funds for grants
17 awarded under part A or B of title III, chapters I or II
18 of subpart 2 of part A of title IV, title V, or subpart 4
19 of part A of title VII of the Higher Education Act of 1965
20 (20 U.S.C. 1057 et seq.; 1060 et seq.; 1070a–11 et seq.;
21 1070a–21 et seq.; 1101 et seq.; 1136a et seq.) to an insti-
22 tution of higher education or other grant recipient (not
23 including individual recipients of Federal student financial
24 assistance), at the request of an institution of higher edu-
25 cation or other recipient of a grant (not including indi-

1 vidual recipients of Federal student financial assistance)
2 as a result of a qualifying emergency, for the period begin-
3 ning on the first day of the qualifying emergency and end-
4 ing on September 30 of the fiscal year following the end
5 of the qualifying emergency.

6 (b) MATCHING REQUIREMENT MODIFICATIONS.—
7 Notwithstanding any other provision of the Higher Edu-
8 cation Act of 1965 (20 U.S.C. 1001 et seq.), the Secretary
9 is authorized to modify any Federal share or other finan-
10 cial matching requirement for a grant awarded on a com-
11 petitive basis, or a grant awarded under part A or B of
12 title III or subpart 4 of part A of title VII of the Higher
13 Education Act of 1965 (20 U.S.C. 1057 et seq.; 1060 et
14 seq.; 1136a et seq.) at the request of an institution of
15 higher education or other grant recipient as a result of
16 a qualifying emergency, for the period beginning on the
17 first day of the qualifying emergency and ending on Sep-
18 tember 30 of the fiscal year following the end of the quali-
19 fying emergency.

20 (c) REPORTS.—Not later than 180 days after the
21 date of enactment of this Act, and every 180 days there-
22 after for the duration of the period beginning on the first
23 day of the qualifying emergency and ending on September
24 30 of the fiscal year following the end of the qualifying
25 emergency, the Secretary shall submit to the authorizing

1 committees (as defined in section 103 of the Higher Edu-
2 cation Act of 1965 (20 U.S.C. 1003)) a report that identi-
3 fies each institution of higher education or other grant re-
4 cipient that received a modification under this section.

5 **SEC. 100114. SERVICE OBLIGATIONS FOR TEACHERS.**

6 (a) **TEACH GRANTS.**—For the purposes of section
7 420N of the Higher Education Act of 1965 (20 U.S.C.
8 1070g–2), during a qualifying emergency, the Secretary—

9 (1) may modify the categories of extenuating
10 circumstances under which a recipient of a grant
11 under subpart 9 of part A of title IV of such Act
12 who is unable to fulfill all or part of the recipient’s
13 service obligation may be excused from fulfilling that
14 portion of the service obligation; and

15 (2) shall consider teaching service that, as a re-
16 sult of a qualifying emergency, is part-time or tem-
17 porarily interrupted to be full-time service and to
18 fulfill the service obligations under section 420N.

19 (b) **TEACHER LOAN FORGIVENESS.**—Notwith-
20 standing section 428J or 460 of the Higher Education Act
21 of 1965 (20 U.S.C. 1078–10; 1087j), the Secretary shall
22 waive the requirements under such sections that years of
23 teaching service shall be consecutive if—

1 (1) the teaching service of a borrower is tempo-
2 rarily interrupted due to a qualifying emergency;
3 and

4 (2) after the temporary interruption due to a
5 qualifying emergency, the borrower resumes teaching
6 service and completes a total of five years of quali-
7 fying teaching service under such sections, including
8 qualifying teaching service performed before, during,
9 and after such qualifying emergency.

10 **SEC. 100115. PAYMENTS FOR STUDENT LOAN BORROWERS**

11 **AS A RESULT OF A NATIONAL EMERGENCY.**

12 (a) PAYMENTS FOR STUDENT LOAN BORROWERS
13 DURING A NATIONAL EMERGENCY.—

14 (1) IN GENERAL.—Part G of title IV of the
15 Higher Education Act of 1965 (20 U.S.C. 1088 et
16 seq.) is amended by inserting after section 493D the
17 following:

18 **“SEC. 493E. PAYMENTS FOR STUDENT LOAN BORROWERS**

19 **DURING A NATIONAL EMERGENCY.**

20 “(a) DEFINITIONS.—In this section:

21 “(1) CORONAVIRUS.—The term ‘coronavirus’
22 has the meaning given the term in section 506 of the
23 Coronavirus Preparedness and Response Supple-
24 mental Appropriations Act, 2020 (Public Law 116–
25 123).

1 “(2) INCOME-DRIVEN REPAYMENT.—The term
2 ‘income-driven repayment’ means—

3 “(A) income-based repayment authorized
4 under section 493C for loans made, insured, or
5 guaranteed under part B or part D; or

6 “(B) income contingent repayment author-
7 ized under section 455(e) for loans made under
8 part D.

9 “(3) INVOLUNTARY COLLECTION.—The term
10 ‘involuntary collection’ means—

11 “(A) a wage garnishment authorized under
12 section 488A of this Act or section 3720D of
13 title 31, United States Code;

14 “(B) a reduction of tax refund by amount
15 of debt authorized under section 3720A of title
16 31, United States Code;

17 “(C) a reduction of any other Federal ben-
18 efit payment by administrative offset authorized
19 under section 3716 of title 31, United States
20 Code (including a benefit payment due to an in-
21 dividual under the Social Security Act or any
22 other provision described in subsection
23 (c)(3)(A)(i) of such section); and

24 “(D) any other involuntary collection activ-
25 ity.

1 “(4) NATIONAL EMERGENCY.—The term ‘na-
2 tional emergency’ means—

3 “(A) a public health emergency related to
4 the coronavirus that is declared by the Sec-
5 retary of Health and Human Services pursuant
6 to section 319 of the Public Health Service Act
7 (42 U.S.C. 247d); or

8 “(B) a national emergency related to the
9 coronavirus declared by the President under the
10 National Emergencies Act (50 U.S.C. 1601 et
11 seq.).

12 “(b) NATIONAL EMERGENCY STUDENT LOAN RE-
13 PAYMENT ASSISTANCE.—

14 “(1) AUTHORITY.—Beginning on the date of
15 enactment of the [Take Responsibility for Workers
16 and Families Act], in the event of a national emer-
17 gency, the Secretary shall, for each month during
18 the national emergency period and for each borrower
19 of a loan made, insured, or guaranteed under part
20 B, D, or E, pay the total amount due for such
21 month on the loan, based on the payment plan se-
22 lected by the borrower or the borrower’s loan status.

23 “(2) NO CAPITALIZATION OF INTEREST.—With
24 respect to any loan in repayment during a national
25 emergency period, interest due on loans made, in-

1 sured, or guaranteed under part B, D, or E during
2 such period shall not be capitalized at any time dur-
3 ing the national emergency.

4 “(3) APPLICABILITY OF PAYMENTS.—Any pay-
5 ment made by the Secretary under this section shall
6 be considered by the Secretary, or by a lender with
7 respect to a loan made, insured, or guaranteed
8 under part B—

9 “(A) as a qualifying payment under the
10 public service loan forgiveness program under
11 section 455(m), if the borrower would otherwise
12 qualify under such section;

13 “(B) in the case of a borrower enrolled in
14 an income-driven repayment plan, as a quali-
15 fying payment for the purpose of calculating eli-
16 gibility for loan forgiveness for the borrower in
17 accordance with section 493C(b)(7) or section
18 455(d)(1)(D), as the case may be; and

19 “(C) in the case of a borrower in default,
20 as an on-time monthly payment for purposes of
21 loan rehabilitation pursuant to section 428F(a).

22 “(4) REPORTING TO CONSUMER REPORTING
23 AGENCIES.—During the period in which the Sec-
24 retary is making payments on a loan under para-
25 graph (1), the Secretary shall ensure that, for the

1 purpose of reporting information about the loan to
2 a consumer reporting agency, any payment made by
3 the Secretary is treated as if it were a regularly
4 scheduled payment made by a borrower.

5 “(5) NOTICE OF PAYMENTS AND PROGRAM.—
6 Not later than 15 days following the date of enact-
7 ment of the **Take Responsibility for Workers and**
8 **Families Act**], and monthly thereafter during the
9 period of a national emergency, the Secretary shall
10 provide a notice to all borrowers of loans made, in-
11 sured, or guaranteed under part B, D, or E—

12 “(A) informing borrowers of the actions
13 taken under this section;

14 “(B) providing borrowers with an easily
15 accessible method to opt out of the benefits pro-
16 vided under this section; and

17 “(C) notifying the borrower that the pro-
18 gram under this section is a temporary program
19 and will end after the national emergency ends.

20 “(6) SUSPENSION OF INVOLUNTARY COLLEC-
21 TION.—Beginning on the date of enactment of the
22 **Take Responsibility for Workers and Families**
23 **Act**], in the event of a national emergency, the Sec-
24 retary, or other holder of a loan made, insured, or
25 guaranteed under part B, D, or E, shall immediately

1 take action to halt all involuntary collection related
2 to the loan until the date on which the national
3 emergency ends.

4 “(c) WAIVER OF INTEREST DURING NATIONAL
5 EMERGENCY.—Notwithstanding any other provision of
6 law, the Secretary shall pay any interest that would other-
7 wise be charged or accrue during a national emergency
8 on any loan made, insured, or guaranteed under part B,
9 D, or E.

10 “(d) TRANSITION PERIOD.—Upon the termination of
11 a national emergency, the Secretary shall carry out a pro-
12 gram to provide for a transition period of 90 days, begin-
13 ning on the day after the last day of the national emer-
14 gency, during which—

15 “(1) the Secretary shall provide not less than 3
16 notices to borrowers indicating when the borrower’s
17 normal payment obligations will resume; and

18 “(2) any missed payments by a borrower under
19 part B, D, or E shall not—

20 “(A) result in fees or penalties; or

21 “(B) be reported to any consumer report-
22 ing agency or otherwise impact the borrower’s
23 credit history.

24 “(e) IMPLEMENTATION IN FFEL ENTITIES.—To fa-
25 cilitate implementation of this section—

1 “(1) lenders and guaranty agencies holding
2 loans made, insured, or guaranteed under part B
3 shall report, to the satisfaction of the Secretary, in-
4 formation to verify at the borrower level the amount
5 of payments made under this section; and

6 “(2) the Secretary shall have the authority to
7 establish a payment schedule for purposes of this
8 section for loans made, insured, or guaranteed under
9 part B and not held by the Secretary.

10 “(f) WAIVERS.—In carrying out this section, the Sec-
11 retary may waive the application of—

12 “(1) subchapter I of chapter 35 of title 44,
13 United States Code;

14 “(2) the master calendar requirements under
15 section 482;

16 “(3) negotiated rulemaking under section 492;
17 and

18 “(4) the requirement to publish the notices re-
19 lated to the system of records of the agency before
20 implementation required under paragraphs (4) and
21 (11) of section 552a(e) of title 5, United States
22 Code (commonly known as the ‘Privacy Act of
23 1974’), except that the notices shall be published not
24 later than 180 days after the date of enactment of

1 the **【Take Responsibility for Workers and Families**
2 **Act】.**”.]

3 (2) FFEL AMENDMENT.—Section 428(c)(8) of
4 the Higher Education Act of 1965 (20 U.S.C.
5 1078(c)(8)) is amended by striking “and for which”
6 and all that follows through “this subsection”.

7 (3) APPLICABILITY.—The requirement of the
8 Secretary to make payments under section 493E of
9 the Higher Education Act of 1965, as added by
10 paragraph 1, shall apply to payments due after the
11 date of enactment of this Act.

12 (b) MINIMUM RELIEF FOR STUDENT LOAN BOR-
13 ROWERS AS A RESULT OF A NATIONAL EMERGENCY.—
14 Part G of title IV the Higher Education Act of 1965 (20
15 U.S.C. 1088 et seq.), as amended by subsection (a), is
16 further amended by inserting after section 493E the fol-
17 lowing:

18 **“SEC. 493F. MINIMUM RELIEF FOR STUDENT LOAN BOR-**
19 **ROWERS AS A RESULT OF A NATIONAL EMER-**
20 **GENCY.**

21 **“(a) MINIMUM STUDENT LOAN RELIEF AS A RESULT**
22 **OF A NATIONAL EMERGENCY.—**Not later than 90 days
23 after the conclusion of a national emergency (as defined
24 in section 493E), the Secretary shall, for each borrower
25 of a loan made under part B, D, or E, reduce the total

1 outstanding balance due on all such loans of the borrower,
2 by an amount equal to the lesser of—

3 “(1) the difference between \$10,000 and the
4 total amount of payments made by the Secretary
5 under section 493E(b) on such loans of the borrower
6 during the period of such national emergency; or

7 “(2) the total amount of outstanding principal
8 and interest due on such loans of the borrower, as
9 of the date of the calculation under this subsection.

10 “(b) DATA TO IMPLEMENT.—Contractors of the Sec-
11 retary and lenders and guaranty agencies holding loans
12 made, insured, or guaranteed under part B shall report,
13 to the satisfaction of the Secretary, the information nec-
14 essary to calculate the amount to be applied under sub-
15 section (a).”.

16 **SEC. 100116. EXCLUSION FROM GROSS INCOME.**

17 (a) IN GENERAL.—Part III of subchapter B of chap-
18 ter 1 of the Internal Revenue Code of 1986 is amended
19 by inserting after section 139H the following new section:

20 **“SEC. 139I. STUDENT LOAN PAYMENTS RESULTING FROM A**
21 **NATIONAL EMERGENCY.**

22 “Gross income shall not include any payment made
23 on behalf of the taxpayer under section 493E(b)(1) or
24 493F of the Higher Education Act of 1965.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for part III of subchapter B of chapter 1 of the Internal
3 Revenue Code of 1986 is amended by inserting after the
4 item relating to section 139H the following new item:

“Sec. 139L. Student loan payments resulting from a national emergency.”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2019.

8 **SEC. 100117. RULE OF CONSTRUCTION.**

9 Except as otherwise provided in this Act or the
10 amendments made by this Act, nothing in this Act shall
11 be construed to provide additional authority to the Sec-
12 retary of Education to waive any provision of the fol-
13 lowing:

14 (1) The Elementary and Secondary Education
15 Act of 1965 (20 U.S.C. 6301 et seq.).

16 (2) The Individuals with Disabilities Education
17 Act (20 U.S.C. 1400 et seq.).

18 (3) The Higher Education Act of 1965 (20
19 U.S.C. 1001 et seq.).

20 (4) The Carl D. Perkins Career and Technical
21 Education Act of 2006 (20 U.S.C. 2301 et seq.)

22 **TITLE II—OTHER PROGRAMS**

23 **SEC. 100201. PROVISIONS RELATED TO THE CORPORATION**
24 **FOR NATIONAL AND COMMUNITY SERVICE.**

25 (a) ACCRUAL OF SERVICE HOURS.—

1 (1) ACCRUAL THROUGH OTHER SERVICE
2 HOURS.—

3 (A) IN GENERAL.—Notwithstanding any
4 other provision of the Domestic Volunteer Serv-
5 ice Act of 1973 (42 U.S.C. 4950 et seq.) or the
6 National and Community Service Act of 1990
7 (42 U.S.C. 12501 et seq.), the Corporation for
8 National and Community Service shall allow an
9 individual described in subparagraph (B) to ac-
10 crue other service hours that will count toward
11 the number of hours needed for the individual’s
12 education award.

13 (B) AFFECTED INDIVIDUALS.—Subpara-
14 graph (A) shall apply to any individual serving
15 in a position eligible for an educational award
16 under subtitle D of title I of the National and
17 Community Service Act of 1990 (42 U.S.C.
18 12601 et seq.)—

19 (i) who is performing limited service
20 due to COVID–19; or

21 (ii) whose position has been suspended
22 or placed on hold due to COVID–19.

23 (2) PROVISIONS IN CASE OF EARLY EXIT.—In
24 any case where an individual serving in a position el-
25 igible for an educational award under subtitle D of

1 title I of the National and Community Service Act
2 of 1990 (42 U.S.C. 12601 et seq.) was required to
3 exit the position early at the direction of the Cor-
4 poration for National and Community Service, the
5 Chief Executive Officer of the Corporation for Na-
6 tional and Community Service may—

7 (A) deem such individual as having met
8 the requirements of the position; and

9 (B) award the individual the full value of
10 the educational award under such subtitle for
11 which the individual would otherwise have been
12 eligible.

13 (b) NO REQUIRED RETURN OF GRANT FUNDS.—
14 Notwithstanding section 129(l)(3)(A)(i) of the National
15 and Community Service Act of 1990 (42 U.S.C.
16 12581(l)(3)(A)(i)), the Chief Executive Officer of the Cor-
17 poration for National and Community Service may permit
18 fixed-amount grant recipients under such section 129(l)
19 to maintain a pro rata amount of grant funds, at the dis-
20 cretion of the Corporation for National and Community
21 Service, for participants who exited, were suspended, or
22 are serving in a limited capacity due to COVID–19, to
23 enable the grant recipients to maintain operations and to
24 accept participants.

1 (c) EXTENSION OF TERMS AND AGE LIMITS.—Not-
2 withstanding any other provision of law, the Corporation
3 for National and Community Service may extend the term
4 of service (for a period not to exceed the 1-year period
5 immediately following the end of the national emergency)
6 or waive any upper age limit (except in no case shall the
7 maximum age exceed 26 years of age) for national service
8 programs carried out by the National Civilian Community
9 Corps under subtitle E of title I of the National and Com-
10 munity Service Act of 1990 (42 U.S.C. 12611 et seq.),
11 and the participants in such programs, for the purposes
12 of—

13 (1) addressing disruptions due to COVID–19;
14 and

15 (2) minimizing the difficulty in returning to full
16 operation due to COVID–19 on such programs and
17 participants.

18 **DIVISION K—AGRICULTURE**
19 **PROVISIONS**
20 **TITLE I—COMMODITY SUPPORT**
21 **AND OTHER AGRICULTURE**
22 **PROGRAMS**

23 **SEC. 110101. SUPPLEMENTAL DAIRY MARGIN COVERAGE.**

24 (a) IN GENERAL.—Of the funds of the Commodity
25 Credit Corporation, the Secretary of Agriculture shall pro-

1 vide supplemental dairy margin coverage payments to eli-
2 gible dairy operations described in subsection (b) whenever
3 the average actual dairy production margin (as defined in
4 section 1401 of the Agricultural Act of 2014 (7 U.S.C.
5 9051)) for a month is less than the coverage level thresh-
6 old selected by such eligible dairy operation under such
7 section 1406.

8 (b) ELIGIBLE DAIRY OPERATION DESCRIBED.—An
9 eligible dairy operation described in this subsection is a
10 participating dairy operation (as defined in section 1401
11 of the Agricultural Act of 2014 (7 U.S.C. 9051)) that—

12 (1) is located in the United States; and

13 (2) on the date of the enactment of this section,
14 had a production history established under the dairy
15 margin coverage program described in section 1405
16 of the Agricultural Act of 2014 (7 U.S.C. 9055) of
17 less than 5 million pounds, as determined in accord-
18 ance with subsection (c).

19 (c) SUPPLEMENTAL PRODUCTION HISTORY CAL-
20 CULATION.—

21 (1) IN GENERAL.—For purposes of determining
22 the production history of an eligible dairy operation
23 under this subsection, such an operation's produc-
24 tion history shall be equal to—

1 (A) the production volume of such dairy
2 operation for the 2019 milk marketing year;
3 minus

4 (B) the production history of such dairy
5 operation established under section 1405 of the
6 Agricultural Act of 2014 (7 U.S.C. 9055).

7 (2) 5-MILLION POUND LIMITATION.—

8 (A) IN GENERAL.—The Secretary shall not
9 provide supplemental dairy margin coverage on
10 a dairy operation's actual production for cal-
11 endar year 2019 such that the total production
12 history of the operation exceeds 5 million
13 pounds.

14 (B) DETERMINATION OF AMOUNT.—In cal-
15 culating the total production history of a dairy
16 operation under subparagraph (A), the Sec-
17 retary shall add the following:

18 (i) The supplemental production his-
19 tory calculated under paragraph (1) with
20 respect to such dairy operation.

21 (ii) The dairy margin coverage pro-
22 duction history described in paragraph
23 (1)(B) with respect to such dairy oper-
24 ation.

1 (d) COVERAGE PERCENTAGE.—For purposes of cal-
2 culating payments to be issued under this section, an eligi-
3 ble dairy operation’s coverage percentage shall be equal
4 to the coverage percentage selected by such eligible dairy
5 operation under section 1406 of the Agricultural Act of
6 2014 (7 U.S.C. 9056).

7 (e) PREMIUM COST.—The premium cost for an eligi-
8 ble dairy operation under this section shall be equal to
9 the product of multiplying—

10 (1) the Tier I premium cost calculated under
11 section 1407(b) of the Agricultural Act of 2014 (7
12 U.S.C. 9057(b)); by

13 (2) the production history calculation deter-
14 mined under subsection (c) (such that total produc-
15 tion history does not exceed 5 million pounds).

16 (f) REGULATIONS.—Not later than 45 days after the
17 date of the enactment of this section, the Secretary shall
18 issue regulations to carry out this section.

19 (g) RETROACTIVITY.—The authority to carry out this
20 section shall begin on January 1, 2020.

21 **SEC. 110102. TARGETED PURCHASES.**

22 (a) IN GENERAL.—The Secretary of Agriculture shall
23 utilize not less than \$300,000,000 of the funds available
24 under section 32 of the Act of August 24, 1935 (7 U.S.C.
25 612c) to purchase qualified agricultural products for the

1 purpose of donating the products to food assistance pro-
2 grams, including the Emergency Food Assistance Pro-
3 gram, of which the Secretary shall utilize—

4 (1) not less than \$150,000,000 to purchase spe-
5 cialty crops;

6 (2) not less than \$75,000,000 to purchase
7 dairy; and

8 (3) not less than \$75,000,000 to purchase meat
9 and poultry products.

10 (b) QUALIFIED AGRICULTURAL PRODUCT DE-
11 FINED.—In this section, the term “qualified agricultural
12 product” means a dairy, meat, or poultry product, or a
13 specialty crop—

14 (1) that was packaged or marketed for sale to
15 commercial or food service industries;

16 (2) for which decreased demand exists for such
17 a product due to the COVID–19 outbreak; and

18 (3) the repurposing of which would be imprac-
19 tical for grocery or retail sale.

20 **TITLE II—SUPPLEMENTAL NU-** 21 **TRITION ASSISTANCE PRO-** 22 **GRAM**

23 **SEC. 110201. SNAP FUNDING.**

24 There are hereby appropriated to the Secretary of
25 Agriculture, out of any money in the Treasury not other-

1 wise appropriated, such sums as maybe necessary to carry
2 out this title and sections 2301 and 2302 of the Families
3 First Coronavirus Response Act (Public Law 116–127).

4 **SEC. 110202. SNAP ALLOTMENTS.**

5 (a) NUTRITION ASSISTANCE ALLOTMENT
6 AMOUNT.—

7 (1) VALUE OF BENEFITS.—Notwithstanding
8 any other provision of law, beginning on May 1,
9 2020, the value of benefits determined under section
10 8(a) of the Food and Nutrition Act of 2008 (7
11 U.S.C. 2017(a)), and consolidated block grants for
12 Puerto Rico and American Samoa determined under
13 section 19(a) of such Act (7 U.S.C. 2028(a)), shall
14 be calculated using 115 percent of the June 2019
15 value of the thrifty food plan (as defined in section
16 3 of such Act (7 U.S.C. 2012)) if the value of the
17 benefits and block grants would be greater under
18 that calculation than in the absence of this para-
19 graph.

20 (2) MINIMUM AMOUNT.—

21 (A) IN GENERAL.—The minimum value of
22 benefits determined under section 8(a) of the
23 Food and Nutrition Act of 2008 (7 U.S.C.
24 2017(a)) for a household of not more than 2
25 members shall be \$30.

1 (B) EFFECTIVENESS.—Subparagraph (A)
2 shall remain in effect until the date on which 8
3 percent of the value of the thrifty food plan for
4 a household containing 1 member, rounded to
5 the nearest whole dollar increment, is equal to
6 or greater than \$30.

7 (b) REQUIREMENTS FOR THE SECRETARY.—In car-
8 rying out this section, the Secretary shall—

9 (1) consider the benefit increases described in
10 subsection (a) to be a “mass change”;

11 (2) require a simple process for States to notify
12 households of the increase in benefits;

13 (3) not include any errors in the implementa-
14 tion of this section in the payment error rate cal-
15 culated under section 16(c) of the Food and Nutri-
16 tion Act of 2008 (7 U.S.C. 2025(c));

17 (4) disregard the additional amount of benefits
18 that a household receives as a result of this section
19 in determining the amount of overissuances under
20 section 13 of the Food and Nutrition Act of 2008
21 (7 U.S.C. 2022); and

22 (5) set the tolerance level for excluding small
23 errors for the purposes of section 16(c) of the Food
24 and Nutrition Act of 2008 (7 U.S.C. 2025(c)) at
25 \$50 through September 30, 2021.

1 (c) ADMINISTRATIVE EXPENSES.—

2 (1) IN GENERAL.—For the costs of State ad-
3 ministrative expenses associated with carrying out
4 this section and administering the supplemental nu-
5 trition assistance program established under the
6 Food and Nutrition Act of 2008 (7 U.S.C. 2011 et
7 seq.), the Secretary of Agriculture shall make avail-
8 able \$150,000,000 for fiscal year 2020 and
9 \$150,000,000 for fiscal year 2021.

10 (2) TIMING FOR FISCAL YEAR 2020.—Not later
11 than 60 days after the date of the enactment of this
12 section, the Secretary shall make available to States
13 amounts for fiscal year 2020 under paragraph (1).

14 (3) ALLOCATION OF FUNDS.—Funds described
15 in paragraph (1) shall be made available as grants
16 to State agencies for each fiscal year as follows:

17 (A) 75 percent of the amounts available
18 for each fiscal year shall be allocated to States
19 based on the share of each State of households
20 that participate in the supplemental nutrition
21 assistance program as reported to the Depart-
22 ment of Agriculture for the most recent 12-
23 month period for which data are available, ad-
24 justed by the Secretary (as of the date of the
25 enactment of this section) for participation in

1 disaster programs under section 5(h) of the
2 Food and Nutrition Act of 2008 (7 U.S.C.
3 2014(h)); and

4 (B) 25 percent of the amounts available
5 for each fiscal year shall be allocated to States
6 based on the increase in the number of house-
7 holds that participate in the supplemental nu-
8 trition assistance program as reported to the
9 Department of Agriculture over the most recent
10 12-month period for which data are available,
11 adjusted by the Secretary (as of the date of the
12 enactment of this section) for participation in
13 disaster programs under section 5(h) of the
14 Food and Nutrition Act of 2008 (7 U.S.C.
15 2014(h)).

16 **SEC. 110203. SNAP RULES.**

17 No funds (including fees) made available under this
18 Act or any other Act for any fiscal year may be used to
19 finalize, implement, administer, enforce, carry out, or oth-
20 erwise give effect to—

21 (1) the final rule entitled “Supplemental Nutri-
22 tion Assistance Program: Requirements for Able-
23 Bodied Adults Without Dependents” published in
24 the Federal Register on December 5, 2019 (84 Fed.
25 Reg. 66782);

1 (2) the proposed rule entitled “Revision of Cat-
2 egorical Eligibility in the Supplemental Nutrition
3 Assistance Program (SNAP)” published in the Fed-
4 eral Register on July 24, 2019 (84 Fed. Reg.
5 35570); or

6 (3) the proposed rule entitled “Supplemental
7 Nutrition Assistance Program: Standardization of
8 State Heating and Cooling Standard Utility Allow-
9 ances” published in the Federal Register on October
10 3, 2019 (84 Fed. Reg. 52809).

11 **SEC. 110204. SNAP HOT FOOD PURCHASES.**

12 During the period beginning 10 days after the date
13 of the enactment of this Act and ending on the termi-
14 nation date of the public health emergency declaration
15 made by the Secretary of Health and Human Services
16 under section 319 of the Public Health Service Act based
17 on an outbreak of coronavirus disease 2019 (COVID–19),
18 the term “food”, as defined in section 3 of the Food and
19 Nutrition Act of 2008 (7 U.S.C. 2012), shall be deemed
20 to exclude “hot foods or hot food products ready for imme-
21 diate consumption other than those authorized pursuant
22 to clauses (3), (4), (5), (7), (8), and (9) of this sub-
23 section,” for purposes of such Act, except that such exclu-
24 sion is limited to retail food stores authorized to accept

1 and redeem supplemental nutrition assistance program
2 benefits as of the date of enactment of this Act.

3 **[SEC. 110205. WAIVER.**

4 【Any funds provided in the Third Coronavirus Pre-
5 paredness and Response Supplemental Appropriations
6 Act, 2020 for the Food Distribution Program on Indian
7 Reservations, as authorized by section 4(b) of the Food
8 and Nutrition Act of 2008 (7 U.S.C. 2013(b)), are not
9 subject to the payment of the non-Federal share require-
10 ment described in section 4(b)(4)(A) of the Food and Nu-
11 trition Act of 2008 (7 U.S.C. 2013(b)(4)(A)).】

12 **DIVISION L—ACCESS ACT**

13 **SEC. 120001. SHORT TITLE.**

14 This division may be cited as the “American
15 Coronavirus/COVID–19 Election Safety and Security
16 Act” or the “ACCESS Act”.

17 **SEC. 120002. REQUIREMENTS FOR FEDERAL ELECTION**

18 **CONTINGENCY PLANS IN RESPONSE TO NAT-**

19 **URAL DISASTERS AND EMERGENCIES.**

20 **(a) IN GENERAL.—**

21 **(1) ESTABLISHMENT.—**Not later than 30 days
22 after the date of the enactment of this Act, each
23 State and each jurisdiction in a State which is re-
24 sponsible for administering elections for Federal of-
25 fice shall establish and make publicly available a

1 contingency plan to enable individuals to vote in
2 elections for Federal office during a state of emer-
3 gency, public health emergency, or national emer-
4 gency which has been declared for reasons includ-
5 ing—

6 (A) a natural disaster; or

7 (B) an infectious disease.

8 (2) UPDATING.—Each State and jurisdiction
9 shall update the contingency plan established under
10 this subsection not less frequently than every 5
11 years.

12 (b) REQUIREMENTS RELATING TO SAFETY.—The
13 contingency plan established under subsection (a) shall in-
14 clude initiatives to provide equipment and resources need-
15 ed to protect the health and safety of poll workers and
16 voters when voting in person.

17 (c) REQUIREMENTS RELATING TO RECRUITMENT OF
18 POLL WORKERS.—The contingency plan established
19 under subsection (a) shall include initiatives by the chief
20 State election official and local election officials to recruit
21 poll workers from resilient or unaffected populations,
22 which may include—

23 (1) employees of other State and local govern-
24 ment offices; and

1 (2) in the case in which an infectious disease
2 poses significant increased health risks to elderly in-
3 dividuals, students of secondary schools and institu-
4 tions of higher education in the State.

5 (d) STATE.—For purposes of this section, the term
6 “State” includes the District of Columbia, the Common-
7 wealth of Puerto Rico, Guam, American Samoa, the
8 United States Virgin Islands, and the Commonwealth of
9 the Northern Mariana Islands.

10 (e) ENFORCEMENT.—

11 (1) ATTORNEY GENERAL.—The Attorney Gen-
12 eral may bring a civil action against any State or ju-
13 risdiction in an appropriate United States District
14 Court for such declaratory and injunctive relief (in-
15 cluding a temporary restraining order, a permanent
16 or temporary injunction, or other order) as may be
17 necessary to carry out the requirements of this sec-
18 tion.

19 (2) PRIVATE RIGHT OF ACTION.—

20 (A) IN GENERAL.—In the case of a viola-
21 tion of this section, any person who is aggrieved
22 by such violation may provide written notice of
23 the violation to the chief election official of the
24 State involved.

1 (B) RELIEF.—If the violation is not cor-
2 rected within 20 days after receipt of a notice
3 under subparagraph (A), or within 5 days after
4 receipt of the notice if the violation occurred
5 within 120 days before the date of an election
6 for Federal office, the aggrieved person may, in
7 a civil action, obtain declaratory or injunctive
8 relief with respect to the violation.

9 (C) SPECIAL RULE.—If the violation oc-
10 curred within 5 days before the date of an elec-
11 tion for Federal office, the aggrieved person
12 need not provide notice to the chief election of-
13 ficial of the State involved under subparagraph
14 (A) before bringing a civil action under sub-
15 paragraph (B).

16 (f) EFFECTIVE DATE.—This section shall apply with
17 respect to the regularly scheduled general election for Fed-
18 eral office held in November 2020 and each succeeding
19 election for Federal office.

20 **SEC. 120003. EARLY VOTING AND VOTING BY MAIL.**

21 (a) REQUIREMENTS.—Title III of the Help America
22 Vote Act of 2002 (52 U.S.C. 21081 et seq.) is amended
23 by adding at the end the following new subtitle:

1 **“Subtitle C—Other Requirements**

2 **“SEC. 321. EARLY VOTING.**

3 “(a) REQUIRING ALLOWING VOTING PRIOR TO DATE
4 OF ELECTION.—

5 “(1) IN GENERAL.—Each State shall allow indi-
6 viduals to vote in an election for Federal office dur-
7 ing an early voting period which occurs prior to the
8 date of the election, in the same manner as voting
9 is allowed on such date.

10 “(2) LENGTH OF PERIOD.—The early voting
11 period required under this subsection with respect to
12 an election shall consist of a period of consecutive
13 days (including weekends) which begins on the 15th
14 day before the date of the election (or, at the option
15 of the State, on a day prior to the 15th day before
16 the date of the election) and ends on the date of the
17 election.

18 “(b) MINIMUM EARLY VOTING REQUIREMENTS.—
19 Each polling place which allows voting during an early vot-
20 ing period under subsection (a) shall—

21 “(1) allow such voting for no less than 10 hours
22 on each day;

23 “(2) have uniform hours each day for which
24 such voting occurs; and

1 “(3) allow such voting to be held for some pe-
2 riod of time prior to 9:00 a.m (local time) and some
3 period of time after 5:00 p.m. (local time).

4 “(c) LOCATION OF POLLING PLACES.—

5 “(1) PROXIMITY TO PUBLIC TRANSPOR-
6 TATION.—To the greatest extent practicable, a State
7 shall ensure that each polling place which allows vot-
8 ing during an early voting period under subsection
9 (a) is located within walking distance of a stop on
10 a public transportation route.

11 “(2) AVAILABILITY IN RURAL AREAS.—The
12 State shall ensure that polling places which allow
13 voting during an early voting period under sub-
14 section (a) will be located in rural areas of the State,
15 and shall ensure that such polling places are located
16 in communities which will provide the greatest op-
17 portunity for residents of rural areas to vote during
18 the early voting period.

19 “(d) STANDARDS.—

20 “(1) IN GENERAL.—The Commission shall issue
21 standards for the administration of voting prior to
22 the day scheduled for a Federal election. Such
23 standards shall include the nondiscriminatory geo-
24 graphic placement of polling places at which such
25 voting occurs.

1 “(2) DEVIATION.—The standards described in
2 paragraph (1) shall permit States, upon providing
3 adequate public notice, to deviate from any require-
4 ment in the case of unforeseen circumstances such
5 as a natural disaster, terrorist attack, or a change
6 in voter turnout.

7 “(e) BALLOT PROCESSING AND SCANNING REQUIRE-
8 MENTS.—

9 “(1) IN GENERAL.—The State shall begin proc-
10 essing and scanning ballots cast during early voting
11 for tabulation at least 14 days prior to the date of
12 the election involved.

13 “(2) LIMITATION.—Nothing in this subsection
14 shall be construed to permit a State to tabulate bal-
15 lots in an election before the closing of the polls on
16 the date of the election.

17 “(f) EFFECTIVE DATE.—This section shall apply
18 with respect to the regularly scheduled general election for
19 Federal office held in November 2020 and each succeeding
20 election for Federal office.

21 **“SEC. 322. PROMOTING ABILITY OF VOTERS TO VOTE BY**
22 **MAIL.**

23 “(a) UNIFORM AVAILABILITY OF ABSENTEE VOTING
24 TO ALL VOTERS.—

1 “(1) IN GENERAL.—If an individual in a State
2 is eligible to cast a vote in an election for Federal
3 office, the State may not impose any additional con-
4 ditions or requirements on the eligibility of the indi-
5 vidual to cast the vote in such election by absentee
6 ballot by mail, including—

7 “(A) requiring any form of identification
8 as a condition of obtaining the absentee ballot;
9 or

10 “(B) requiring notarization or witness sig-
11 nature or other formal authentication (other
12 than voter attestation) as a condition of the ac-
13 ceptance of the ballot by an election official.

14 “(2) PERMITTING CERTAIN REQUIREMENTS.—
15 Notwithstanding paragraph (1)—

16 “(A) a State shall require an individual to
17 meet signature verification in accordance with
18 subsection (b); and

19 “(B) the State may impose a deadline for
20 requesting the ballot and related voting mate-
21 rials from the appropriate State or local elec-
22 tion official and for returning the ballot to the
23 appropriate State or local election official.

24 “(b) REQUIRING SIGNATURE VERIFICATION.—

1 “(1) REQUIREMENT.—A State may not accept
2 and process an absentee ballot submitted by any in-
3 dividual with respect to an election for Federal office
4 unless the State verifies the identification of the in-
5 dividual by comparing the individual’s signature on
6 the absentee ballot with the individual’s signature on
7 the official list of registered voters in the State, in
8 accordance with such procedures as the State may
9 adopt (subject to the requirements of paragraph
10 (2)).

11 “(2) DUE PROCESS REQUIREMENTS.—

12 “(A) NOTICE AND OPPORTUNITY TO CURE
13 DISCREPANCY.—If an individual submits an ab-
14 sentee ballot and the appropriate State or local
15 election official determines that a discrepancy
16 exists between the signature on such ballot and
17 the signature of such individual on the official
18 list of registered voters in the State, such elec-
19 tion official, prior to making a final determina-
20 tion as to the validity of such ballot, shall make
21 a good faith effort to immediately notify such
22 individual by mail, telephone, and (if available)
23 electronic mail that—

24 “(i) a discrepancy exists between the
25 signature on such ballot and the signature

1 of such individual on the official list of reg-
2 istered voters in the State;

3 “(ii) such individual may provide the
4 official with information to cure such dis-
5 crepancy, either in person, by telephone, or
6 by electronic methods; and

7 “(iii) if such discrepancy is not cured
8 prior to the expiration of the 7-day period
9 which begins on the date of the election,
10 such ballot will not be counted.

11 “(B) OPPORTUNITY TO PROVIDE MISSING
12 SIGNATURE.—If an individual submits an ab-
13 sentee ballot without a signature, the State
14 shall notify the individual and give the indi-
15 vidual an opportunity to provide the missing
16 signature on a form proscribed by the State.

17 “(C) OTHER REQUIREMENTS.—An election
18 official may not make a determination that a
19 discrepancy exists between the signature on an
20 absentee ballot and the signature of the indi-
21 vidual who submits the ballot on the official list
22 of registered voters in the State unless—

23 “(i) at least 2 election officials make
24 the determination; and

1 “(ii) each official who makes the de-
2 termination has received training in proce-
3 dures used to verify signatures.

4 “(3) REPORT.—

5 “(A) IN GENERAL.—Not later than 120
6 days after the end of a Federal election cycle,
7 each chief State election official shall submit to
8 Congress a report containing the following in-
9 formation for the applicable Federal election
10 cycle in the State:

11 “(i) The number of ballots invalidated
12 due to a discrepancy under this subsection.

13 “(ii) Description of attempts to con-
14 tact voters to provide notice as required by
15 this subsection.

16 “(iii) Description of the cure process
17 developed by such State pursuant to this
18 subsection, including the number of ballots
19 determined valid as a result of such pro-
20 cess.

21 “(B) FEDERAL ELECTION CYCLE DE-
22 FINED.—For purposes of this subsection, the
23 term ‘Federal election cycle’ means the period
24 beginning on January 1 of any odd numbered

1 year and ending on December 31 of the fol-
2 lowing year.

3 “(c) METHODS AND TIMING FOR TRANSMISSION OF
4 BALLOTS AND BALLOTING MATERIALS TO VOTERS.—

5 “(1) METHOD FOR REQUESTING BALLOT.—In
6 addition to such other methods as the State may es-
7 tablish for an individual to request an absentee bal-
8 lot, the State shall permit an individual to submit a
9 request for an absentee ballot online. The State shall
10 be considered to meet the requirements of this para-
11 graph if the website of the appropriate State or local
12 election official allows an absentee ballot request ap-
13 plication to be completed and submitted online and
14 if the website permits the individual—

15 “(A) to print the application so that the
16 individual may complete the application and re-
17 turn it to the official; or

18 “(B) request that a paper copy of the ap-
19 plication be transmitted to the individual by
20 mail or electronic mail so that the individual
21 may complete the application and return it to
22 the official.

23 “(2) ENSURING DELIVERY PRIOR TO ELEC-
24 TION.—If an individual requests to vote by absentee
25 ballot in an election for Federal office, the appro-

1 piate State or local election official shall ensure
2 that the ballot and relating voting materials are re-
3 ceived by the individual prior to the date of the elec-
4 tion so long as the individual's request is received by
5 the official not later than 5 days (excluding Satur-
6 days, Sundays, and legal public holidays) before the
7 date of the election, except that nothing in this para-
8 graph shall preclude a State or local jurisdiction
9 from allowing for the acceptance and processing of
10 ballot requests submitted or received after such re-
11 quired period.

12 “(3) SPECIAL RULES IN CASE OF EMERGENCY
13 PERIODS.—

14 “(A) AUTOMATIC MAILING OF ABSENTEE
15 BALLOTS TO ALL VOTERS.—If the area in which
16 an election is held is in an area in which an
17 emergency or disaster which is described in sub-
18 paragraph (A) or (B) of section 1135(g)(1) of
19 the Social Security Act (42 U.S.C. 1320b-
20 5(g)(1)) is declared during the period described
21 in subparagraph (C)—

22 “(i) paragraphs (1) and (2) shall not
23 apply with respect to the election; and

24 “(ii) not later than 2 weeks before the
25 date of the election, the appropriate State

1 or local election official shall transmit ab-
2 sentee ballots and balloting materials for
3 the election to all individuals who are reg-
4 istered to vote in such election.

5 “(B) AFFIRMATION.—If an individual re-
6 ceives an absentee ballot from a State or local
7 election official pursuant to subparagraph (A)
8 and returns the voted ballot to the official, the
9 ballot shall not be counted in the election unless
10 the individual includes with the ballot a signed
11 affirmation that—

12 “(i) the individual has not and will
13 not cast another ballot with respect to the
14 election; and

15 “(ii) acknowledges that a material
16 misstatement of fact in completing the bal-
17 lot may constitute grounds for conviction
18 of perjury.

19 “(C) PERIOD DESCRIBED.—The period de-
20 scribed in this subparagraph with respect to an
21 election is the period which begins 120 days be-
22 fore the date of the election and ends 30 days
23 before the date of the election.

24 “(D) APPLICATION TO NOVEMBER 2020
25 GENERAL ELECTION.—Because of the public

1 health emergency declared pursuant to section
2 319 of the Public Health Service Act (42
3 U.S.C. 247d) resulting from the COVID-19
4 pandemic, the special rules set forth in this
5 paragraph shall apply with respect to the regu-
6 larly scheduled general election for Federal of-
7 fice held in November 2020 in each State.

8 “(d) ACCESSIBILITY FOR INDIVIDUALS WITH DIS-
9 ABILITIES.—The State shall ensure that all absentee bal-
10 lots and related voting materials in elections for Federal
11 office are accessible to individuals with disabilities in a
12 manner that provides the same opportunity for access and
13 participation (including with privacy and independence) as
14 for other voters.

15 “(e) REQUIREMENTS FOR ENVELOPES.—

16 “(1) PREPAYMENT OF POSTAGE.—Consistent
17 with regulations of the United States Postal Service,
18 the State or the unit of local government responsible
19 for the administration of an election for Federal of-
20 fice shall prepay the postage on any ballot in the
21 election which is cast by mail.

22 “(2) USE OF SELF-SEALING ENVELOPE.—The
23 State or unit of local government shall provide with
24 any absentee ballot transmitted to a voter by mail
25 a self-sealing return envelope.

1 “(f) UNIFORM DEADLINE FOR ACCEPTANCE OF
2 MAILED BALLOTS.—If a ballot submitted by an individual
3 by mail with respect to an election for Federal office in
4 a State is postmarked on or before the date of the election,
5 the State may not refuse to accept or process the ballot
6 on the grounds that the individual did not meet a deadline
7 for returning the ballot to the appropriate State or local
8 election official.

9 “(g) METHODS OF RETURNING BALLOTS.—

10 “(1) IN GENERAL.—The State shall permit an
11 individual to whom a ballot in an election was pro-
12 vided under this section to cast the ballot by deliv-
13 ering the ballot at such times and to such locations
14 as the State may establish, including—

15 “(A) permitting the individual to deliver
16 the ballot to a polling place on the date of the
17 election; and

18 “(B) permitting the individual to deliver
19 the ballot to a designated ballot drop-off loca-
20 tion.

21 “(2) PERMITTING VOTERS TO DESIGNATE
22 OTHER PERSON TO RETURN BALLOT.—The State—

23 “(A) shall permit a voter to designate any
24 person to return a voted and sealed absentee
25 ballot to the post office, a ballot drop-off loca-

1 tion, tribally designated building, or election of-
2 fice so long as the person designated to return
3 the ballot does not receive any form of com-
4 pensation based on the number of ballots that
5 the person has returned and no individual,
6 group, or organization provides compensation
7 on this basis; and

8 “(B) may not put any limit on how many
9 voted and sealed absentee ballots any des-
10 ignated person can return to the post office, a
11 ballot drop off location, tribally designated
12 building, or election office.

13 “(h) BALLOT PROCESSING AND SCANNING REQUIRE-
14 MENTS.—

15 “(1) IN GENERAL.—The State shall begin proc-
16 essing and scanning ballots cast by mail for tabula-
17 tion at least 14 days prior to the date of the election
18 involved.

19 “(2) LIMITATION.—Nothing in this subsection
20 shall be construed to permit a State to tabulate bal-
21 lots in an election before the closing of the polls on
22 the date of the election.

23 “(i) RULE OF CONSTRUCTION.—Nothing in this sec-
24 tion shall be construed to affect the authority of States

1 to conduct elections for Federal office through the use of
2 polling places at which individuals cast ballots.

3 “(j) NO EFFECT ON BALLOTS SUBMITTED BY AB-
4 SENT MILITARY AND OVERSEAS VOTERS; TREATMENT OF
5 BLANK ABSENTEE BALLOTS TRANSMITTED TO CERTAIN
6 VOTERS.—Nothing in this section may be construed to af-
7 fect the treatment of any ballot submitted by an individual
8 who is entitled to vote by absentee ballot under the Uni-
9 formed and Overseas Citizens Absentee Voting Act (52
10 U.S.C. 20301 et seq.), and any blank absentee ballot
11 transmitted to an individual by mail or electronically in
12 accordance with section 102(f) of such Act shall be treated
13 in the same manner as any other absentee ballot for pur-
14 poses of this section.

15 “(k) EFFECTIVE DATE.—This section shall apply
16 with respect to the regularly scheduled general election for
17 Federal office held in November 2020 and each succeeding
18 election for Federal office.

19 **“SEC. 323. ABSENTEE BALLOT TRACKING PROGRAM.**

20 “(a) REQUIREMENT.—Each State shall carry out a
21 program to track and confirm the receipt of absentee bal-
22 lots in an election for Federal office under which the State
23 or local election official responsible for the receipt of voted
24 absentee ballots in the election carries out procedures to
25 track and confirm the receipt of such ballots, and makes

1 information on the receipt of such ballots available to the
2 individual who cast the ballot, by means of online access
3 using the Internet site of the official's office.

4 “(b) INFORMATION ON WHETHER VOTE WAS
5 COUNTED.—The information referred to under subsection
6 (a) with respect to the receipt of an absentee ballot shall
7 include information regarding whether the vote cast on the
8 ballot was counted, and, in the case of a vote which was
9 not counted, the reasons therefor.

10 “(c) USE OF TOLL-FREE TELEPHONE NUMBER BY
11 OFFICIALS WITHOUT INTERNET SITE.—A program estab-
12 lished by a State or local election official whose office does
13 not have an Internet site may meet the requirements of
14 subsection (a) if the official has established a toll-free tele-
15 phone number that may be used by an individual who cast
16 an absentee ballot to obtain the information on the receipt
17 of the voted absentee ballot as provided under such sub-
18 section.

19 “(d) EFFECTIVE DATE.—This section shall apply
20 with respect to the regularly scheduled general election for
21 Federal office held in November 2020 and each succeeding
22 election for Federal office.

23 **“SEC. 324. RULES FOR COUNTING PROVISIONAL BALLOTS.**

24 “(a) STATEWIDE COUNTING OF PROVISIONAL BAL-
25 LOTS.—

1 “(1) IN GENERAL.—For purposes of section
2 302(a)(4), notwithstanding the precinct or polling
3 place at which a provisional ballot is cast within the
4 State, the appropriate election official shall count
5 each vote on such ballot for each election in which
6 the individual who cast such ballot is eligible to vote.

7 “(2) EFFECTIVE DATE.—This subsection shall
8 apply with respect to the regularly scheduled general
9 election for Federal office held in November 2020
10 and each succeeding election for Federal office.

11 “(b) UNIFORM AND NONDISCRIMINATORY STAND-
12 ARDS.—

13 “(1) IN GENERAL.—Consistent with the re-
14 quirements of section 302, each State shall establish
15 uniform and nondiscriminatory standards for the
16 issuance, handling, and counting of provisional bal-
17 lots.

18 “(2) EFFECTIVE DATE.—This subsection shall
19 apply with respect to the regularly scheduled general
20 election for Federal office held in November 2020
21 and each succeeding election for Federal office.

22 **“SEC. 325. COVERAGE OF COMMONWEALTH OF NORTHERN**
23 **MARIANA ISLANDS.**

24 “In this subtitle, the term ‘State’ includes the Com-
25 monwealth of the Northern Mariana Islands.

1 **“SEC. 326. MINIMUM REQUIREMENTS FOR EXPANDING**
2 **ABILITY OF INDIVIDUALS TO VOTE.**

3 “The requirements of this subtitle are minimum re-
4 quirements, and nothing in this subtitle may be construed
5 to prevent a State from establishing standards which pro-
6 mote the ability of individuals to vote in elections for Fed-
7 eral office, so long as such standards are not inconsistent
8 with the requirements of this subtitle or other Federal
9 laws.”.

10 (b) CONFORMING AMENDMENT RELATING TO
11 ISSUANCE OF VOLUNTARY GUIDANCE BY ELECTION AS-
12 SISTANCE COMMISSION.—Section 311(b) of such Act (52
13 U.S.C. 21101(b)) is amended—

14 (1) by striking “and” at the end of paragraph
15 (2);

16 (2) by striking the period at the end of para-
17 graph (3) and inserting “; and”; and

18 (3) by adding at the end the following new
19 paragraph:

20 “(4) in the case of the recommendations with
21 respect to subtitle C, June 30, 2020.”.

22 (c) ENFORCEMENT.—

23 (1) COVERAGE UNDER EXISTING ENFORCE-
24 MENT PROVISIONS.—Section 401 of such Act (52
25 U.S.C. 21111) is amended by striking “and 303”
26 and inserting “303, and subtitle C of title III”.

1 (2) AVAILABILITY OF PRIVATE RIGHT OF AC-
2 TION.—Title IV of such (52 U.S.C. 21111 et seq.)
3 is amended by adding at the end the following new
4 section:

5 **“SEC. 403. PRIVATE RIGHT OF ACTION FOR VIOLATIONS OF**
6 **CERTAIN REQUIREMENTS.**

7 “(a) IN GENERAL.—In the case of a violation of sub-
8 title C of title III, section 402 shall not apply and any
9 person who is aggrieved by such violation may provide
10 written notice of the violation to the chief election official
11 of the State involved.

12 “(b) RELIEF.—If the violation is not corrected within
13 20 days after receipt of a notice under subsection (a), or
14 within 5 days after receipt of the notice if the violation
15 occurred within 120 days before the date of an election
16 for Federal office, the aggrieved person may, in a civil ac-
17 tion, obtain declaratory or injunctive relief with respect
18 to the violation.

19 “(c) SPECIAL RULE.—If the violation occurred within
20 5 days before the date of an election for Federal office,
21 the aggrieved person need not provide notice to the chief
22 election official of the State involved under subsection (a)
23 before bringing a civil action under subsection (b).”.

24 “(d) CLERICAL AMENDMENT.—The table of contents
25 of such Act is amended—

1 (1) by adding at the end of the items relating
2 to title III the following:

“Subtitle C—Other Requirements

“Sec. 321. Early voting.

“Sec. 322. Promoting ability of voters to vote by mail.

“Sec. 323. Absentee ballot tracking program.

“Sec. 324. Rules for counting provisional ballots.

“Sec. 325. Coverage of Commonwealth of Northern Mariana Islands.

“Sec. 326. Minimum requirements for expanding ability of individuals to vote.”;
and

3 (2) by adding at the end of the items relating
4 to title IV the following new item:

“Sec. 403. Private right of action for violations of certain requirements.”.

5 **SEC. 120004. POSTAGE-FREE ABSENTEE BALLOTS.**

6 (a) IN GENERAL.—Chapter 34 of title 39, United
7 States Code, is amended by adding after section 3406 the
8 following:

9 **“§ 3407. Absentee ballots**

10 “(a) Any absentee ballot for any election for Federal
11 office shall be carried expeditiously, with postage prepaid
12 by the State or unit of local government responsible for
13 the administration of the election.

14 “(b) As used in this section, the term ‘absentee ballot’
15 means any ballot transmitted by a voter by mail in an
16 election for Federal office, but does not include any ballot
17 covered by section 3406.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for chapter 34 of such title is amended by inserting after
3 the item relating to section 3406 the following:

“3407. Absentee ballots carried free of postage.”.

4 **SEC. 120005. REQUIRING TRANSMISSION OF BLANK ABSEN-**
5 **TEE BALLOTS UNDER UOCAVA TO CERTAIN**
6 **VOTERS.**

7 (a) IN GENERAL.—The Uniformed and Overseas
8 Citizens Absentee Voting Act (52 U.S.C. 20301 et seq.)
9 is amended by inserting after section 103B the following
10 new section:

11 **“SEC. 103C. TRANSMISSION OF BLANK ABSENTEE BALLOTS**
12 **TO CERTAIN OTHER VOTERS.**

13 “(a) IN GENERAL.—

14 “(1) STATE RESPONSIBILITIES.—Subject to
15 paragraph (2), each State shall transmit blank ab-
16 sentee ballots by mail and electronically to qualified
17 individuals in the same manner and under the same
18 terms and conditions under which the State trans-
19 mits such ballots to absent uniformed services voters
20 and overseas voters under section 102(f).

21 “(2) REQUIREMENTS.—Any blank absentee bal-
22 lot transmitted to a qualified individual under this
23 section—

1 “(A) must comply with the language re-
2 quirements under section 203 of the Voting
3 Rights Act of 1965 (52 U.S.C. 10503); and

4 “(B) must comply with the disability re-
5 quirements under section 508 of the Rehabilita-
6 tion Act of 1973 (29 U.S.C. 794d).

7 “(3) AFFIRMATION.—The State may not trans-
8 mit a ballot to a qualified individual under this sec-
9 tion unless the individual provides the State with a
10 signed affirmation in electronic form that—

11 “(A) the individual is a qualified individual
12 (as defined in subsection (b));

13 “(B) the individual has not and will not
14 cast another ballot with respect to the election;
15 and

16 “(C) acknowledges that a material
17 misstatement of fact in completing the ballot
18 may constitute grounds for conviction of per-
19 jury.

20 “(4) CLARIFICATION REGARDING FREE POST-
21 AGE.—An absentee ballot obtained by a qualified in-
22 dividual under this section shall be considered bal-
23 lotting materials as defined in section 107 for pur-
24 poses of section 3406 of title 39, United States
25 Code.

1 “(5) PROHIBITING REFUSAL TO ACCEPT BAL-
2 LOT FOR FAILURE TO MEET CERTAIN REQUIRE-
3 MENTS.—A State shall not refuse to accept and
4 process any otherwise valid blank absentee ballot
5 which was transmitted to a qualified individual
6 under this section and used by the individual to vote
7 in the election solely on the basis of the following:

8 “(A) Notarization or witness signature re-
9 quirements.

10 “(B) Restrictions on paper type, including
11 weight and size.

12 “(C) Restrictions on envelope type, includ-
13 ing weight and size.

14 “(b) QUALIFIED INDIVIDUAL.—

15 “(1) IN GENERAL.—In this section, except as
16 provided in paragraph (2), the term ‘qualified indi-
17 vidual’ means any individual who is otherwise quali-
18 fied to vote in an election for Federal office and who
19 meets any of the following requirements:

20 “(A) The individual—

21 “(i) has requested an absentee ballot
22 from the State or jurisdiction in which
23 such individual is registered to vote; and

1 “(ii) has not received such absentee
2 ballot at least 2 days before the date of the
3 election.

4 “(B) The individual—

5 “(i) resides in an area of a State with
6 respect to which an emergency or public
7 health emergency has been declared by the
8 chief executive of the State or of the area
9 involved within 5 days of the date of the
10 election under the laws of the State due to
11 reasons including a natural disaster, in-
12 cluding severe weather, or an infectious
13 disease; and

14 “(ii) has not requested an absentee
15 ballot.

16 “(C) The individual expects to be absent
17 from such individual’s jurisdiction on the date
18 of the election due to professional or volunteer
19 service in response to a natural disaster or
20 emergency as described in subparagraph (B).

21 “(D) The individual is hospitalized or ex-
22 pects to be hospitalized on the date of the elec-
23 tion.

24 “(E) The individual is an individual with a
25 disability (as defined in section 3 of the Ameri-

1 cans with Disabilities Act of 1990 (42 U.S.C.
2 12102)) and resides in a State which does not
3 offer voters the ability to use secure and acces-
4 sible remote ballot marking. For purposes of
5 this subparagraph, a State shall permit an indi-
6 vidual to self-certify that the individual is an in-
7 dividual with a disability.

8 “(2) EXCLUSION OF ABSENT UNIFORMED SERV-
9 ICES AND OVERSEAS VOTERS.—The term ‘qualified
10 individual’ shall not include an absent uniformed
11 services voter or an overseas voter.

12 “(c) STATE.—For purposes of this section, the term
13 ‘State’ includes the District of Columbia, the Common-
14 wealth of Puerto Rico, Guam, American Samoa, the
15 United States Virgin Islands, and the Commonwealth of
16 the Northern Mariana Islands.

17 “(d) EFFECTIVE DATE.—This section shall apply
18 with respect to the regularly scheduled general election for
19 Federal office held in November 2020 and each succeeding
20 election for Federal office.”.

21 (b) CONFORMING AMENDMENT.—Section 102(a) of
22 such Act (52 U.S.C. 20302(a)) is amended—

23 (1) by striking “and” at the end of paragraph
24 (10);

1 (2) by striking the period at the end of para-
2 graph (11) and inserting “; and”; and

3 (3) by adding at the end the following new
4 paragraph:

5 “(12) meet the requirements of section 103C
6 with respect to the provision of blank absentee bal-
7 lots for the use of qualified individuals described in
8 such section.”.

9 (c) CLERICAL AMENDMENTS.—The table of contents
10 of such Act is amended by inserting the following after
11 section 103:

“Sec. 103A. Procedures for collection and delivery of marked absentee ballots
of absent overseas uniformed services voters.

“Sec. 103B. Federal voting assistance program improvements.

“Sec. 103C. Transmission of blank absentee ballots to certain other voters.”.

12 **SEC. 120006. VOTER REGISTRATION.**

13 (a) REQUIRING AVAILABILITY OF INTERNET FOR
14 VOTER REGISTRATION.—

15 (1) REQUIRING AVAILABILITY OF INTERNET
16 FOR REGISTRATION.—The National Voter Registra-
17 tion Act of 1993 (52 U.S.C. 20501 et seq.) is
18 amended by inserting after section 6 the following
19 new section:

20 **“SEC. 6A. INTERNET REGISTRATION.**

21 “(a) REQUIRING AVAILABILITY OF INTERNET FOR
22 ONLINE REGISTRATION.—

1 “(1) AVAILABILITY OF ONLINE REGISTRATION
2 AND CORRECTION OF EXISTING REGISTRATION IN-
3 FORMATION.—Each State, acting through the chief
4 State election official, shall ensure that the following
5 services are available to the public at any time on
6 the official public websites of the appropriate State
7 and local election officials in the State, in the same
8 manner and subject to the same terms and condi-
9 tions as the services provided by voter registration
10 agencies under section 7(a):

11 “(A) Online application for voter registra-
12 tion.

13 “(B) Online assistance to applicants in ap-
14 plying to register to vote.

15 “(C) Online completion and submission by
16 applicants of the mail voter registration applica-
17 tion form prescribed by the Election Assistance
18 Commission pursuant to section 9(a)(2), includ-
19 ing assistance with providing a signature as re-
20 quired under subsection (c).

21 “(D) Online receipt of completed voter reg-
22 istration applications.

23 “(b) ACCEPTANCE OF COMPLETED APPLICATIONS.—
24 A State shall accept an online voter registration applica-
25 tion provided by an individual under this section, and en-

1 sure that the individual is registered to vote in the State,
2 if—

3 “(1) the individual meets the same voter reg-
4 istration requirements applicable to individuals who
5 register to vote by mail in accordance with section
6 6(a)(1) using the mail voter registration application
7 form prescribed by the Election Assistance Commis-
8 sion pursuant to section 9(a)(2); and

9 “(2) the individual meets the requirements of
10 subsection (c) to provide a signature in electronic
11 form (but only in the case of applications submitted
12 during or after the second year in which this section
13 is in effect in the State).

14 “(c) SIGNATURE REQUIREMENTS.—

15 “(1) IN GENERAL.—For purposes of this sec-
16 tion, an individual meets the requirements of this
17 subsection as follows:

18 “(A) In the case of an individual who has
19 a signature on file with a State agency, includ-
20 ing the State motor vehicle authority, that is
21 required to provide voter registration services
22 under this Act or any other law, the individual
23 consents to the transfer of that electronic signa-
24 ture.

1 “(B) If subparagraph (A) does not apply,
2 the individual submits with the application an
3 electronic copy of the individual’s handwritten
4 signature through electronic means.

5 “(C) If subparagraph (A) and subpara-
6 graph (B) do not apply, the individual executes
7 a computerized mark in the signature field on
8 an online voter registration application, in ac-
9 cordance with reasonable security measures es-
10 tablished by the State, but only if the State ac-
11 cepts such mark from the individual.

12 “(2) TREATMENT OF INDIVIDUALS UNABLE TO
13 MEET REQUIREMENT.—If an individual is unable to
14 meet the requirements of paragraph (1), the State
15 shall—

16 “(A) permit the individual to complete all
17 other elements of the online voter registration
18 application;

19 “(B) permit the individual to provide a sig-
20 nature at the time the individual requests a bal-
21 lot in an election (whether the individual re-
22 quests the ballot at a polling place or requests
23 the ballot by mail); and

24 “(C) if the individual carries out the steps
25 described in subparagraph (A) and subpara-

1 graph (B), ensure that the individual is reg-
2 istered to vote in the State.

3 “(3) NOTICE.—The State shall ensure that in-
4 dividuals applying to register to vote online are noti-
5 fied of the requirements of paragraph (1) and of the
6 treatment of individuals unable to meet such re-
7 quirements, as described in paragraph (2).

8 “(d) CONFIRMATION AND DISPOSITION.—

9 “(1) CONFIRMATION OF RECEIPT.—Upon the
10 online submission of a completed voter registration
11 application by an individual under this section, the
12 appropriate State or local election official shall send
13 the individual a notice confirming the State’s receipt
14 of the application and providing instructions on how
15 the individual may check the status of the applica-
16 tion.

17 “(2) NOTICE OF DISPOSITION.—Not later than
18 7 days after the appropriate State or local election
19 official has approved or rejected an application sub-
20 mitted by an individual under this section, the offi-
21 cial shall send the individual a notice of the disposi-
22 tion of the application.

23 “(3) METHOD OF NOTIFICATION.—The appro-
24 priate State or local election official shall send the
25 notices required under this subsection by regular

1 mail, and, in the case of an individual who has pro-
2 vided the official with an electronic mail address, by
3 both electronic mail and regular mail.

4 “(e) PROVISION OF SERVICES IN NONPARTISAN
5 MANNER.—The services made available under subsection
6 (a) shall be provided in a manner that ensures that, con-
7 sistent with section 7(a)(5)—

8 “(1) the online application does not seek to in-
9 fluence an applicant’s political preference or party
10 registration; and

11 “(2) there is no display on the website pro-
12 moting any political preference or party allegiance,
13 except that nothing in this paragraph may be con-
14 strued to prohibit an applicant from registering to
15 vote as a member of a political party.

16 “(f) PROTECTION OF SECURITY OF INFORMATION.—
17 In meeting the requirements of this section, the State shall
18 establish appropriate technological security measures to
19 prevent to the greatest extent practicable any unauthor-
20 ized access to information provided by individuals using
21 the services made available under subsection (a).

22 “(g) ACCESSIBILITY OF SERVICES.—A state shall en-
23 sure that the services made available under this section
24 are made available to individuals with disabilities to the

1 same extent as services are made available to all other in-
2 dividuals.

3 “(h) USE OF ADDITIONAL TELEPHONE-BASED SYS-
4 TEM.—A State shall make the services made available on-
5 line under subsection (a) available through the use of an
6 automated telephone-based system, subject to the same
7 terms and conditions applicable under this section to the
8 services made available online, in addition to making the
9 services available online in accordance with the require-
10 ments of this section.

11 “(i) NONDISCRIMINATION AMONG REGISTERED VOT-
12 ERS USING MAIL AND ONLINE REGISTRATION.—In car-
13 rying out this Act, the Help America Vote Act of 2002,
14 or any other Federal, State, or local law governing the
15 treatment of registered voters in the State or the adminis-
16 tration of elections for public office in the State, a State
17 shall treat a registered voter who registered to vote online
18 in accordance with this section in the same manner as the
19 State treats a registered voter who registered to vote by
20 mail.”.

21 (2) SPECIAL REQUIREMENTS FOR INDIVIDUALS
22 USING ONLINE REGISTRATION.—

23 (A) TREATMENT AS INDIVIDUALS REG-
24 ISTERING TO VOTE BY MAIL FOR PURPOSES OF
25 FIRST-TIME VOTER IDENTIFICATION REQUIRE-

1 MENTS.—Section 303(b)(1)(A) of the Help
2 America Vote Act of 2002 (52 U.S.C.
3 21083(b)(1)(A)) is amended by striking “by
4 mail” and inserting “by mail or online under
5 section 6A of the National Voter Registration
6 Act of 1993”.

7 (B) REQUIRING SIGNATURE FOR FIRST-
8 TIME VOTERS IN JURISDICTION.—Section
9 303(b) of such Act (52 U.S.C. 21083(b)) is
10 amended—

11 (i) by redesignating paragraph (5) as
12 paragraph (6); and

13 (ii) by inserting after paragraph (4)
14 the following new paragraph:

15 “(5) SIGNATURE REQUIREMENTS FOR FIRST-
16 TIME VOTERS USING ONLINE REGISTRATION.—

17 “(A) IN GENERAL.—A State shall, in a
18 uniform and nondiscriminatory manner, require
19 an individual to meet the requirements of sub-
20 paragraph (B) if—

21 “(i) the individual registered to vote
22 in the State online under section 6A of the
23 National Voter Registration Act of 1993;
24 and

1 “(ii) the individual has not previously
2 voted in an election for Federal office in
3 the State.

4 “(B) REQUIREMENTS.—An individual
5 meets the requirements of this subparagraph
6 if—

7 “(i) in the case of an individual who
8 votes in person, the individual provides the
9 appropriate State or local election official
10 with a handwritten signature; or

11 “(ii) in the case of an individual who
12 votes by mail, the individual submits with
13 the ballot a handwritten signature.

14 “(C) INAPPLICABILITY.—Subparagraph
15 (A) does not apply in the case of an individual
16 who is—

17 “(i) entitled to vote by absentee ballot
18 under the Uniformed and Overseas Citi-
19 zens Absentee Voting Act (52 U.S.C.
20 20302 et seq.);

21 “(ii) provided the right to vote other-
22 wise than in person under section
23 3(b)(2)(B)(ii) of the Voting Accessibility
24 for the Elderly and Handicapped Act (52
25 U.S.C. 20102(b)(2)(B)(ii)); or

1 “(iii) entitled to vote otherwise than
2 in person under any other Federal law.”.

3 (C) CONFORMING AMENDMENT RELATING
4 TO EFFECTIVE DATE.—Section 303(d)(2)(A) of
5 such Act (52 U.S.C. 21083(d)(2)(A)) is amend-
6 ed by striking “Each State” and inserting “Ex-
7 cept as provided in subsection (b)(5), each
8 State”.

9 (3) CONFORMING AMENDMENTS.—

10 (A) TIMING OF REGISTRATION.—Section
11 8(a)(1) of the National Voter Registration Act
12 of 1993 (52 U.S.C. 20507(a)(1)) is amended—

13 (i) by striking “and” at the end of
14 subparagraph (C);

15 (ii) by redesignating subparagraph
16 (D) as subparagraph (E); and

17 (iii) by inserting after subparagraph
18 (C) the following new subparagraph:

19 “(D) in the case of online registration
20 through the official public website of an election
21 official under section 6A, if the valid voter reg-
22 istration application is submitted online not
23 later than the lesser of 28 days, or the period
24 provided by State law, before the date of the
25 election (as determined by treating the date on

1 which the application is sent electronically as
2 the date on which it is submitted); and”.

3 (B) INFORMING APPLICANTS OF ELIGI-
4 BILITY REQUIREMENTS AND PENALTIES.—Sec-
5 tion 8(a)(5) of such Act (52 U.S.C.
6 20507(a)(5)) is amended by striking “and 7”
7 and inserting “6A, and 7”.

8 (b) SAME DAY REGISTRATION.—

9 (1) IN GENERAL.—Subtitle C of title III of the
10 Help America Vote Act of 2002, as added by section
11 3(a), is amended—

12 (A) by redesignating sections 325 and 326
13 as sections 326 and 327; and

14 (B) by inserting after section 324 the fol-
15 lowing new section:

16 **“SEC. 325. SAME DAY REGISTRATION.**

17 **“(a) IN GENERAL.—**

18 **“(1) REGISTRATION.—**Each State shall permit
19 any eligible individual on the day of a Federal elec-
20 tion and on any day when voting, including early
21 voting, is permitted for a Federal election—

22 **“(A) to register to vote in such election at**
23 **the polling place using a form that meets the**
24 **requirements under section 9(b) of the National**
25 **Voter Registration Act of 1993 (or, if the indi-**

1 vidual is already registered to vote, to revise
2 any of the individual's voter registration infor-
3 mation); and

4 “(B) to cast a vote in such election.

5 “(2) EXCEPTION.—The requirements under
6 paragraph (1) shall not apply to a State in which,
7 under a State law in effect continuously on and after
8 the date of the enactment of this section, there is no
9 voter registration requirement for individuals in the
10 State with respect to elections for Federal office.

11 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
12 section, the term ‘eligible individual’ means, with respect
13 to any election for Federal office, an individual who is oth-
14 erwise qualified to vote in that election.

15 “(c) EFFECTIVE DATE.—Each State shall be re-
16 quired to comply with the requirements of subsection (a)
17 for the regularly scheduled general election for Federal of-
18 fice occurring in November 2020 and for any subsequent
19 election for Federal office.”.

20 (2) CLERICAL AMENDMENT.—The table of con-
21 tents of such Act, as amended by section 3, is
22 amended—

23 (A) by redesignating the items relating to
24 sections 325 and 326 as relating to sections
25 326 and 327; and

1 (B) by inserting after the item relating to
2 section 324 the following new item:

“Sec. 325. Same day registration.”.

3 (c) PROHIBITING STATE FROM REQUIRING APPLI-
4 CANTS TO PROVIDE MORE THAN LAST 4 DIGITS OF SO-
5 CIAL SECURITY NUMBER.—

6 (1) FORM INCLUDED WITH APPLICATION FOR
7 MOTOR VEHICLE DRIVER’S LICENSE.—Section
8 5(c)(2)(B)(ii) of the National Voter Registration Act
9 of 1993 (52 U.S.C. 20504(c)(2)(B)(ii)) is amended
10 by striking the semicolon at the end and inserting
11 the following: “, and to the extent that the applica-
12 tion requires the applicant to provide a Social Secu-
13 rity number, may not require the applicant to pro-
14 vide more than the last 4 digits of such number;”.

15 (2) NATIONAL MAIL VOTER REGISTRATION
16 FORM.—Section 9(b)(1) of such Act (52 U.S.C.
17 20508(b)(1)) is amended by striking the semicolon
18 at the end and inserting the following: “, and to the
19 extent that the form requires the applicant to pro-
20 vide a Social Security number, the form may not re-
21 quire the applicant to provide more than the last 4
22 digits of such number;”.

23 (3) EFFECTIVE DATE.—The amendments made
24 by this subsection shall apply with respect to the
25 regularly scheduled general election for Federal of-

1 fice held in November 2020 and each succeeding
2 election for Federal office.

3 **SEC. 120007. ACCOMMODATIONS FOR VOTERS RESIDING IN**
4 **INDIAN LANDS.**

5 (a) ACCOMMODATIONS DESCRIBED.—

6 (1) DESIGNATION OF BALLOT PICKUP AND COL-
7 LECTION LOCATIONS.—Given the widespread lack of
8 residential mail delivery in Indian Country, an In-
9 dian Tribe may designate buildings as ballot pickup
10 and collection locations with respect to an election
11 for Federal office at no cost to the Indian Tribe. An
12 Indian Tribe may designate one building per pre-
13 cinct located within Indian lands. The applicable
14 State or political subdivision shall collect ballots
15 from those locations. The applicable State or polit-
16 ical subdivision shall provide the Indian Tribe with
17 accurate precinct maps for all precincts located with-
18 in Indian lands 60 days before the election.

19 (2) PROVISION OF MAIL-IN AND ABSENTEE
20 BALLOTS.—The State or political subdivision shall
21 provide mail-in and absentee ballots with respect to
22 an election for Federal office to each individual who
23 is registered to vote in the election who resides on
24 Indian lands in the State or political subdivision in-

1 volved without requiring a residential address or a
2 mail-in or absentee ballot request.

3 (3) USE OF DESIGNATED BUILDING AS RESI-
4 DENTIAL AND MAILING ADDRESS.—The address of a
5 designated building that is a ballot pickup and col-
6 lection location with respect to an election for Fed-
7 eral office may serve as the residential address and
8 mailing address for voters living on Indian lands if
9 the tribally designated building is in the same pre-
10 cinct as that voter. If there is no tribally designated
11 building within a voter’s precinct, the voter may use
12 another tribally designated building within the In-
13 dian lands where the voter is located. Voters using
14 a tribally designated building outside of the voter’s
15 precinct may use the tribally designated building as
16 a mailing address and may separately designate the
17 voter’s appropriate precinct through a description of
18 the voter’s address, as specified in section
19 9428.4(a)(2) of title 11, Code of Federal Regula-
20 tions.

21 (4) LANGUAGE ACCESSIBILITY.—In the case of
22 a State or political subdivision that is a covered
23 State or political subdivision under section 203 of
24 the Voting Rights Act of 1965 (52 U.S.C. 10503),
25 that State or political subdivision shall provide ab-

1 sentee or mail-in voting materials with respect to an
2 election for Federal office in the language of the ap-
3 plicable minority group as well as in the English lan-
4 guage, bilingual election voting assistance, and writ-
5 ten translations of all voting materials in the lan-
6 guage of the applicable minority group, as required
7 by section 203 of the Voting Rights Act of 1965 (52
8 U.S.C. 10503), as amended by subsection (b).

9 (5) CLARIFICATION.—Nothing in this section
10 alters the ability of an individual voter residing on
11 Indian lands to request a ballot in a manner avail-
12 able to all other voters in the State.

13 (6) DEFINITIONS.—In this section:

14 (A) INDIAN.—The term “Indian” has the
15 meaning given the term in section 4 of the In-
16 dian Self-Determination and Education Assist-
17 ance Act (25 U.S.C. 5304).

18 (B) INDIAN LANDS.—The term “Indian
19 lands” includes—

20 (i) any Indian country of an Indian
21 Tribe, as defined under section 1151 of
22 title 18, United States Code;

23 (ii) any land in Alaska owned, pursu-
24 ant to the Alaska Native Claims Settle-
25 ment Act (43 U.S.C. 1601 et seq.), by an

1 Indian Tribe that is a Native village (as
2 defined in section 3 of that Act (43 U.S.C.
3 1602)) or by a Village Corporation that is
4 associated with an Indian Tribe (as de-
5 fined in section 3 of that Act (43 U.S.C.
6 1602));

7 (iii) any land on which the seat of the
8 Tribal Government is located; and

9 (iv) any land that is part or all of a
10 Tribal designated statistical area associ-
11 ated with an Indian Tribe, or is part or all
12 of an Alaska Native village statistical area
13 associated with an Indian Tribe, as defined
14 by the Census Bureau for the purposes of
15 the most recent decennial census.

16 (C) INDIAN TRIBE.—The term “Indian
17 Tribe” has the meaning given the term “Indian
18 tribe” in section 4 of the Indian Self-Deter-
19 mination and Education Assistance Act (25
20 U.S.C. 5304).

21 (D) TRIBAL GOVERNMENT.—The term
22 “Tribal Government” means the recognized
23 governing body of an Indian Tribe.

24 (7) ENFORCEMENT.—

1 (A) ATTORNEY GENERAL.—The Attorney
2 General may bring a civil action in an appro-
3 priate district court for such declaratory or in-
4 junctive relief as is necessary to carry out this
5 subsection.

6 (B) PRIVATE RIGHT OF ACTION.—

7 (i) A person or Tribal Government
8 who is aggrieved by a violation of this sub-
9 section may provide written notice of the
10 violation to the chief election official of the
11 State involved.

12 (ii) An aggrieved person or Tribal
13 Government may bring a civil action in an
14 appropriate district court for declaratory
15 or injunctive relief with respect to a viola-
16 tion of this subsection, if—

17 (I) that person or Tribal Govern-
18 ment provides the notice described in
19 clause (i); and

20 (II)(aa) in the case of a violation
21 that occurs more than 120 days be-
22 fore the date of an election for Fed-
23 eral office, the violation remains and
24 90 days or more have passed since the
25 date on which the chief election offi-

1 cial of the State receives the notice
2 under clause (i); or

3 (bb) in the case of a violation
4 that occurs 120 days or less before
5 the date of an election for Federal of-
6 fice, the violation remains and 20
7 days or more have passed since the
8 date on which the chief election offi-
9 cial of the State receives the notice
10 under clause (i).

11 (iii) In the case of a violation of this
12 section that occurs 30 days or less before
13 the date of an election for Federal office,
14 an aggrieved person or Tribal Government
15 may bring a civil action in an appropriate
16 district court for declaratory or injunctive
17 relief with respect to the violation without
18 providing notice to the chief election offi-
19 cial of the State under clause (i).

20 (b) BILINGUAL ELECTION REQUIREMENTS.—Section
21 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503)
22 is amended—

23 (1) in subsection (b)(3)(C), by striking “1990”
24 and inserting “2010”; and

1 (2) by striking subsection (c) and inserting the
2 following:

3 “(c) PROVISION OF VOTING MATERIALS IN THE LAN-
4 GUAGE OF A MINORITY GROUP.—

5 “(1) IN GENERAL.—Whenever any State or po-
6 litical subdivision subject to the prohibition of sub-
7 section (b) of this section provides any registration
8 or voting notices, forms, instructions, assistance, or
9 other materials or information relating to the elec-
10 toral process, including ballots, it shall provide them
11 in the language of the applicable minority group as
12 well as in the English language.

13 “(2) EXCEPTIONS.—

14 “(A) IN GENERAL.—

15 “(i) In the case of a minority group
16 that is not American Indian or Alaska Na-
17 tive and the language of that minority
18 group is oral or unwritten, the State or po-
19 litical subdivision shall only be required to
20 furnish, in the covered language, oral in-
21 structions, assistance, translation of voting
22 materials, or other information relating to
23 registration and voting.

24 “(ii) In the case of a minority group
25 that is American Indian or Alaska Native,

1 the State or political subdivision shall only
2 be required to furnish in the covered lan-
3 guage oral instructions, assistance, or
4 other information relating to registration
5 and voting, including all voting materials,
6 if the Tribal Government of that minority
7 group has certified that the language of
8 the applicable American Indian or Alaska
9 Native language is presently unwritten or
10 the Tribal Government does not want writ-
11 ten translations in the minority language.

12 “(3) WRITTEN TRANSLATIONS FOR ELECTION
13 WORKERS.—Notwithstanding paragraph (2), the
14 State or political division may be required to provide
15 written translations of voting materials, with the
16 consent of any applicable Indian Tribe, to election
17 workers to ensure that the translations from English
18 to the language of a minority group are complete,
19 accurate, and uniform.”.

20 “(c) EFFECTIVE DATE.—This section and the amend-
21 ments made by this section shall apply with respect to the
22 regularly scheduled general election for Federal office held
23 in November 2020 and each succeeding election for Fed-
24 eral office.

1 **SEC. 120008. PAYMENTS BY ELECTION ASSISTANCE COM-**
2 **MISSION TO STATES TO ASSIST WITH COSTS**
3 **OF COMPLIANCE.**

4 (a) AVAILABILITY OF GRANTS.—Subtitle D of title
5 II of the Help America Vote Act of 2002 (52 U.S.C.
6 21001 et seq.) is amended by adding at the end the fol-
7 lowing new part:

8 **“PART 7—PAYMENTS TO ASSIST WITH COSTS OF**
9 **COMPLIANCE WITH ACCESS ACT**
10 **“SEC. 297. PAYMENTS TO ASSIST WITH COSTS OF COMPLI-**
11 **ANCE WITH ACCESS ACT.**

12 “(a) AVAILABILITY AND USE OF PAYMENTS.—

13 “(1) IN GENERAL.—The Commission shall
14 make a payment to each eligible State to assist the
15 State with the costs of complying with the American
16 Coronavirus/COVID–19 Election Safety and Secu-
17 rity Act and the amendments made by such Act, in-
18 cluding the provisions of such Act and such amend-
19 ments which require States to pre-pay the postage
20 on absentee ballots and balloting materials.

21 “(2) PUBLIC EDUCATION CAMPAIGNS.—For
22 purposes of this part, the costs incurred by a State
23 in carrying out a campaign to educate the public
24 about the requirements of the American
25 Coronavirus/COVID–19 Election Safety and Secu-
26 rity Act and the amendments made by such Act

1 shall be included as the costs of complying with such
2 Act and such amendments.

3 “(b) PRIMARY ELECTIONS.—

4 “(1) PAYMENTS TO STATES.—In addition to
5 any payments under subsection (a), the Commission
6 shall make a payment to each eligible State to assist
7 the State with the costs incurred in voluntarily elect-
8 ing to comply with the American Coronavirus/
9 COVID–19 Election Safety and Security Act and
10 the amendments made by such Act with respect to
11 primary elections for Federal office held in the State
12 in 2020.

13 “(2) STATE POLITICAL PARTY-RUN PRI-
14 MARIES.—In addition to any payments under para-
15 graph (1), in the case of a State voluntarily electing
16 to comply with the American Coronavirus/COVID–
17 19 Election Safety and Security Act and the amend-
18 ments made by such Act with respect to primary
19 elections for Federal office held in the State in
20 2020, the Commission shall make a payment to each
21 eligible political party of the State for the costs in-
22 curred by the party in transmitting absentee ballots
23 and balloting materials with respect to such elections
24 (including the costs relating to pre-paying the post-

1 age on the return envelopes for such ballots and ma-
2 terials).

3 “(c) PASS-THROUGH OF FUNDS TO LOCAL JURISDIC-
4 TIONS.—

5 “(1) IN GENERAL.—If a State receives a pay-
6 ment under this part for costs that include costs in-
7 curred by a local jurisdiction or Tribal government
8 within the State, the State shall pass through to
9 such local jurisdiction or Tribal government a por-
10 tion of such payment that is equal to the amount of
11 the costs incurred by such local jurisdiction or Trib-
12 al government.

13 “(2) TRIBAL GOVERNMENT DEFINED.—In this
14 subsection, the term ‘Tribal Government’ means the
15 recognized governing body of an Indian tribe (as de-
16 fined in section 4 of the Indian Self-Determination
17 and Education Assistance Act (25 U.S.C. 5304).

18 “(d) SCHEDULE OF PAYMENTS.—As soon as prac-
19 ticable after the date of the enactment of this part and
20 not less frequently than once each calendar year there-
21 after, the Commission shall make payments under this
22 part.

23 “(e) COVERAGE OF COMMONWEALTH OF NORTHERN
24 MARIANA ISLANDS.—In this part, the term ‘State’ in-

1 cludes the Commonwealth of the Northern Mariana Is-
2 lands.

3 “(f) LIMITATION.—No funds may be provided to a
4 State under this part for costs attributable to the elec-
5 tronic return of marked ballots by any voter.

6 **“SEC. 297A. AMOUNT OF PAYMENT.**

7 “(a) IN GENERAL.—Except as provided in section
8 297C, the amount of a payment made to an eligible State
9 for a year under this part shall be determined by the Com-
10 mission.

11 “(b) CONTINUING AVAILABILITY OF FUNDS AFTER
12 APPROPRIATION.—A payment made to an eligible State
13 or eligible unit of local government under this part shall
14 be available without fiscal year limitation.

15 **“SEC. 297B. REQUIREMENTS FOR ELIGIBILITY.**

16 “(a) APPLICATION.—Except as provided in section
17 297C, each State that desires to receive a payment under
18 this part for a fiscal year, and each political party of a
19 State that desires to receive a payment under section
20 297(b)(2), shall submit an application for the payment to
21 the Commission at such time and in such manner and con-
22 taining such information as the Commission shall require.

23 “(b) CONTENTS OF APPLICATION.—Each application
24 submitted under subsection (a) shall—

1 “(1) describe the activities for which assistance
2 under this part is sought; and

3 “(2) provide such additional information and
4 certifications as the Commission determines to be es-
5 sential to ensure compliance with the requirements
6 of this part.

7 **“SEC. 297C. SPECIAL RULES FOR PAYMENTS FOR ELEC-**
8 **TIONS SUBJECT TO EMERGENCY RULES.**

9 “(a) SUBMISSION OF ESTIMATED COSTS.—If the spe-
10 cial rules in the case of an emergency period under section
11 322(c)(3) apply to an election, not later than the applica-
12 ble deadline under subsection (c), the State shall submit
13 to the Commission a request for a payment under this
14 part, and shall include in the request the State’s estimate
15 of the costs the State expects to incur in the administra-
16 tion of the election which are attributable to the applica-
17 tion of such special rules to the election.

18 “(b) PAYMENT.—Not later than 7 days after receiv-
19 ing a request from the State under subsection (a), the
20 Commission shall make a payment to the State in an
21 amount equal to the estimate provided by the State in the
22 request.

23 “(c) APPLICABLE DEADLINE.—The applicable dead-
24 line under this paragraph with respect to an election is—

1 “(1) with respect to the regularly scheduled
2 general election for Federal office held in November
3 2020, 15 days after the date of the enactment of
4 this part; and

5 “(2) with respect to any other election, 15 days
6 after the emergency or disaster described in section
7 322(c)(3) is declared.

8 **“SEC. 297D. AUTHORIZATION OF APPROPRIATIONS.**

9 “There are authorized to be appropriated for pay-
10 ments under this part—

11 “(1) in the case of payments made under sec-
12 tion 297C, such sums as may be necessary for fiscal
13 year 2020 and each succeeding fiscal year; and

14 “(2) in the case of any other payments, such
15 sums as may be necessary for fiscal year 2020.

16 **“SEC. 297E. REPORTS.**

17 “(a) REPORTS BY RECIPIENTS.—Not later than 6
18 months after the end of each fiscal year for which an eligi-
19 ble State received a payment under this part, the State
20 shall submit a report to the Commission on the activities
21 conducted with the funds provided during the year.

22 “(b) REPORTS BY COMMISSION TO COMMITTEES.—
23 With respect to each fiscal year for which the Commission
24 makes payments under this part, the Commission shall
25 submit a report on the activities carried out under this

1 part to the Committee on House Administration of the
2 House of Representatives and the Committee on Rules
3 and Administration of the Senate.”.

4 (b) CLERICAL AMENDMENT.—The table of contents
5 of such Act is amended by adding at the end of the items
6 relating to subtitle D of title II the following:

“PART 7—PAYMENTS TO ASSIST WITH COSTS OF COMPLIANCE WITH
ACCESS ACT

“Sec. 297. Payments to assist with costs of compliance with Access Act.

“Sec. 297A. Amount of payment.

“Sec. 297B. Requirements for eligibility.

“Sec. 297C. Authorization of appropriations.

“Sec. 297D. Reports.”.

7 **SEC. 120009. GRANTS TO STATES FOR CONDUCTING RISK-**
8 **LIMITING AUDITS OF RESULTS OF ELEC-**
9 **TIONS.**

10 (a) AVAILABILITY OF GRANTS.—Subtitle D of title
11 II of the Help America Vote Act of 2002 (52 U.S.C.
12 21001 et seq.), as amended by section 8(a), is further
13 amended by adding at the end the following new part:

14 **“PART 8—GRANTS FOR CONDUCTING RISK-**
15 **LIMITING AUDITS OF RESULTS OF ELECTIONS**
16 **“SEC. 298. GRANTS FOR CONDUCTING RISK-LIMITING AU-**
17 **DITS OF RESULTS OF ELECTIONS.**

18 “(a) AVAILABILITY OF GRANTS.—The Commission
19 shall make a grant to each eligible State to conduct risk-
20 limiting audits as described in subsection (b) with respect
21 to the regularly scheduled general elections for Federal of-

1 fice held in November 2020 and each succeeding election
2 for Federal office.

3 “(b) RISK-LIMITING AUDITS DESCRIBED.—In this
4 part, a ‘risk-limiting audit’ is a post-election process—

5 “(1) which is conducted in accordance with
6 rules and procedures established by the chief State
7 election official of the State which meet the require-
8 ments of subsection (c); and

9 “(2) under which, if the reported outcome of
10 the election is incorrect, there is at least a predeter-
11 mined percentage chance that the audit will replace
12 the incorrect outcome with the correct outcome as
13 determined by a full, hand-to-eye tabulation of all
14 votes validly cast in that election that ascertains
15 voter intent manually and directly from voter-
16 verifiable paper records.

17 “(c) REQUIREMENTS FOR RULES AND PROCE-
18 DURES.—The rules and procedures established for con-
19 ducting a risk-limiting audit shall include the following
20 elements:

21 “(1) Rules for ensuring the security of ballots
22 and documenting that prescribed procedures were
23 followed.

1 “(2) Rules and procedures for ensuring the ac-
2 curacy of ballot manifests produced by election agen-
3 cies.

4 “(3) Rules and procedures for governing the
5 format of ballot manifests, cast vote records, and
6 other data involved in the audit.

7 “(4) Methods to ensure that any cast vote
8 records used in the audit are those used by the vot-
9 ing system to tally the election results sent to the
10 chief State election official and made public.

11 “(5) Procedures for the random selection of
12 ballots to be inspected manually during each audit.

13 “(6) Rules for the calculations and other meth-
14 ods to be used in the audit and to determine wheth-
15 er and when the audit of an election is complete.

16 “(7) Procedures and requirements for testing
17 any software used to conduct risk-limiting audits.

18 “(d) DEFINITIONS.—In this part, the following defi-
19 nitions apply:

20 “(1) The term ‘ballot manifest’ means a record
21 maintained by each election agency that meets each
22 of the following requirements:

23 “(A) The record is created without reliance
24 on any part of the voting system used to tab-
25 ulate votes.

1 “(B) The record functions as a sampling
2 frame for conducting a risk-limiting audit.

3 “(C) The record contains the following in-
4 formation with respect to the ballots cast and
5 counted in the election:

6 “(i) The total number of ballots cast
7 and counted by the agency (including
8 undervotes, overvotes, and other invalid
9 votes).

10 “(ii) The total number of ballots cast
11 in each election administered by the agency
12 (including undervotes, overvotes, and other
13 invalid votes).

14 “(iii) A precise description of the
15 manner in which the ballots are physically
16 stored, including the total number of phys-
17 ical groups of ballots, the numbering sys-
18 tem for each group, a unique label for each
19 group, and the number of ballots in each
20 such group.

21 “(2) The term ‘incorrect outcome’ means an
22 outcome that differs from the outcome that would be
23 determined by a full tabulation of all votes validly
24 cast in the election, determining voter intent manu-
25 ally, directly from voter-verifiable paper records.

1 “(3) The term ‘outcome’ means the winner of
2 an election, whether a candidate or a position.

3 “(4) The term ‘reported outcome’ means the
4 outcome of an election which is determined accord-
5 ing to the canvass and which will become the official,
6 certified outcome unless it is revised by an audit, re-
7 count, or other legal process.

8 **“SEC. 298A. ELIGIBILITY OF STATES.**

9 “A State is eligible to receive a grant under this part
10 if the State submits to the Commission, at such time and
11 in such form as the Commission may require, an applica-
12 tion containing—

13 “(1) a certification that, not later than 5 years
14 after receiving the grant, the State will conduct risk-
15 limiting audits of the results of elections for Federal
16 office held in the State as described in section 298;

17 “(2) a certification that, not later than one year
18 after the date of the enactment of this section, the
19 chief State election official of the State has estab-
20 lished or will establish the rules and procedures for
21 conducting the audits which meet the requirements
22 of section 298(c);

23 “(3) a certification that the audit shall be com-
24 pleted not later than the date on which the State
25 certifies the results of the election;

1 “(4) a certification that, after completing the
2 audit, the State shall publish a report on the results
3 of the audit, together with such information as nec-
4 essary to confirm that the audit was conducted prop-
5 erly;

6 “(5) a certification that, if a risk-limiting audit
7 conducted under this part leads to a full manual
8 tally of an election, State law requires that the State
9 or election agency shall use the results of the full
10 manual tally as the official results of the election;
11 and

12 “(6) such other information and assurances as
13 the Commission may require.

14 **“SEC. 298B. AUTHORIZATION OF APPROPRIATIONS.**

15 “There are authorized to be appropriated for grants
16 under this part \$20,000,000 for fiscal year 2020, to re-
17 main available until expended.”.

18 (b) CLERICAL AMENDMENT.—The table of contents
19 of such Act, as amended by section 8(b), is further amend-
20 ed by adding at the end of the items relating to subtitle
21 D of title II the following:

“PART 8—GRANTS FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS
OF ELECTIONS

“Sec. 298. Grants for conducting risk-limiting audits of results of elec-
tions.

“Sec. 298A. Eligibility of States.

“Sec. 298B. Authorization of appropriations.

22 (c) GAO ANALYSIS OF EFFECTS OF AUDITS.—

1 (1) ANALYSIS.—Not later than 6 months after
2 the first election for Federal office is held after
3 grants are first awarded to States for conducting
4 risk-limiting audits under part 8 of subtitle D of
5 title II of the Help America Vote Act of 2002 (as
6 added by subsection (a)) for conducting risk-limiting
7 audits of elections for Federal office, the Comp-
8 troller General of the United States shall conduct an
9 analysis of the extent to which such audits have im-
10 proved the administration of such elections and the
11 security of election infrastructure in the States re-
12 ceiving such grants.

13 (2) REPORT.—The Comptroller General of the
14 United States shall submit a report on the analysis
15 conducted under subsection (a) to the appropriate
16 congressional committees.

17 **SEC. 120010. ADDITIONAL APPROPRIATIONS FOR THE**
18 **ELECTION ASSISTANCE COMMISSION.**

19 (a) IN GENERAL.—In addition to any funds other-
20 wise appropriated to the Election Assistance Commission
21 for fiscal year 2020, there is authorized to be appropriated
22 \$3,000,000 for fiscal year 2020 in order for the Commis-
23 sion to provide additional assistance and resources to
24 States for improving the administration of elections.

1 (b) AVAILABILITY OF FUNDS.—Amounts appro-
2 priated pursuant to the authorization under this sub-
3 section shall remain available without fiscal year limita-
4 tion.

5 **DIVISION M—OVERSIGHT AND**
6 **ACCOUNTABILITY**

7 **SEC. 130001. CORONAVIRUS ACCOUNTABILITY AND TRANS-**
8 **PARENCY COMMITTEE.**

9 (a) ESTABLISHMENT OF THE CORONAVIRUS AC-
10 COUNTABILITY AND TRANSPARENCY COMMITTEE.—There
11 is established the Coronavirus Accountability and Trans-
12 parency Committee within the Council of the Inspectors
13 General on Integrity and Efficiency to coordinate and sup-
14 port Inspectors General in conducting oversight of covered
15 funds to detect and prevent fraud, waste, and abuse.

16 (b) COMPOSITION OF COMMITTEE.—

17 (1) CHAIRPERSON.—The Chairperson of the
18 Committee shall be an Inspector General, identified
19 in paragraph (2)(A) with experience managing over-
20 sight of large organizations and expenditures and
21 shall be selected by the Chair of the Council of the
22 Inspectors General on Integrity and Efficiency.

23 (2) MEMBERS.—The members of the Com-
24 mittee shall include—

1 (A) the Inspectors General of the Depart-
2 ments of Commerce, Defense, Education,
3 Health and Human Services, Homeland Secu-
4 rity, Labor, Transportation, Treasury, Treasury
5 Inspector General for Tax Administration, Vet-
6 erans Affairs, and the Small Business Adminis-
7 tration; and

8 (B) any other Inspector General as des-
9 ignated by the Chair of the Council of the In-
10 spectors General on Integrity and Efficiency.

11 (c) FUNCTIONS OF THE COMMITTEE.—

12 (1) FUNCTIONS.—

13 (A) IN GENERAL.—The Committee shall
14 coordinate and assist Inspectors General in the
15 oversight of covered funds and the response of
16 the Executive Branch to the Coronavirus Pan-
17 demic in order to prevent fraud, waste, and
18 abuse.

19 (B) SPECIFIC FUNCTIONS.—The functions
20 of the Committee shall include—

21 (i) developing a strategic plan to en-
22 sure Inspectors General effectively and ef-
23 ficiently conduct comprehensive oversight
24 over all aspects of the covered funds and

1 the response by the Executive Branch to
2 the Coronavirus;

3 (ii) serving as a liaison to the Director
4 of the Office of Management and Budget,
5 Secretary of the Treasury, and other offi-
6 cials responsible for implementing this Act;

7 (iii) supporting audits and investiga-
8 tions of covered funds to determine wheth-
9 er wasteful spending, poor contract or
10 grant management, or other abuses are oc-
11 ccurring and referring matters the Com-
12 mittee considers appropriate for audit or
13 investigation to the Inspector General for
14 the agency that disbursed the covered
15 funds or more than one Inspector General,
16 as appropriate;

17 (iv) supporting reviews of contracts,
18 grants, and other assistance that use using
19 covered funds or that are otherwise related
20 to Coronavirus by assessing whether—

21 (I) the contracts, grants, and
22 other assistance meet applicable
23 standards;

24 (II) the contracts, grants, and
25 other assistance adequately specify the

1 purpose of the contract, grant, or
2 other assistance, as well as applicable
3 measures of performance; and

4 (III) there are sufficient qualified
5 acquisition and grant personnel over-
6 seeing the use of covered funds; and

7 (v) reviewing whether there are appro-
8 priate mechanisms for interagency collabo-
9 ration relating to covered funds, including
10 coordinating and collaborating to the ex-
11 tent practicable with State and local gov-
12 ernment entities.

13 (2) REPORTS.—

14 (A) REPORTS.—The Committee shall sub-
15 mit to the President and Congress, including
16 the appropriate congressional committees, time-
17 ly alerts on current or potential management
18 and funding problems that require immediate
19 attention. The Committee also shall submit to
20 Congress such other reports as the Committee
21 considers appropriate on the use and benefits of
22 covered funds and the response of the Executive
23 Branch to the Coronavirus.

24 (B) BIENNIAL REPORTS.—The Committee
25 shall submit reports every six months to the

1 President and the appropriate congressional
2 committees, summarizing the findings of the
3 Committee and Inspectors General of agencies.
4 The Committee may submit additional reports
5 as appropriate.

6 (C) PUBLIC AVAILABILITY.—

7 (i) IN GENERAL.—All reports sub-
8 mitted under this paragraph shall be made
9 publicly available and posted on the
10 website established by subsection (e).

11 (ii) REDACTIONS.—Any portion of a
12 report submitted under this paragraph
13 may be redacted when made publicly avail-
14 able, if that portion would disclose infor-
15 mation that is not subject to disclosure
16 under sections 552 and 552a of title 5,
17 United States Code.

18 (3) RECOMMENDATIONS.—

19 (A) IN GENERAL.—The Committee, in co-
20 ordination with the member Inspectors General,
21 shall make recommendations to agencies and to
22 Congress, including the appropriate committees,
23 on measures to prevent fraud, waste, and abuse
24 relating to covered funds.

1 (B) RESPONSIVE REPORTS.—Not later
2 than 30 days after receipt of a recommendation
3 under subparagraph (A), an agency shall sub-
4 mit a report to the President, the congressional
5 committees of jurisdiction, and the appropriate
6 congressional committees, on—

7 (i) whether the agency agrees or dis-
8 agrees with the recommendations; and

9 (ii) any specific action or action plan
10 the agency will take to implement the rec-
11 ommendations.

12 (d) POWERS AND AUTHORITIES OF THE COM-
13 MITTEE.—

14 (1) IN GENERAL.—The Committee shall coordi-
15 nate and support investigations, audits and reviews
16 of spending of covered funds to avoid duplication
17 and overlap of work and ensure that there are not
18 gaps in oversight activities by the member Inspec-
19 tors General. If a gap in oversight is identified, the
20 Committee shall request that an Inspector General
21 or more than one Inspector General, designated by
22 the Chair, conduct the appropriate audit or review.

23 (2) AUDITS AND INVESTIGATIONS.—The Com-
24 mittee may—

1 (A) provide all necessary support to an In-
2 spector General or Inspectors General in the
3 conduct of investigations, audits, evaluations,
4 and reviews relating to covered funds and
5 Coronavirus response; and

6 (B) collaborate on investigations, audits
7 and reviews relating to covered funds and
8 Coronavirus response with any Inspector Gen-
9 eral of an agency or more than one Inspectors
10 General.

11 (3) AUTHORITIES.—

12 (A) AUDITS AND INVESTIGATIONS.—In
13 providing assistance to Inspectors General in
14 the conduct of investigations, audits and re-
15 views, the Committee shall have the authorities
16 provided under section 6 of the Inspector Gen-
17 eral Act of 1978 (5 U.S.C. App.). The Com-
18 mittee may issue subpoenas to compel the testi-
19 mony of persons and may enforce subpoenas in
20 the event of a refusal to obey by order of any
21 appropriate United States district court as pro-
22 vided for Inspector General subpoenas under
23 section 6 of the Inspector General Act of 1978
24 (5 U.S.C. App.).

1 (B) STANDARDS AND GUIDELINES.—The
2 Committee shall carry out the powers under
3 paragraphs (1) and (2) in accordance with sec-
4 tion 4(b)(1) of the Inspector General Act of
5 1978 (5 U.S.C. App.).

6 (C) REPORT OF REFUSALS.—Whenever in-
7 formation or assistance requested by the Com-
8 mittee or an Inspector General, is unreasonably
9 refused or not provided, the Committee shall
10 immediately report the circumstances to the ap-
11 propriate committees.

12 (D) INFORMATION AND ASSISTANCE.—
13 Upon request of the Committee for information
14 or assistance from any agency or other entity of
15 the Federal Government, or any recipient under
16 this Act, the head of such entity shall, insofar
17 as is practicable and not in contravention of
18 any existing law, and consistent with section 6
19 of the Inspector General Act of 1978, as
20 amended, furnish such information or assist-
21 ance to the Committee.

22 (4) CONTRACTS.—The Council may enter into
23 contracts to enable the Committee to discharge its
24 duties under this Act, including contracts for audits,
25 studies, analyses, and other services with public

1 agencies and private persons, and make such pay-
2 ments as may be necessary to carry out the duties
3 of the Committee.

4 (5) TRANSFER OF FUNDS.—The Council may
5 transfer funds appropriated to the Council under
6 this section for administrative support services and
7 any audits, investigations, reviews, or other activities
8 to any office of Inspector General.

9 (6) EMPLOYMENT AND PERSONNEL AUTHORI-
10 TIES.—

11 (A) IN GENERAL.—

12 (i) AUTHORITIES.—The Council may
13 exercise the authorities of subsections (b)
14 through (i) of section 3161 of title 5,
15 United States Code, (without regard to
16 subsection (a) of that section) to carry out
17 the Committee’s functions under this sec-
18 tion.

19 (ii) APPLICATION.—For purposes of
20 exercising the authorities described under
21 clause (i), the term “Chairperson of the
22 Council” shall be substituted for the term
23 “head of a temporary organization”.

24 (iii) CONSULTATION.—In exercising
25 the authorities described under clause (i),

1 the Chairperson shall consult with mem-
2 bers of the Committee.

3 (iv) EMPLOYMENT AUTHORITIES.—In
4 exercising the employment authorities
5 under subsection (b) of section 3161 of
6 title 5, United States Code, paragraph (2)
7 of subsection (b) of section 3161 of that
8 title (relating to periods of appointments)
9 shall not apply and no period of appoint-
10 ment may exceed the date on which the
11 Committee terminates under subsection (i).

12 (v) DETAIL OF PERSONNEL.—In addi-
13 tion to the authority provided by sub-
14 section (c) of section 3161 of title 5,
15 United States Code, upon the request of
16 an Inspector General, the Council may de-
17 tail, on a nonreimbursable basis, any per-
18 sonnel of the Committee to that Inspector
19 General to assist in carrying out any audit
20 or investigation referred to the Inspector
21 General by the Committee.

22 (vi) REHIRING ANNUITANTS.—The
23 Committee may employ annuitants covered
24 by section 9902(g) of title 5, United States
25 Code, for purposes of the oversight of cov-

1 ered funds or the Coronavirus response.
2 The employment of annuitants under this
3 subparagraph shall be subject to the provi-
4 sions of section 9902(g) of title 5, United
5 States Code, as if the Committee was the
6 Department of Defense.

7 (vii) COMPETITIVE STATUS.—A per-
8 son employed by the Committee shall ac-
9 quire competitive status for appointment to
10 any position in the competitive service for
11 which the employee possesses the required
12 qualifications upon the completion of 2
13 years of continuous service as an employee
14 under this subsection. No person who is
15 first employed more than 2 years after the
16 date of the enactment of this Act may ac-
17 quire competitive status under this author-
18 ity.

19 (e) COMMITTEE WEBSITE.—

20 (1) ESTABLISHMENT.—The Committee shall
21 utilize www.Oversight.gov to establish and maintain,
22 no later than 30 days after the enactment of this
23 Act, a public-facing website for accountability and
24 transparency in the use of covered funds.

1 (2) PURPOSE.—The website established and
2 maintained under paragraph (1) shall provide infor-
3 mation relating to implementation of this Act and
4 provide connections to other government websites
5 with related information.

6 (3) CONTENT AND FUNCTION.—In establishing
7 the website established and maintained under para-
8 graph (1), the Committee shall ensure the website—

9 (A) provides materials explaining what this
10 Act means for citizens in plain language and
11 shall be regularly updated;

12 (B) provides accountability information, in-
13 cluding findings from audits, investigations, or
14 reviews conducted by the Committee, Inspectors
15 General, and the Government Accountability
16 Office;

17 (C) provides data made available in a
18 searchable, sortable, downloadable, and ma-
19 chine-readable format;

20 (D) provides—

21 (i) data on how funds provided under
22 this Act are spent including through rel-
23 evant economic, financial, grant, subgrant,
24 contract, subcontract, loan, and other rel-
25 evant information with a unique, trackable

1 identification number for each project
2 where applicable; and

3 (ii) information about the process that
4 was used for the award of loans, grants, or
5 contracts, and for contracts over \$150,000,
6 an explanation of the contract agreement
7 where applicable;

8 (E) includes searchable, sortable,
9 downloadable, machine-readable reports on cov-
10 ered funds obligated by month to each State
11 and congressional district where applicable;

12 (F) includes detailed information on Fed-
13 eral Government contracts, grants, and loans
14 that expend covered funds, using, where appli-
15 cable, the data elements required by the Digital
16 Access and Transparency Act (Public Law
17 113–101), and shall allow for aggregate report-
18 ing on awards below \$50,000 or to individuals,
19 as prescribed by the Director of the Office of
20 Management and Budget;

21 (G) includes appropriate links to other gov-
22 ernment websites with information concerning
23 covered funds, including Federal agency and
24 State websites;

1 (H) provides information on Federal allo-
2 cations of formula grants and awards of com-
3 petitive grants using covered funds;

4 (I) provides, if applicable, information on
5 Federal allocations of mandatory and other en-
6 titlement programs by State, county, or other
7 appropriate geographical unit;

8 (J) be enhanced and updated as necessary
9 to carry out the purposes of this section; and

10 (K) presents the data such that funds sub-
11 awarded by recipients are not double counted in
12 search results, data visualizations or other re-
13 ports.

14 (4) WAIVER.—The Committee may exclude
15 posting contractual or other information on the
16 website on a case-by-case basis when necessary to
17 protect information that is not subject to disclosure
18 under sections 552 and 552a of title 5, United
19 States Code.

20 (f) INDEPENDENCE OF INSPECTORS GENERAL.—

21 (1) INDEPENDENT AUTHORITY.—Nothing in
22 this section shall affect the independent authority of
23 an Inspector General or the Comptroller General to
24 determine whether to conduct an audit or investiga-
25 tion of covered funds.

1 (2) REQUESTS BY COMMITTEE.—If the Com-
2 mittee requests that an Inspector General conduct or
3 refrain from conducting an audit or investigation
4 and such Inspector General rejects such request in
5 whole or in part, such Inspector General shall, not
6 later than 30 days after rejecting the request, sub-
7 mit a report to the appropriate congressional com-
8 mittees. The report shall state the reasons that such
9 Inspector General has rejected the request in whole
10 or in part.

11 (g) COORDINATION WITH THE COMPTROLLER GEN-
12 ERAL AND STATE AUDITORS.—The Committee shall co-
13 ordinate its oversight activities with the Comptroller Gen-
14 eral of the United States and State and local auditors.

15 (h) AUTHORIZATION OF APPROPRIATIONS.—For the
16 purposes of carrying out the mission of the Council of the
17 Inspectors General on Integrity and Efficiency under sec-
18 tion 11 of the Inspector General Act of 1978 (5 U.S.C.
19 App.) and to carry out this section, there are authorized
20 to be appropriated into the revolving fund described in
21 subsection (c)(3)(B) of such section, out of any amount
22 in the Treasury not otherwise appropriated, \$60,000,000
23 to carry out the duties and functions of the Council.

1 (i) TERMINATION OF THE COMMITTEE.—The Com-
2 mittee and its authorities and responsibilities shall termi-
3 nate on the later of—

4 (1) the date the last grant administered under
5 this Act is expended;

6 (2) the date the last contract administered
7 under this Act expires;

8 (3) the date the last loan or loan guarantee pro-
9 vided under this Act matures or expires, as appro-
10 priate; or

11 (4) the date the last instrument or asset ac-
12 quired by the Federal Government has been sold or
13 transferred out of the ownership or control of the
14 Federal Government, or otherwise disposed of.

15 (j) DEFINITIONS.—In this section:

16 (1) COMMITTEE.—The term “Committee”
17 means the Coronavirus Accountability and Trans-
18 parency Committee established in subsection (a).

19 (2) COVERED FUNDS.—The term “covered
20 funds” means any funds that are made available, in
21 any form, under this Act.

22 (3) RECIPIENT.—The term “recipient” means a
23 recipient of Federal funds under this Act.

24 (4) APPROPRIATE CONGRESSIONAL COMMIT-
25 TEES.—The term “appropriate congressional com-

1 mittees” means the Committees on Appropriations
2 and Homeland Security of the Senate and Commit-
3 tees on Appropriations and Oversight and Reform in
4 the House of Representatives.

5 **SEC. 130002. GAO OVERSIGHT AND AUDIT AUTHORITY.**

6 (a) **AUTHORITY.**—The Comptroller General shall con-
7 duct monitoring and oversight of the exercise of authori-
8 ties under this Act or any other Act to prepare for, re-
9 spond to, and recover from the Coronavirus pandemic and
10 the effect of the pandemic on the health, economy, and
11 public and private institutions of the United States, in-
12 cluding public health and homeland security efforts by the
13 Federal Government and the use of selected funds under
14 this or any other Act related to the Coronavirus pandemic.

15 (b) **BRIEFINGS AND REPORTS.**—In conducting moni-
16 toring and oversight under subsection (a), the Comptroller
17 General shall—

18 (1) during the period beginning on the date of
19 enactment of this Act and ending on the date on
20 which the national emergency declared by the Presi-
21 dent under the National Emergencies Act (50
22 U.S.C. 1601 et seq.) with respect to the Coronavirus
23 Disease 2019 expires, offer regular briefings on not
24 less frequently than a monthly basis to the appro-

1 piate congressional committees regarding Federal
2 public health and homeland security efforts;

3 (2) publish reports regarding the ongoing moni-
4 toring and oversight efforts, which, along with any
5 audits and investigations conducted by the Comp-
6 troller General, shall be submitted to the appropriate
7 congressional committees and posted on the website
8 of the Government Accountability Office—

9 (A) not later than 90 days after the date
10 of enactment of this Act, every other month
11 thereafter until the date that is 1 year after the
12 date of enactment of this Act; and

13 (B) after the period described in subpara-
14 graph (A), on a periodic basis; and

15 (3) submit to the appropriate congressional
16 committees additional reports as warranted by the
17 findings of the monitoring and oversight activities of
18 the Comptroller General.

19 (c) ACCESS TO INFORMATION.—

20 (1) RIGHT OF ACCESS.—In conducting moni-
21 toring and oversight activities under this section, the
22 Comptroller General shall have access to records,
23 upon request, of any Federal, State, or local agency,
24 contractor, grantee, recipient, or subrecipient per-
25 taining to any Federal effort or assistance of any

1 type related to Coronavirus under this Act or any
2 other Act, including private entities receiving such
3 assistance.

4 (2) COPIES.—The Comptroller General may
5 make and retain copies of any records accessed
6 under paragraph (1) as the Comptroller General de-
7 termines appropriate.

8 (3) INTERVIEWS.—In addition to such other au-
9 thorities as are available, the Comptroller General or
10 a designee of the Comptroller General may interview
11 Federal, State, or local officials, contractor staff,
12 grantee staff, recipients, or subrecipients pertaining
13 to any Federal effort or assistance of any type re-
14 lated to Coronavirus under this or any other Act, in-
15 cluding private entities receiving such assistance.

16 (4) INSPECTION OF FACILITIES.—As deter-
17 mined necessary by the Comptroller General, the
18 Government Accountability Office may inspect facili-
19 ties at which Federal, State, or local officials, con-
20 tractor staff, grantee staff, or recipients or sub-
21 recipients carry out their responsibilities related to
22 Coronavirus.

23 (5) ENFORCEMENT.—Access rights under this
24 subsection shall be subject to enforcement consistent
25 with section 716 of title 31, United States Code.

1 (d) RELATIONSHIP TO EXISTING AUTHORITY.—

2 Nothing in this section shall be construed to limit, amend,
3 supersede, or restrict in any manner any existing author-
4 ity of the Comptroller General.

5 [(e) APPROPRIATIONS FOR GOVERNMENT ACCOUNT-
6 ABILITY OFFICE.—Out of amounts in the Treasury not
7 otherwise appropriated, there is appropriated, for an addi-
8 tional amount for “Government Accountability Office—
9 Salaries and Expenses”, \$50,000,000, to remain available
10 until expended, for audits and investigations relating to—

11 [(1) Coronavirus or similar pandemics; and

12 [(2) any related stimulus funding to assist the
13 response of the United States to the major health
14 and economic vulnerabilities of the United States to
15 pandemics.]

16 (f) DEFINITIONS.—In this section:

17 (1) APPROPRIATE CONGRESSIONAL COMMIT-
18 TEES.—The term “appropriate congressional com-
19 mittees” means—

20 (A) the Committee on Appropriations of
21 the Senate;

22 (B) the Committee on Homeland Security
23 and Governmental Affairs of the Senate;

24 (C) the Committee on Health, Education,
25 Labor, and Pensions of the Senate;

1 (D) the Committee on Appropriations of
2 the House of Representatives;

3 (E) the Committee on Homeland Security
4 of the House of Representatives;

5 (F) the Committee on Oversight and Re-
6 form of the House of Representatives; and

7 (G) the Committee on Energy and Com-
8 merce of the House of Representatives.

9 (2) COMPTROLLER GENERAL.—The term
10 “Comptroller General” means the Comptroller Gen-
11 eral of the United States.

12 **DIVISION N—U.S. POSTAL**
13 **SERVICE PROVISIONS**

14 **SEC. 140001. ELIMINATION OF USPS DEBT; ADDITIONAL**
15 **BORROWING AUTHORITY.**

16 (a) IN GENERAL.—Notwithstanding any other provi-
17 sion of law—

18 (1) any outstanding debt of the United States
19 Postal Service owed to the Treasury pursuant to sec-
20 tions 2005 and 2011 of title 5, United States Code,
21 on the date of the enactment of this Act is hereby
22 cancelled; and

23 (2) after the date of the enactment of this Act,
24 the United States Postal Service is authorized to
25 borrow money from the Treasury in an amount not

1 to exceed \$15,000,000,000 to carry out the duties
2 and responsibilities of the Postal Service, including
3 those under title 39, United States Code, and the
4 Secretary of the Treasury shall lend up to such
5 amount at the request of the Postal Service.

6 (b) REPEAL OF FISCAL YEAR BORROWING LIMIT.—
7 Section 2005(a)(1) of title 39, United States Code, is
8 amended by striking “In any one fiscal year,” and all that
9 follows through the period.

10 **SEC. 140002. PRIORITIZATION OF DELIVERY FOR MEDICAL**
11 **PURPOSES DURING COVID-19 EMERGENCY.**

12 Notwithstanding any other provision of law, the
13 United States Postal Service—

14 (1) shall prioritize delivery of postal products
15 for medical purposes during the emergency, declared
16 by the President under section 501 of the Robert T.
17 Stafford Disaster Relief and Emergency Assistance
18 Act (42 U.S.C. 5191) on March 13, 2020, based on
19 the outbreak of COVID-19;

20 (2) may establish temporary delivery points, in
21 such form and manner as the Postal Service deter-
22 mines necessary, to protect employees of the Postal
23 Service and individuals receiving deliveries from the
24 Postal Service; and

1 (3) may institute flexible delivery, in such form
2 and manner as the Postal Service determines nec-
3 essary, in the event operations or employees of the
4 Postal Service are impacted by the COVID–19 out-
5 break described in paragraph (1).

6 **DIVISION O—FEDERAL** 7 **WORKFORCE PROVISIONS**

8 **SEC. 150001. REIMBURSEMENT FOR CHILD AND FAMILY** 9 **CARE FOR FEDERAL EMPLOYEES DURING** 10 **COVID–19 PANDEMIC.**

11 (a) IN GENERAL.—During the period beginning on
12 the date of enactment of this Act and ending on December
13 31, 2020, any employee who is unable to care for a de-
14 pendent child of the employee or a relative of the employee
15 who has COVID–19 as a result of the employee being re-
16 quired to report to their duty station (either permanent
17 or temporary) or to telework shall be entitled to reim-
18 bursement for the costs of such care.

19 (b) APPLICATION.—

20 (1) IN GENERAL.—Any payment provided by
21 operation of subsection (a) shall be paid on a month-
22 ly basis, with payments being made to the employee
23 on the last day of each month.

24 (2) SUBMISSION OF RECEIPTS.—For purposes
25 of determining reimbursement amounts, each em-

1 ployee shall submit to their employing office receipts
2 or other documents as the office may require.

3 (3) LIMIT.—Reimbursement may not be paid to
4 any employee under this section for any month in an
5 amount greater than \$2,000 per child or relative.

6 (c) DEFINITIONS.—In this section—

7 (1) the term “employee” means any individual
8 occupying a position in the civil service (as that term
9 is defined in section 2101(1) of title 5, United
10 States Code); and

11 (2) the terms “dependent child” and “relative”
12 have the meaning given those terms in paragraphs
13 (2) and (16), respectively, of section 109 of the Eth-
14 ics in Government Act of 1978 (5 U.S.C. App.
15 109(2)).

16 **SEC. 150002. FEDERAL CONTRACTOR REIMBURSEMENT.**

17 Not later than 10 calendar days after the date of the
18 enactment of this Act, the Director of the Office of Man-
19 agement and Budget, in consultation with the Adminis-
20 trator of the Office of Federal Procurement Policy, shall
21 issue guidance to the head of each executive agency to pro-
22 vide equitable adjustment for any contractor under a con-
23 tract with the Federal Government whose work was dis-
24 rupted as a result of measures taken with respect to
25 COVID–19. For purposes of this section, work disruption

1 shall include denial of access to Federal facilities, supply
2 chain disruptions, use of annual leave by individuals em-
3 ployed to fulfill the contract, and furloughs of individuals
4 employed to fulfill the contract.

5 **SEC. 150003. WEATHER AND SAFETY LEAVE FOR COVID-19.**

6 (a) IN GENERAL.—Beginning on the date of enact-
7 ment of this Act and ending on December 31, 2020, sub-
8 section (b)(3) of section 6329c of title 5, United States
9 Code, shall be applied by substituting “approved location,
10 including by reason of the inability to travel or access work
11 stations as a result of COVID-19” for “approved loca-
12 tion”.

13 (b) APPROVED LOCATION.—Such section is amended
14 in subsection (a)—

15 (1) by striking “and” at the end of paragraph
16 (1);

17 (2) by striking the period at the end of para-
18 graph (2) and inserting “; and”; and

19 (3) by adding at the end the following:

20 “(3) the term ‘approved location’ means any lo-
21 cation at which an employee has been approved to
22 perform work, including any Federal office, a tele-
23 working site, or other location as determined by the
24 head of the agency at which the employee is em-
25 ployed.”.

1 (c) RULE OF CONSTRUCTION.—Notwithstanding sub-
2 paragraph (B) of subsection (a)(2) of such section, inter-
3 mittent employees described in such subparagraph shall
4 be eligible for the leave provided by operation of subsection
5 (a) of this section.

6 **SEC. 150004. COVID-19 TELEWORKING REQUIREMENTS FOR**
7 **FEDERAL EMPLOYEES.**

8 (a) MANDATED TELEWORK.—

9 (1) IN GENERAL.—Effective immediately upon
10 the date of enactment of this Act, the head of any
11 Federal agency shall require any employee of such
12 agency who is authorized to telework under chapter
13 65 of title 5, United States Code, or any other provi-
14 sion of law to telework during the period beginning
15 on the date of enactment of this Act and ending on
16 December 31, 2020.

17 (2) DEFINITIONS.—In this subsection—

18 (A) the term “employee” means any indi-
19 vidual occupying a position in the civil service
20 (as that term is defined in section 2101(1) of
21 title 5, United States Code); and

22 (B) the term “telework” has the meaning
23 given that term in section 6501(3) of such title.

24 (b) TELEWORK PARTICIPATION GOALS.—Chapter 65
25 of title 5, United States Code, is amended as follows:

1 (1) In section 6502—

2 (A) in subsection (b)—

3 (i) in paragraph (4), by striking
4 “and” at the end;

5 (ii) in paragraph (5), by striking the
6 period at the end and inserting a semi-
7 colon; and

8 (iii) by adding at the end the fol-
9 lowing:

10 “(6) include annual goals for increasing the
11 percent of employees of the executive agency partici-
12 pating in teleworking—

13 “(A) three or more days per pay period;

14 “(B) one or 2 days per pay period;

15 “(C) once per month; and

16 “(D) on an occasional, episodic, or short-
17 term basis; and

18 “(7) include methods for collecting data on, set-
19 ting goals for, and reporting costs savings to the ex-
20 ecutive agency achieved through teleworking, con-
21 sistent with the guidance developed under section
22 2(c) of the [_____] Act.”; and

23 (B) by adding at the end the following:

24 “(d) NOTIFICATION FOR REDUCTION IN TELE-
25 WORKING PARTICIPATION.—Not later than 30 days before

1 the date that an executive agency implements or modifies
2 a teleworking plan that would reduce the percentage of
3 employees at the agency who telework, the head of the ex-
4 ecutive agency shall provide written notification, including
5 a justification for the reduction in telework participation
6 and a description of how the agency will pay for any in-
7 creased costs resulting from that reduction, to—

8 “(1) the Director of the Office of Personnel
9 Management;

10 “(2) the Committee on Oversight and Reform
11 of the House of Representatives; and

12 “(3) the Committee on Homeland Security and
13 Governmental Affairs of the Senate.

14 “(e) PROHIBITION ON AGENCY-WIDE LIMITS ON
15 TELEWORKING.—An agency may not prohibit any delin-
16 eated period of teleworking participation for all employees
17 of the agency, including the periods described in subpara-
18 graphs (A) through (D) of subsection (b)(6). The agency
19 shall make any teleworking determination with respect to
20 an employee or group of employees at the agency on a
21 case-by-case basis.”.

22 (2) In section 6506(b)(2)—

23 (A) in subparagraph (F)(vi), by striking
24 “and” at the end;

1 (B) in subparagraph (G), by striking the
2 period at the end and inserting a semicolon;
3 and

4 (C) by adding at the end the following:

5 “(H) agency cost savings achieved through
6 teleworking, consistent with the guidance devel-
7 oped under section 2(c) of the Telework Metrics
8 and Cost Savings Act; and

9 “(I) a detailed explanation of a plan to in-
10 crease the Government-wide teleworking partici-
11 pation rate above such rate applicable to fiscal
12 year 2016, including agency-level plans to main-
13 tain or improve such rate for each of the tele-
14 working frequency categories listed under sub-
15 paragraph (A)(iii).”.

16 (c) GUIDANCE.—Not later than 90 days after the
17 date of the enactment of this Act, the Director of the Of-
18 fice of Personnel Management, in collaboration with the
19 Chief Human Capital Officer Council, shall establish uni-
20 form guidance for agencies on how to collect data on, set
21 goals for, and report cost savings achieved through, tele-
22 working. Such guidance shall account for cost savings re-
23 lated to travel, energy use, and real estate.

1 (d) TECHNICAL CORRECTION.—Section 6506(b)(1)
2 of title 5, United States Code, is amended by striking
3 “with Chief” and inserting “with the Chief”.

4 **SEC. 150005. PAY DIFFERENTIAL FOR DUTY RELATED TO**
5 **COVID-19.**

6 (a) IN GENERAL.—Section 5545 of title 5, United
7 States Code, is amended by adding at the end the fol-
8 lowing:

9 “(e)(1) The Office shall establish a schedule or sched-
10 ules of pay differentials for duty during which an employee
11 is exposed to an individual who has (or who has been ex-
12 posed to) COVID-19.

13 “(2) Under such regulations as the Office may pre-
14 scribe, during the period beginning on March 15, 2020,
15 and ending on September 30, 2020, an employee to whom
16 chapter 51 and subchapter III of chapter 53 applies, and
17 an employee appointed under chapter 73 or 74 of title 38,
18 is entitled to be paid the differential under paragraph (1)
19 for any period in which the employee is carrying out the
20 duty described in such paragraph.”.

21 (b) TSA EMPLOYEES.—Section 111(d)(2) of the
22 Aviation and Transportation Security Act (49 U.S.C.
23 44935 note) is amended by adding at the end the fol-
24 lowing:

1 “(C) HAZARDOUS DUTY PAY FOR COVID—
2 19.—The provisions of section 5545(e) of title
3 5, United States Code, shall to apply to any in-
4 dividual appointed under paragraph (1).”.

5 **DIVISION P—FEDERAL EM-**
6 **PLOYEE COLLECTIVE BAR-**
7 **GAINING AND OFFICIAL TIME**

8 **SEC. 160001. SHORT TITLE.**

9 This division may be cited as the “Protecting Collec-
10 tive Bargaining and Official Time for Federal Workers
11 Act”.

12 **SEC. 160002. FINDINGS.**

13 Congress finds the following:

14 (1) Federal Unions play a critical role in pro-
15 tecting the rights of Federal workers by allowing
16 members to have a collective voice on the job and in
17 the legislative process, advance issues for working
18 families, ensure equal opportunities for all workers,
19 and raise the standards by which all professional
20 and technical workers are employed.

21 (2) Collective bargaining is essential to the
22 union process, because it provides mutual agreement
23 between all parties that fosters harmonious relation-
24 ships between the Federal Government and its em-
25 ployees and protects the interest of both parties.

1 (3) The current administration has acted
2 through Executive Orders and official memorandums
3 to dismantle Federal Unions and undermine their
4 collective bargaining rights across the Federal work-
5 force and these directives have already negatively
6 impacted labor contracts, both signed and under ac-
7 tive negotiation.

8 (4) These orders set an aggressive schedule for
9 unions to engage in collective bargaining, while also
10 slashing the unions official time for performing
11 union duties by over 91 percent in some cases.
12 These actions are limiting the ability for unions to
13 prepare for negotiations and perform their legally re-
14 quired employee representational duties.

15 (5) Section 7101(a) of title 5, United States
16 Code, states, “Congress finds that labor organiza-
17 tions and collective bargaining in the civil service are
18 in the public interest.”. Attempting to eliminate the
19 Union by eliminating almost all its official time re-
20 pudiates the statutory position that unions are in
21 the public interest.

22 (6) Through these orders, agencies are required
23 to comply with artificial bargaining schedules, which
24 undermine good faith negotiations and divert the de-
25 cision-making to an impasse panel, which has no

1 union representation on it and does not represent
2 both parties.

3 (7) Collectively, the administration's actions
4 have violated Congressional intent, undermined the
5 ability of unions to engage in collective bargaining,
6 and threatened the rights and benefits of millions of
7 Federal workers.

8 **SEC. 160003. NULLIFICATION OF EXECUTIVE ORDERS RE-**
9 **LATING TO FEDERAL EMPLOYEE COLLEC-**
10 **TIVE BARGAINING.**

11 Each of the following Executive Orders and presi-
12 dential memorandum are rescinded and shall have no force
13 or effect:

14 (1) Executive Order 13837 (relating to the use
15 of official time).

16 (2) Executive Order 13836 (relating to Federal
17 collective bargaining).

18 (3) Executive Order 13839 (relating to the
19 Merit Systems Protection Board).

20 (4) The Presidential Memorandum on the Dele-
21 gation of Certain Authority under the Federal Serv-
22 ice Labor-Management Relations Statute, issued to
23 the Secretary of Defense on January 29, 2020.

1 **DIVISION Q—STUDENT VETERAN**
2 **CORONAVIRUS RESPONSE**
3 **ACT OF 2020**

4 **SEC. 170001. SHORT TITLE.**

5 This division may be cited as the “Student Veteran
6 Coronavirus Response Act of 2020”.

7 **SEC. 170002. PAYMENT OF WORK-STUDY ALLOWANCES DUR-**
8 **ING EMERGENCY SITUATIONS.**

9 Section 3485 of title 38, United States Code, is
10 amended by adding at the end the following new sub-
11 section:

12 “(f)(1) In case of an individual who is in receipt of
13 work-study allowance pursuant to an agreement described
14 in subsection (a)(3) as of the date on which an emergency
15 situation occurs and who is unable to continue to perform
16 qualifying work-study activities described in subsection
17 (a)(4) by reason of the emergency situation—

18 “(A) the Secretary may continue to pay work-
19 study allowance under this section or make deduc-
20 tions described in subsection (e)(1) during the pe-
21 riod of such emergency situation, notwithstanding
22 the inability of the individual to perform such work-
23 study activities by reason of such emergency situa-
24 tion; and

1 “(B) at the option of the individual, the Sec-
2 retary shall extend the agreement described in sub-
3 section (a)(3) with the individual for any subsequent
4 period of enrollment initiated during the emergency
5 situation, notwithstanding the inability of the indi-
6 vidual to perform work-study activities described in
7 subsection (a)(4) by reason of such emergency situa-
8 tion.

9 “(2) The amount of work-study allowance payable to
10 an individual under paragraph (1)(A) during the period
11 of an emergency situation shall be an amount determined
12 by the Secretary but may not exceed the amount that
13 would be payable under subsection (a)(2) if the individual
14 worked 25 hours per week paid during such period.”.

15 **SEC. 170003. PAYMENT OF ALLOWANCES TO VETERANS EN-**
16 **ROLLED IN EDUCATIONAL INSTITUTIONS**
17 **CLOSED FOR EMERGENCY SITUATIONS.**

18 (a) TEMPORARY PROVISION.—

19 (1) IN GENERAL.—During the period beginning
20 on March 1, 2020, and ending on December 21,
21 2020, the Secretary may pay allowances to an eligi-
22 ble veteran or eligible person under section
23 3680(a)(2)(A) of title 38, United States Code, if the
24 veteran or person is enrolled in a program or course
25 of education that—

1 (A) is provided by an educational institu-
2 tion that is closed by reason of an emergency
3 situation; or

4 (B) is suspended by reason of an emer-
5 gency situation.

6 (2) AMOUNT OF ALLOWANCE.—The total num-
7 ber of weeks for which allowances may be paid under
8 this section may not exceed four weeks.

9 (3) NOT COUNTED FOR PURPOSES OF LIMITA-
10 TION.—Any amount paid under this section shall not
11 be counted for purposes of the limitation on
12 allowed under section 3680(a)(2)(A) of title 38,
13 United States Code.

14 (b) PERMANENT PROVISION.—Section 3680(a)(2) of
15 title 38, United States Code, is amended—

16 (1) in subparagraph (A), by striking “12-
17 month” and inserting “six-month”; and

18 (2) in subparagraph (B)—

19 (A) by striking “or following” and insert-
20 ing “during periods following”; and

21 (B) by inserting after “section
22 3699(b)(1)(B) of this title,” the following: “, or
23 during periods when a course of study or pro-
24 gram of education is temporarily closed or ter-
25 minated by reason of an emergency situation,”.

1 **SEC. 170004. PROHIBITION OF CHARGE TO ENTITLEMENT**
2 **OF STUDENTS UNABLE TO PURSUE A PRO-**
3 **GRAM OF EDUCATION DUE TO AN EMER-**
4 **GENCY SITUATION.**

5 Section 3699(b)(1) of title 38, United States Code,
6 is amended—

7 (1) in subparagraph (A), by striking “or” at
8 the end;

9 (2) in subparagraph (B)(ii), by striking “and”
10 at the end and inserting “or” ; and

11 (3) by adding at the end the following new sub-
12 paragraph:

13 “(C) the temporary closure of an edu-
14 cational institution or the temporary closure or
15 termination of a course or program of education
16 by reason of an emergency situation; and”.

17 **SEC. 170005. EXTENSION OF TIME LIMITATIONS FOR USE**
18 **OF ENTITLEMENT.**

19 (a) MONTGOMERY GI BILL.—Section 3031 of title
20 38, United States Code, is amended by adding at the end
21 the following new subsection:

22 “(i) In the case of an individual eligible for edu-
23 cational assistance under this chapter who is prevented
24 from pursuing the individual’s chosen program of edu-
25 cation before the expiration of the 10-year period for the
26 use of entitlement under this chapter otherwise applicable

1 under this section because the educational institution
2 closed (temporarily or permanently) under an established
3 policy based on an Executive order of the President or
4 due to an emergency situation, such 10-year period—

5 “(1) shall not run during the period the indi-
6 vidual is so prevented from pursuing such program;
7 and

8 “(2) shall again begin running on the first day
9 after the individual is able to resume pursuit of a
10 program of education with educational assistance
11 under this chapter.”.

12 (b) POST-9/11 EDUCATIONAL ASSISTANCE.—

13 (1) IN GENERAL.—Section 3321(b)(1) of such
14 title is amended—

15 (A) by inserting “(A)” before “Sub-
16 sections”;

17 (B) by striking “and (d)” and inserting
18 “(d), and (i)”; and by adding at the end the fol-
19 lowing new subparagraph:

20 “(B) Subsection (i) of section 3031 shall apply
21 with respect to the running of the 15-year period de-
22 scribed in paragraphs (4)(A) and (5)(A) of this sub-
23 section in the same manner as such subsection ap-
24 plies under section 3031 with respect to the running
25 of the 10-year period described in section 3031(a).”.

1 (2) TRANSFER PERIOD.—Section 3319(h)(5) is
2 amended—

3 (A) in subparagraph (A) by inserting “or
4 (C)” after “subparagraph (B)”; and

5 (B) by adding at the end the following new
6 subparagraph:

7 “(C) EMERGENCY SITUATIONS.—In any
8 case in which the Secretary determines that an
9 individual to whom entitlement is transferred
10 under this section has been prevented from pur-
11 suing the individual’s chosen program of edu-
12 cation before the individual attains the age of
13 26 years because the educational institution
14 closed (temporarily or permanently) under an
15 established policy based on an Executive order
16 of the President or due to an emergency situa-
17 tion, the Secretary shall extend the period dur-
18 ing which the individual may use such entitle-
19 ment for a period equal to the number of
20 months that the individual was so prevented
21 from pursuing the program of education, as de-
22 termined by the Secretary.”.

23 (c) VOCATIONAL REHABILITATION AND TRAINING.—

24 (1) PERIOD FOR USE.—Section 3103 of such
25 title is amended—

1 (A) in subsection (a), by striking “or (e)”
2 and inserting “(e), or (g)”; and

3 (B) by adding at the end the following new
4 subsection:

5 “(g) In any case in which the Secretary determines
6 that a veteran has been prevented from participating in
7 a vocational rehabilitation program under this chapter
8 within the twelve-year period of eligibility prescribed in
9 subsection (a) by reason of an Executive order of the
10 President or due to an emergency situation, such twelve-
11 year period—

12 “(1) shall not run during the period the indi-
13 vidual is so prevented from participating such pro-
14 gram; and

15 “(2) shall again begin running on the first day
16 after the individual is able to resume participation in
17 such program.”.

18 (2) DURATION OF PROGRAM.—Section 3105(b)
19 of such title is amended—

20 (A) in paragraph (1), by striking “para-
21 graph (2)” and inserting “paragraphs (2) and
22 (3)”; and

23 (B) by adding at the end the following new
24 paragraph:

1 “(3)(A) In any case in which the Secretary deter-
2 mines that a veteran has been prevented from partici-
3 pating in counseling and placement and postplacement
4 services described in section 3104(a)(2) and (5) of this
5 title by reason of an Executive order of the President or
6 due to an emergency situation, the Secretary shall extend
7 the period during which the Secretary may provide such
8 counseling and placement and postplacement services for
9 the veteran for a period equal to the number of months
10 that the veteran was so prevented from participating in
11 such counseling and services, as determined by the Sec-
12 retary.

13 “(B) In any case in which the Secretary determines
14 that a veteran has been prevented from participating in
15 a vocational rehabilitation program under this chapter by
16 reason of an Executive order of the President or due to
17 an emergency situation, the Secretary shall extend the pe-
18 riod of the veteran’s vocational rehabilitation program for
19 a period equal to the number of months that the veteran
20 was so prevented from participating in the vocational re-
21 habilitation program, as determined by the Secretary.”.

22 (d) EDUCATIONAL ASSISTANCE FOR MEMBERS OF
23 THE SELECTED RESERVE.—Section 16133(b) of title 10,
24 United States Code, is amended by adding at the end the
25 following new paragraph:

1 “(5) In any case in which the Secretary concerned
2 determines that a person entitled to educational assistance
3 under this chapter has been prevented from using such
4 person’s entitlement by reason of an Executive order of
5 the President or due to an emergency situation, the Sec-
6 retary concerned shall extend the period of entitlement
7 prescribed in subsection (a) for a period equal to the num-
8 ber of months that the person was so prevented from using
9 such entitlement, as determined by the Secretary.”.

10 **SEC. 170006. RESTORATION OF ENTITLEMENT TO REHA-**
11 **BILITATION PROGRAMS FOR VETERANS AF-**
12 **FECTED BY SCHOOL CLOSURE OR DIS-**
13 **APPROVAL.**

14 (a) ENTITLEMENT.—Section 3699 of title 38, United
15 States Code, is amended by striking “chapter 30,” each
16 time it appears and inserting “chapter 30, 31,”.

17 (b) PAYMENT OF SUBSISTENCE ALLOWANCES.—Sec-
18 tion 3680(a)(2)(B) of title 38, United States Code, is
19 amended—

20 (1) by inserting “or a subsistence allowance de-
21 scribed in section 3108” before “, during”; and

22 (2) by inserting “or allowance” after “such a
23 stipend”.

24 (c) EFFECTIVE DATE.—The amendments made by
25 this section shall apply as if included in the enactment

1 of section 109 of the Harry W. Colmery Veterans Edu-
2 cational Assistance Act of 2017 (Public Law 115–48; 131
3 Stat. 978).

4 **SEC. 170007. EXTENSION OF PAYMENT OF VOCATIONAL RE-**
5 **HABILITATION SUBSISTENCE ALLOWANCES.**

6 In the case of any veteran who the Secretary of Vet-
7 erans Affairs determines is satisfactorily following a pro-
8 gram of employment services provided under section
9 3104(a)(5) of title 38, United States Code, during period
10 beginning on March 1, 2020, and ending on December 21,
11 2020, the Secretary may pay the veteran a subsistence al-
12 lowance, as prescribed in section 3108 of such title for
13 full-time training for the type of program that the veteran
14 was pursuing, for two additional months.”.

15 **SEC. 170008. INCREASE OF AMOUNT OF DEPARTMENT OF**
16 **VETERANS AFFAIRS PAYMENTS FOR AID AND**
17 **ATTENDANCE DURING EMERGENCY PERIOD**
18 **RESULTING FROM COVID–19 PANDEMIC.**

19 (a) IN GENERAL.—During the covered period, the
20 Secretary of Veterans Affairs shall apply each of the fol-
21 lowing provisions of title 38, United States Code, by sub-
22 stituting for the dollar amount in such provision the
23 amount equal to 125 percent of the dollar amount that
24 was in effect under such provision on the date of the en-
25 actment of this Act:

1 (1) Subsections (l), (m), and (r) of section
2 1114.

3 (2) Paragraphs (1) and (2) of subsection (d) of
4 section 1521.

5 (3) Paragraphs (2) and (4) of subsection (f) of
6 section 1521.

7 (b) COVERED PERIOD.—In this section, the covered
8 period is the period that begins on the date of the enact-
9 ment of this Act and ends 60 days after the last day of
10 the emergency period (as defined in section 1135(g)(1) of
11 the Social Security Act (42 U.S.C. 1320b-5(g)(1))) result-
12 ing from the COVID–19 pandemic.

13 **SEC. 170009. TREATMENT OF WORK INJURY COMPENSA-**
14 **TION CLAIMS FILED BY EMPLOYEES OF THE**
15 **DEPARTMENT OF VETERANS AFFAIRS FOR**
16 **COVID–19.**

17 (a) ELIGIBILITY.—Notwithstanding section 7425(b)
18 of title 38, United States Code, or any other provision of
19 law, each employee of the Department of Veterans Affairs
20 (including employees under chapter 74 of such title) shall
21 be treated as an employee under chapter 81 of title 5,
22 United States Code, for purposes of making claims under
23 such chapter relating to coronavirus disease 2019
24 (COVID–19).

1 (b) PRESUMPTION.—If an employee of the Depart-
2 ment of Veterans Affairs described in subsection (a) con-
3 tracts coronavirus disease 2019 (COVID–19), such dis-
4 ease shall be presumed to have been proximately caused
5 by the employment of the employee for purposes of claims
6 made under chapter 81 of title 5, United States Code.

7 **SEC. 170010. DEFERRAL OF CERTAIN DEBTS ARISING FROM**
8 **LAWS ADMINISTERED BY THE SECRETARY OF**
9 **VETERANS AFFAIRS.**

10 (a) IN GENERAL.—With regard to a covered debt, the
11 Secretary of Veterans Affairs, during the covered period,
12 may not take any of the following actions:

13 (1) Collect a payment (including by the offset
14 of any payment by the Secretary).

15 (2) Record such a debt.

16 (3) Issue notice of such a debt to an individual
17 or a consumer reporting agency.

18 (4) Allow any interest to accrue.

19 (5) Apply any administrative fee.

20 (b) EXCEPTION.—Notwithstanding subsection (a),
21 the Secretary may collect a payment regarding a covered
22 debt (including interest or any administrative fee) from
23 an individual who elects to make such a payment during
24 the covered period.

25 (c) DEFINITIONS.—In this section:

1 (1) The term “consumer reporting agency” has
2 the meaning given that term in section 5701 of title
3 38, United States Code.

4 (2) The term “covered debt” means a debt
5 owed—

6 (A) by an individual to the United States;
7 and

8 (B) arising from a covered law.

9 (3) The term “covered law” means any law ad-
10 ministered by the Secretary of Veterans Affairs
11 through—

12 (A) the Under Secretary for Health; or

13 (B) the Under Secretary of Benefits.

14 (4) The term “covered period” means—

15 (A) the COVID–19 emergency period; and

16 (B) the 60 days immediately following the
17 date of the end of the COVID–19 emergency
18 period.

19 (5) The term “COVID–19 emergency period”
20 means the emergency period described in section
21 1135(g)(1)(B) of the Social Security Act (42 U.S.C.
22 1320b-5(g)(1)(B)).

1 **DIVISION R—AVIATION WORKER**
2 **RELIEF**

3 **SEC. 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This division may be cited as the
5 “Emergency Pension Plan Relief Act of 2020”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this division is as follows:

DIVISION _____—AVIATION WORKER RELIEF

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

TITLE I—AVIATION WORKER RELIEF

Sec. 101. Pandemic relief for aviation workers.

Sec. 102. Procedures for financial assistance.

Sec. 103. Terms and conditions.

Sec. 104. Reports.

Sec. 105. Coordination.

TITLE II—LABOR PROTECTIONS

Sec. 201. Assistance irrespective of labor costs.

Sec. 202. Collective bargaining and snap-back.

Sec. 203. Protection of organizing activity.

Sec. 204. Working and travel conditions.

Sec. 205. Labor union representation on air carrier boards.

Sec. 206. Furloughed worker protections.

Sec. 207. Healthcare for unprotected workers.

Sec. 208. Employee wages and leave.

Sec. 209. Limitation on rejection of collective bargaining agreements.

Sec. 210. Increased wage priority.

Sec. 211. Rejection of collective bargaining agreements.

TITLE III—AIRLINE INDUSTRY FINANCIAL OVERSIGHT

Sec. 301. Creation of Office of Airline Industry Financial Oversight.

Sec. 302. Responsibilities of Office of Airline Industry Financial Oversight.

Sec. 303. Access to information.

Sec. 304. Reports to Congress.

Sec. 305. Rulemaking authority.

Sec. 306. Authorization of appropriations.

TITLE IV—AIRPORT RELIEF

Sec. 401. Emergency pandemic funding for airports.

Sec. 402. Maintaining pre-crisis airport improvement program levels.

Sec. 403. National aviation preparedness plan.

TITLE V—SMALL COMMUNITY AIR SERVICE

- Sec. 501. Continuation of certain air service.
- Sec. 502. Tolling of EAS limitations.
- Sec. 503. Sunset.

TITLE VI—CONSUMER PROTECTIONS

- Sec. 601. Airline price gouging during disaster or emergency.
- Sec. 602. Airline refunds during national disasters or emergencies.
- Sec. 603. Conditions on airline ancillary fees.

TITLE VII—ENVIRONMENTAL PROTECTIONS

- Sec. 701. Sustainable aviation fuel development program.
- Sec. 702. Airline Assistance to Recycle and Save Program.
- Sec. 703. Expansion of voluntary airport low emission program.
- Sec. 704. Airline carbon emissions offsets and goals.
- Sec. 705. Research and development of sustainable aviation fuels.
- Sec. 706. Improving consumer information regarding release of greenhouse gases from flights.
- Sec. 707. Study on certain climate change mitigation efforts.

TITLE VIII—MISCELLANEOUS

- Sec. 801. Separability.
- Sec. 802. Application of law.

1 SEC. 2. DEFINITIONS.

2 Unless otherwise specified, the terms in section
3 40102(a) of title 49, United States Code, shall apply to
4 this division, except that—

5 (1) the term “contractor” means a person that
6 performs airport ground support or catering func-
7 tions under contract with a passenger air carrier;
8 and

9 (2) the term “employee” means an individual,
10 other than a corporate officer, who is employed by
11 an air carrier or contractor.

1 **TITLE I—AVIATION WORKER**
2 **RELIEF**

3 **SEC. 101. PANDEMIC RELIEF FOR AVIATION WORKERS.**

4 (a) FINANCIAL ASSISTANCE.—Notwithstanding any
5 other provision of law, the President shall take the fol-
6 lowing actions to preserve aviation jobs and compensate
7 airline industry workers:

8 (1) Issue grants that shall exclusively be used
9 for the continuation of payment of employee wages,
10 salaries, and benefits to—

11 (A) specified entities, in an aggregate
12 amount equal to \$37,000,000,000; and

13 (B) contractors of air carriers, in an ag-
14 gregate amount equal to \$3,000,000,000.

15 (2) Subject to section 102(c), issue unsecured
16 loans and loan guarantees to air carriers in amounts
17 that do not, in the aggregate, exceed
18 \$21,000,000,000.

19 (b) ASSURANCES.—To be eligible for assistance
20 under this section, an air carrier shall enter into an agree-
21 ment with the Secretary of Transportation, or otherwise
22 certify, as determined appropriate by the President, that
23 such air carrier shall comply with any actions required
24 under this division.

1 (c) ADMINISTRATIVE EXPENSES.—Notwithstanding
2 any other provision of law, the Secretary may use
3 \$100,000,000 of the funds made available under section
4 101(a)(2) for costs and administrative expenses associated
5 with the provision of loans or guarantees authorized under
6 such section.

7 (d) SPECIFIED ENTITY DEFINED.—In this section,
8 the term “specified entity” means—

9 (1) an air carrier that is authorized to conduct
10 operations under part 121 of title 14, Code of Fed-
11 eral Regulations; or

12 (2) an air carrier that is authorized to conduct
13 operations under part 135 of title 14, Code of Fed-
14 eral Regulations, that—

15 (A) transports passengers by aircraft on a
16 scheduled basis; or

17 (B) transports property or mail by aircraft
18 on a scheduled or unscheduled basis.

19 **SEC. 102. PROCEDURES FOR FINANCIAL ASSISTANCE.**

20 (a) AWARDABLE AMOUNTS.—The President shall dis-
21 burse grants under section 101(a)(1)—

22 (1) to a specified entity (as such term is defined
23 in section 101(d)), in an amount equal to the sala-
24 ries and benefits reported by the air carrier to the
25 Department of Transportation pursuant to part 241

1 of title 14, Code of Federal Regulations, for the pe-
2 riod from April 1, 2019, through September 30,
3 2019;

4 (2) to a specified entity (as such term is defined
5 in section 101(d)) that does not transmit reports
6 under such part 241, in an amount that such air
7 carrier certifies, using sworn financial statements or
8 other appropriate data, as the amount of wages, sal-
9 aries, benefits, and other compensation that such air
10 carrier paid the employees of such air carrier during
11 the period from April 1, 2019, through September
12 30, 2019; and

13 (3) to a contractor, in an amount that the con-
14 tractor certifies, using sworn financial statements or
15 other appropriate data, as the amount of wages, sal-
16 aries, benefits, and other compensation that such
17 contractor paid the employees of such contractor
18 during the period from April 1, 2019, through Sep-
19 tember 30, 2019.

20 (b) DEADLINES AND PROCEDURES.—

21 (1) PROCEDURES.—The President shall publish
22 streamlined and expedited procedures—

23 (A) not later than 5 days after the date of
24 enactment of this Act for air carriers and con-

1 tractors to submit requests for compensation
2 under section 101(a)(1); and

3 (B) not later than 30 days after the date
4 of enactment of this Act for air carriers to sub-
5 mit requests for loans and loan guarantees
6 under section 101(a)(2).

7 (2) ISSUANCE OF GRANTS.—The President shall
8 award initial grants under section 101(a)(1) not
9 later than 10 days after the date of enactment of
10 this Act.

11 (3) DISCRETIONARY GRANTS.—For any funds
12 made available under paragraph (1) of section
13 101(a) that remain available after the issuance of
14 grants pursuant to paragraph (2) of such section,
15 the President shall determine an appropriate method
16 for the timely distribution of the remaining funds in
17 an equitable manner to air carriers for the payment
18 of employee wages, salaries, and benefits.

19 (c) INTEREST RATES.—A loan issued under section
20 101(a)(2) shall provide for repayment with no interest for
21 a period of at least 1 year after the loan is issued. The
22 President may otherwise provide for repayment at an in-
23 terest rate commensurate with the level of risk associated
24 with the loan.

1 (d) PRIORITY OF GOVERNMENT CLAIM.—In any pro-
2 ceeding initiated by an air carrier under chapter 7 or 11
3 of title 11, United States Code, with outstanding debt on
4 a loan provided under section 101(a)(2), any claim by the
5 Government with respect to such debt shall assume the
6 highest status of any other claim against such air carrier,
7 whether secured or unsecured.

8 (e) AUDITS.—The inspector general of the Depart-
9 ment of Transportation may audit certifications under
10 subsection (a)(2).

11 **SEC. 103. TERMS AND CONDITIONS.**

12 (a) SHARE REPURCHASES.—

13 (1) IN GENERAL.—Notwithstanding any other
14 provision of law, an air carrier receiving assistance
15 under section 101 may not purchase an equity inter-
16 est of such air carrier on a national securities ex-
17 change using such assistance.

18 (2) NO FORCE OR EFFECT.—Section 240.10b–
19 18 of title 17, Code of Federal Regulations, shall
20 have no force or effect.

21 (3) RULE OF CONSTRUCTION.—Nothing in this
22 section may be construed to affect tender offers sub-
23 ject to section 240.13e–4 and sections 240.14e–1
24 through 240.14f–1 of title 17, Code of Federal Reg-
25 ulations.

1 (4) DEFINITIONS.—In this subsection:

2 (A) EXCHANGE.—The term “exchange”
3 has the meaning given the terms in section 3 of
4 the Securities Exchange Act of 1934 (15
5 U.S.C. 78c).

6 (B) NATIONAL SECURITIES EXCHANGE.—
7 The term “national securities exchange” means
8 an exchange registered under section 6 of the
9 Securities Exchange Act of 1934 (15 U.S.C.
10 78f).

11 (b) PROHIBITION ON USE OF FUNDS FOR PAYMENTS
12 TO SHAREHOLDERS OR BONDHOLDERS.—An air carrier
13 receiving financial assistance under section 101 may not
14 use the proceeds of such assistance to make any distribu-
15 tion of funds to shareholders or bondholders, including
16 stock dividends.

17 (c) EXECUTIVE COMPENSATION.—

18 (1) IN GENERAL.—The President may provide
19 financial assistance under section 101 to an air car-
20 rier only if such air carrier enters into a legally
21 binding agreement with the President that, during
22 the 10-year period following the date of enactment
23 of this Act, the air carrier’s chief executive officer
24 will receive, from the air carrier—

1 (A) during any 12 consecutive months of
2 such 10-year period, total compensation not in
3 excess of an amount that is 50 times the me-
4 dian compensation earned by all employees of
5 such air carrier in calendar year 2019; and

6 (B) severance pay or other benefits upon
7 termination of employment with the air carrier
8 not in excess of the maximum total compensa-
9 tion received from the air carrier in calendar
10 year 2019.

11 (2) TOTAL COMPENSATION DEFINED.—In this
12 subsection, the term “total compensation” includes
13 salary, bonuses, awards of stock, and other financial
14 benefits provided by an air carrier to an officer or
15 employee of the air carrier.

16 (d) FINANCIAL PROTECTION OF GOVERNMENT.—

17 (1) IN GENERAL.—To the extent to which any
18 participating air carrier accepts financial assistance,
19 in the form of accepting the proceeds of any loans
20 guaranteed by the government under this title, the
21 President is authorized to enter into contracts under
22 which the Government, contingent on the financial
23 success of the participating corporation, participate
24 in the gains of the participating corporation or its
25 security holders through the use of such instruments

1 as warrants, stock options, common or preferred
2 stock, or other appropriate equity instruments.

3 (2) DEPOSITS IN TREASURY.—All amounts col-
4 lected by the President under this subsection shall
5 be deposited in the Treasury as miscellaneous re-
6 ceipts.

7 (e) AIR CARRIER MAINTENANCE OUTSOURCING.—

8 (1) IN GENERAL.—A passenger air carrier re-
9 ceiving assistance under section 101 may not apply
10 the proceeds of such assistance toward a contract for
11 heavy maintenance work at a facility located outside
12 of the United States if such contract would increase
13 the proportion of maintenance work performed out-
14 side of the United States to all maintenance work
15 performed by or on behalf of such air carrier at any
16 location.

17 (2) DEFINITION.—In this section, the term
18 “heavy maintenance work” has the meaning given
19 the term in section 44733(g)(1) of title 49, United
20 States Code.

21 **SEC. 104. REPORTS.**

22 (a) REPORT.—Not later than October 1, 2020, the
23 President shall submit to the Committee on Transpor-
24 tation and Infrastructure of the House of Representatives
25 and the Committee on Commerce, Science, and Transpor-

1 tation of the Senate a report on the financial status of
2 the air carrier industry, including a description of each
3 grant or loan issued under section 101.

4 (b) UPDATE.—Not later than the last day of the 1-
5 year period following the date of enactment of this Act,
6 the President shall update and submit to the Committee
7 on Transportation and Infrastructure of the House of
8 Representatives and the Committee on Commerce,
9 Science, and Transportation of the Senate the report de-
10 scribed in subsection (a).

11 **SEC. 105. COORDINATION.**

12 In implementing this title with respect to air carriers,
13 the Secretary shall coordinate with the Secretary of
14 Transportation.

15 **TITLE II—LABOR PROTECTIONS**

16 **SEC. 201. ASSISTANCE IRRESPECTIVE OF LABOR COSTS.**

17 The President, or any department, agency, or actor
18 of the Federal government, may not condition the provi-
19 sion of any financial assistance under section 101(a) of
20 this [division] or section 13 of the Federal Reserve Act
21 (12 U.S.C. 261 et seq.) on an air carrier's implementation
22 of measures to reduce labor costs or to enter into negotia-
23 tions with the certified bargaining representative of a craft
24 or class of employees of the air carrier under section 2

1 of the Railway Labor Act (45 U.S.C. 152) regarding pay
2 or other terms and conditions of employment.

3 **SEC. 202. COLLECTIVE BARGAINING AND SNAP-BACK.**

4 (a) IN GENERAL.—Notwithstanding any other provi-
5 sion of law, any contractual relief or reduction to rates
6 of pay, rules, and working conditions agreed to by the au-
7 thorized representatives of the employees of an air carrier,
8 or otherwise imposed on such employees, during or as re-
9 sult of the pandemic of the coronavirus COVID–19 by an
10 air carrier that receives financial assistance under section
11 101 shall be terminated within 6 months, unless the au-
12 thorized representatives of the employees choose to make
13 an alternative agreement with the air carrier.

14 (b) DEFINITION OF AUTHORIZED REPRESENTA-
15 TIVE.—In this section, the term “authorized representa-
16 tive” means an exclusive representative of employees with-
17 in the meaning of section of the Railway Labor Act (45
18 U.S.C. 152).

19 **SEC. 203. PROTECTION OF ORGANIZING ACTIVITY.**

20 A person receiving financial assistance under section
21 101 shall remain neutral in any communications with em-
22 ployees with respect to any efforts of an employee to orga-
23 nize, recruit, or assist in the organizing a labor organiza-
24 tion.

1 **SEC. 204. WORKING AND TRAVEL CONDITIONS.**

2 A person receiving financial assistance under section
3 101 shall adhere to guidance published by the Centers for
4 Disease Control and Prevention and applicable public
5 health authorities for the duration of the national emer-
6 gency declared by the President under the National Emer-
7 gencies Act (50 U.S.C. 1601 et seq.) related to the pan-
8 demic of the coronavirus COVID–19 for providing safe
9 conditions for employees and passengers, including pro-
10 viding employees with adequate and sufficient personal
11 protective equipment and ensuring all aircraft and facili-
12 ties owned or operated by such air carrier are clean and
13 sanitary.

14 **SEC. 205. LABOR UNION REPRESENTATION ON AIR CAR-**
15 **RIER BOARDS.**

16 An air carrier receiving financial assistance under
17 section 101 shall designate at least one seat on the air
18 carrier’s board of directors for an individual who is a
19 member or officer of a labor organization representing air
20 carrier employees, with such individual to be named by
21 such organization.

22 **SEC. 206. FURLOUGHED WORKER PROTECTIONS.**

23 An air carrier receiving financial assistance under
24 section 101 shall take such action as is necessary to ensure
25 that, with respect to the national emergency declared by
26 the President under the National Emergencies Act (50

1 U.S.C. 1601 et seq.) related to the pandemic of the
2 coronavirus COVID-19—

3 (1) if an employee of such air carrier was pro-
4 vided health insurance benefits or other welfare ben-
5 efits described in subparagraph (A) or (B) of section
6 3(1) of the Employee Retirement Income Security
7 Act of 1974 (29 U.S.C. 1002(1)) from the air car-
8 rier prior to such emergency, such employee shall re-
9 tain such benefits at an equivalent rate for the dura-
10 tion of such emergency;

11 (2) employees of such air carrier are credited
12 any furlough time taken as a result of the pandemic
13 for years of service for purposes of any employee
14 benefit plan (as defined in section 3(3) of the Em-
15 ployee Retirement Income Security Act of 1974 (29
16 U.S.C. 1002(3)) with respect to which the employee
17 is a participant; and

18 (3) an employee of such air carrier who is vol-
19 untarily or involuntarily furloughed as a result of
20 the national emergency declared by the President
21 under the National Emergencies Act (50 U.S.C.
22 1601 et seq.) related to the pandemic of the
23 coronavirus COVID-19 may, upon reemployment or
24 recall to such air carrier, be entitled to the following
25 benefits under an employee pension benefit plan that

1 such employee would have received if the employee
2 had remained continuously employed with the air
3 carrier, similar to benefit rights under subchapter II
4 of chapter 43 of title 38, United States Code:

5 (A) An employee shall be treated as not
6 having incurred a break in service with the em-
7 ployer or employers maintaining the plan by
8 reason of the furlough.

9 (B) The period of furlough shall be deemed
10 to constitute service with the employer or em-
11 ployers maintaining the plan for purposes of
12 vesting, participation, and determining the em-
13 ployee's benefit accruals.

14 (C) An employee shall be entitled to make-
15 up missed employee contributions or elective de-
16 ferrals that could have been made to a qualified
17 defined contribution plan during the period of
18 furlough. Makeup contributions under this
19 paragraph may be made during the period be-
20 ginning on the date of recall and whose dura-
21 tion is three times the period of the furlough,
22 such payment period not to exceed 5 years.

23 (D) The employer reemploying or recalling
24 such employee shall contribute all employer con-
25 tributions that the employer would have made

1 on behalf of such employee to qualified defined
2 contribution plans, including plans commonly
3 known as 401(k) plans, if the employee had re-
4 mained continuously employed.

5 (E) If employer contributions to a plan are
6 contingent on the employee making an employee
7 contribution or elective deferral, the employer
8 contribution is required only to the extent the
9 employee makes the payment to the plan with
10 respect to such contributions or deferrals. No
11 such payment may exceed the amount the em-
12 ployee would have been permitted or required to
13 contribute had the employee remained continu-
14 ously employed by the employer throughout the
15 period of service. Any payment to the plan de-
16 scribed in this paragraph shall be made during
17 the period beginning on the date of recall and
18 whose duration is three times the period of the
19 person's furlough, such payment period not to
20 exceed 5 years.

21 **SEC. 207. HEALTHCARE FOR UNPROTECTED WORKERS.**

22 (a) IN GENERAL.—The Secretary may not provide
23 any financial assistance under this Act to an air carrier
24 unless the air carrier enters into a legally binding agree-
25 ment with the Secretary that the air carrier will provide,

1 and will require any contractor, subcontractor, or affiliate
2 of the air carrier, including any contractor, subcontractor,
3 or affiliate that performs airline catering services, to pro-
4 vide, to all employees, including airline catering employees,
5 health insurance benefits equal to or greater than the
6 hourly health and welfare fringe benefit rate published by
7 the Department of Labor pursuant to the McNamara-
8 O'Hara Service Contract Act of 1965 (41 U.S.C. 6710–
9 6707) and section 4.52 of title 29, Code of Federal Regu-
10 lations, for all hours worked by each such employee.

11 (b) EFFECTIVE PERIOD.—Subsection (a) shall apply
12 to an air carrier receiving assistance under section 101
13 for the 5-year period beginning on the date on which such
14 assistance was awarded.

15 (c) DEFINITIONS.—

16 (1) AIRLINE CATERING EMPLOYEE.—The term
17 “airline catering employee” means an employee who
18 performs airline catering services.

19 (2) AIRLINE CATERING SERVICES.—The term
20 “airline catering services” means preparation, as-
21 sembly, or both, of food, beverages, provisions and
22 related supplies for delivery, and the delivery of such
23 items, directly to aircraft or to a location on or near
24 airport property for subsequent delivery to aircraft.

1 **SEC. 208. EMPLOYEE WAGES AND LEAVE.**

2 (a) WAGES.—Section 6 of the Fair Labor Standards
3 Act of 1938 (29 U.S.C. 206) is amended by adding at
4 the end the following:

5 “(h) EMPLOYEES IN INDUSTRIES SAVED WITH TAX-
6 PAYER DOLLARS.—

7 “(1) IN GENERAL.—Notwithstanding any other
8 provision of law, subject to the requirements of this
9 subsection, the wage rate in effect under section
10 (a)(1) with respect to an employee of an employer
11 described in paragraph (2), or any individual who
12 provides labor or services for remuneration for such
13 employer, regardless of whether the individual is
14 classified as an independent contractor or otherwise
15 by such employer, shall be not less than \$15.00 per
16 hour.

17 “(2) EMPLOYER.—An employer described in
18 this paragraph is an employer who—

19 “(A) receives financial assistance under
20 section 101 of the Emergency Pension Plan Re-
21 lief Act of 2020; or

22 “(B) who provides goods or services under
23 a contract to an employer who receives financial
24 assistance under such section.

25 “(3) TREATMENT OF NON-EMPLOYEES.—An in-
26 dividual who provides labor or services for remunera-

1 tion to an employer as described in paragraph (1)
2 shall be treated as an employee for the purposes of
3 sections 10 through 17 of this Act.

4 “(4) PERIOD OF APPLICATION.—This sub-
5 section shall apply to an employer described in para-
6 graph (2) for the 10-year period beginning on the
7 date such assistance was awarded.”.

8 (b) BENEFITS AND LEAVE.— Notwithstanding any
9 other provision of law, an air carrier receiving financial
10 assistance under section 101 shall, for the duration of the
11 national emergency declared by the President under the
12 National Emergencies Act (50 U.S.C. 1601 et seq.) re-
13 lated to the pandemic of the coronavirus COVID–19—

14 (1) satisfy all funding obligations under part 3
15 of title I of the Employee Retirement Income Secu-
16 rity Act of 1974 (29 U.S.C. 1081 et seq.) with re-
17 spect to each plan to which such part applies and to
18 which the air carrier is obligated to contribute for
19 plan years beginning or ending during the duration
20 of such emergency;

21 (2) provide employees with a guaranteed wage
22 for every workweek that provides each employee con-
23 tinued payments in the amount of 100 percent of
24 the employee’s full wages and for the employee’s
25 total expected hours per workweek in the event that

1 the employee is terminated, furloughed, experiences
2 a reduction in work hours, or otherwise suffers any
3 loss of such wages during such period; and

4 (3) provide paid medical or sick leave and paid
5 family leave to encourage employees who are diag-
6 nosed with or experiencing symptoms of COVID-19
7 or are under quarantine relating to the coronavirus
8 pandemic, or caring for a dependent or any indi-
9 vidual experiencing such symptoms or under such a
10 quarantine.

11 **SEC. 209. LIMITATION ON REJECTION OF COLLECTIVE BAR-**
12 **GAINING AGREEMENTS.**

13 (a) DEFINITIONS.—

14 (1) COVERED AIR CARRIER.—The term “cov-
15 ered air carrier” means an air carrier that receives
16 Federal financial assistance.

17 (2) COVERED PERIOD.—The term “covered pe-
18 riod”, with respect to a covered air carrier, means
19 the period—

20 (A) beginning on the date on which the
21 covered air carrier first receives Federal finan-
22 cial assistance; and

23 (B) ending on the date that is 10 years
24 after the date on which the covered air carrier
25 last receives Federal financial assistance.

1 (3) DEBTOR IN POSSESSION.—The term “debt-
2 or in possession” has the meaning given such term
3 in section 1101 of title 11, United States Code.

4 (4) FEDERAL FINANCIAL ASSISTANCE.—The
5 term “Federal financial assistance” means financial
6 assistance or a credit instrument received from the
7 Federal Government under this Act.

8 (5) TRUSTEE.—The term “trustee” means a
9 trustee appointed in a case commenced by, or com-
10 menced against, a covered air carrier under title 11,
11 United States Code.

12 (b) LIMITATION.—If a covered air carrier commences
13 a case or if an involuntary case is commenced against a
14 covered air carrier under title 11, United States Code,
15 during the covered period with respect to the covered air
16 carrier, the covered air carrier, the debtor in possession,
17 or the trustee may not seek a rejection of, or interim relief
18 from, a collective bargaining agreement under—

19 (1) section 1113 of title 11, United States
20 Code; or

21 (2) any other provision of law.

22 **SEC. 210. INCREASED WAGE PRIORITY.**

23 Section 507(a) of title 11, United States Code, is
24 amended—

25 (1) in paragraph (4)—

1 (A) by redesignating subparagraphs (A)
2 and (B) as clauses (i) and (ii), respectively;

3 (B) in the matter preceding clause (i), as
4 so redesignated, by inserting “(A)” before
5 “Fourth”;

6 (C) in subparagraph (A), as so designated,
7 in the matter preceding clause (i), as so red-
8 igned—

9 (i) by striking “\$10,000” and insert-
10 ing “\$20,000”;

11 (ii) by striking “within 180 days”;
12 and

13 (iii) by striking “or the date of the
14 cessation of the debtor’s business, which-
15 ever occurs first,”; and

16 (D) by adding at the end the following:

17 “(B) Severance pay described in subpara-
18 graph(A)(i) shall be deemed earned in full upon
19 the layoff or termination of employment of the
20 individual to whom the severance is owed.”;

21 (2) in paragraph (5)—

22 (A) in subparagraph (A)—

23 (i) by striking “within 180 days”; and

1 (ii) by striking “or the date of the
2 cessation of the debtor’s business, which-
3 ever occurs first”; and

4 (B) by striking subparagraph (B) and in-
5 serting the following:

6 “(B) for each such plan, to the extent of
7 the number of employees covered by each such
8 plan, multiplied by \$20,000.”.

9 **SEC. 211. REJECTION OF COLLECTIVE BARGAINING AGREE-**
10 **MENTS.**

11 (a) IN GENERAL.—Section 1113 of title 11, United
12 States Code, is amended by striking subsections (a)
13 through (f) and inserting the following:

14 “(a) The debtor in possession, or the trustee if one
15 has been appointed under this chapter, other than a trust-
16 ee in a case covered by subchapter IV of this chapter and
17 by title I of the Railway Labor Act (45 U.S.C. 151 et
18 seq.), may reject a collective bargaining agreement only
19 in accordance with this section. In this section, a reference
20 to the trustee includes the debtor in possession.

21 “(b) No provision of this title shall be construed to
22 permit the trustee to unilaterally terminate or alter any
23 provision of a collective bargaining agreement before com-
24 plying with this section. The trustee shall timely pay all
25 monetary obligations arising under the terms of the collec-

1 tive bargaining agreement. Any such payment required to
2 be made before a plan confirmed under section 1129 is
3 effective has the status of an allowed administrative ex-
4 pense under section 503.

5 “(c)(1) If the trustee seeks modification of a collec-
6 tive bargaining agreement, the trustee shall provide notice
7 to the labor organization representing the employees cov-
8 ered by the collective bargaining agreement that modifica-
9 tions are being proposed under this section, and shall
10 promptly provide an initial proposal for modifications to
11 the collective bargaining agreement. Thereafter, the trust-
12 ee shall confer in good faith with the labor organization,
13 at reasonable times and for a reasonable period in light
14 of the complexity of the case, in attempting to reach mutu-
15 ally acceptable modifications of the collective bargaining
16 agreement.

17 “(2) The initial proposal and subsequent pro-
18 posals by the trustee for modification of a collective
19 bargaining agreement shall be based upon a business
20 plan for the reorganization of the debtor, and shall
21 reflect the most complete and reliable information
22 available. The trustee shall provide to the labor or-
23 ganization all information that is relevant for nego-
24 tiations. The court may enter a protective order to
25 prevent the disclosure of information if disclosure

1 could compromise the position of the debtor with re-
2 spect to the competitors in the industry of the debt-
3 or, subject to the needs of the labor organization to
4 evaluate the proposals of the trustee and any appli-
5 cation for rejection of the collective bargaining
6 agreement or for interim relief pursuant to this sec-
7 tion.

8 “(3) In consideration of Federal policy encour-
9 aging the practice and process of collective bar-
10 gaining and in recognition of the bargained-for ex-
11 pectations of the employees covered by the collective
12 bargaining agreement, modifications proposed by the
13 trustee—

14 “(A) shall be proposed only as part of a
15 program of workforce and nonworkforce cost
16 savings devised for the reorganization of the
17 debtor, including savings in management per-
18 sonnel costs;

19 “(B) shall be limited to modifications de-
20 signed to achieve a specified aggregate financial
21 contribution for the employees covered by the
22 collective bargaining agreement (taking into
23 consideration any labor cost savings negotiated
24 within the 12-month period before the filing of
25 the petition), and shall be not more than the

1 minimum savings essential to permit the debtor
2 to exit bankruptcy, such that confirmation of a
3 plan of reorganization is not likely to be fol-
4 lowed by the liquidation, or the need for further
5 financial reorganization, of the debtor (or any
6 successor to the debtor) in the short term; and

7 “(C) shall not be disproportionate or overly
8 burden the employees covered by the collective
9 bargaining agreement, either in the amount of
10 the cost savings sought from such employees or
11 the nature of the modifications.

12 “(d)(1) If, after a period of negotiations, the trustee
13 and the labor organization have not reached an agreement
14 over mutually satisfactory modifications, and further ne-
15 gotiations are not likely to produce mutually satisfactory
16 modifications, the trustee may file a motion seeking rejec-
17 tion of the collective bargaining agreement after notice
18 and a hearing. Absent agreement of the parties, no such
19 hearing shall be held before the expiration of the 21-day
20 period beginning on the date on which notice of the hear-
21 ing is provided to the labor organization representing the
22 employees covered by the collective bargaining agreement.
23 Only the debtor and the labor organization may appear
24 and be heard at such hearing. An application for rejection

1 shall seek rejection effective upon the entry of an order
2 granting the relief.

3 “(2) In consideration of Federal policy encour-
4 aging the practice and process of collective bar-
5 gaining and in recognition of the bargained-for ex-
6 pectations of the employees covered by the collective
7 bargaining agreement, the court may grant a motion
8 seeking rejection of a collective bargaining agree-
9 ment only if, based on clear and convincing evi-
10 dence—

11 “(A) the court finds that the trustee has
12 complied with the requirements of subsection
13 (c);

14 “(B) the court has considered alternative
15 proposals by the labor organization and has
16 concluded that such proposals do not meet the
17 requirements of subsection (c)(3)(B);

18 “(C) the court finds that further negotia-
19 tions regarding the proposal of the trustee or
20 an alternative proposal by the labor organiza-
21 tion are not likely to produce an agreement;

22 “(D) the court finds that implementation
23 of the proposal of the trustee shall not—

24 “(i) cause a material diminution in
25 the purchasing power of the employees cov-

1 ered by the collective bargaining agree-
2 ment;

3 “(ii) adversely affect the ability of the
4 debtor to retain an experienced and quali-
5 fied workforce; or

6 “(iii) impair the labor relations of the
7 debtor such that the ability to achieve a
8 feasible reorganization would be com-
9 promised; and

10 “(E) the court concludes that rejection of
11 the collective bargaining agreement and imme-
12 diate implementation of the proposal of the
13 trustee is essential to permit the debtor to exit
14 bankruptcy, such that confirmation of a plan of
15 reorganization is not likely to be followed by liq-
16 uidation, or the need for further financial reor-
17 ganization, of the debtor (or any successor to
18 the debtor) in the short term.

19 “(3) If the trustee has implemented a program
20 of incentive pay, bonuses, or other financial returns
21 for insiders, senior executive officers, or the twenty
22 next most highly compensated employees or consult-
23 ants providing services to the debtor during the
24 bankruptcy, or such a program was implemented
25 within 180 days before the date of the filing of the

1 petition, the court shall presume that the trustee has
2 failed to satisfy the requirements of subsection
3 (c)(3)(C).

4 “(4) In no case shall the court enter an order
5 rejecting a collective bargaining agreement that
6 would result in modifications to a level lower than
7 the level proposed by the trustee in the proposal
8 found by the court to have complied with the re-
9 quirements of this section.

10 “(5) At any time after the date on which an
11 order rejecting a collective bargaining agreement is
12 entered, or in the case of a collective bargaining
13 agreement entered into between the trustee and the
14 labor organization providing mutually satisfactory
15 modifications, at any time after that collective bar-
16 gaining agreement has been entered into, the labor
17 organization may apply to the court for an order
18 seeking an increase in the level of wages or benefits,
19 or relief from working conditions, based upon
20 changed circumstances. The court shall grant the re-
21 quest only if the increase or other relief is not incon-
22 sistent with the standard set forth in paragraph
23 (2)(E).

24 “(e) During a period during which a collective bar-
25 gaining agreement at issue under this section continues

1 in effect and a motion for rejection of the collective bar-
2 gaining agreement has been filed, if essential to the con-
3 tinuation of the business of the debtor or in order to avoid
4 irreparable damage to the estate, the court, after notice
5 and a hearing, may authorize the trustee to implement
6 interim changes in the terms, conditions, wages, benefits,
7 or work rules provided by the collective bargaining agree-
8 ment. Any hearing under this subsection shall be sched-
9 uled in accordance with the needs of the trustee. The im-
10 plementation of such interim changes shall not render the
11 application for rejection moot and may be authorized for
12 not more than 14 days in total.

13 “(f)(1) Rejection of a collective bargaining agreement
14 constitutes a breach of the collective bargaining agree-
15 ment, and shall be effective no earlier than the entry of
16 an order granting such relief.

17 “(2) Notwithstanding paragraph (1), solely for
18 purposes of determining and allowing a claim arising
19 from the rejection of a collective bargaining agree-
20 ment, rejection shall be treated as rejection of an ex-
21 ecutory contract under section 365(g) and shall be
22 allowed or disallowed in accordance with section
23 502(g)(1). No claim for rejection damages shall be
24 limited by section 502(b)(7). Economic self-help by
25 a labor organization shall be permitted upon a court

1 order granting a motion to reject a collective bar-
2 gaining agreement under subsection (d) or pursuant
3 to subsection (e), and no provision of this title or of
4 any other provision of Federal or State law may be
5 construed to the contrary.

6 “(g) The trustee shall provide for the reasonable fees
7 and costs incurred by a labor organization under this sec-
8 tion, upon request and after notice and a hearing.

9 “(h) A collective bargaining agreement that is as-
10 sumed shall be assumed in accordance with section 365.”.

11 (b) PROHIBITION ON MODIFICATION OF RETIREE
12 BENEFITS.—Section 1114 of title 11, United States Code,
13 is further amended by adding at the end the following:

14 “(n) Notwithstanding any other provision in this title,
15 the trustee may not modify retiree benefits if the debtor
16 is an air carrier, as such term is defined in section 40102
17 of title 49, United States Code, or an affiliate of such air
18 carrier, that received assistance under the Emergency
19 Pension Plan Relief Act of 2020.”.

1 **TITLE III—AIRLINE INDUSTRY**
2 **FINANCIAL OVERSIGHT**

3 **SEC. 301. CREATION OF OFFICE OF AIRLINE INDUSTRY FI-**
4 **NANCIAL OVERSIGHT.**

5 (a) IN GENERAL.—There is hereby established, with-
6 in the Office of the Secretary of Transportation, the Office
7 of Airline Industry Financial Oversight.

8 (b) DIRECTOR OF OFFICE.—The office established
9 under this section shall be headed by a Director, who shall
10 be a career employee of the Department of Transportation
11 and selected on the basis of such individual's knowledge
12 of financial markets, airline operations, and finance, and
13 such other qualifications as the Secretary considers rel-
14 evant.

15 **SEC. 302. RESPONSIBILITIES OF OFFICE OF AIRLINE IN-**
16 **DUSTRY FINANCIAL OVERSIGHT.**

17 The Director of the Office of Airline Industry Finan-
18 cial Oversight shall—

19 (1) assess, not less than once every 12 months,
20 the financial fitness of each passenger air carrier
21 conducting operations under part 121 of title 14,
22 Code of Federal Regulations;

23 (2) determine and prescribe minimum capital
24 and funding requirements for each such air carrier
25 to ensure that no air carrier would be reasonably

1 likely to become insolvent as the result of a substan-
2 tial reduction in demand for air travel following the
3 occurrence of a terror attack, pandemic, or other na-
4 tional or global event that reduces economic activity;

5 (3) require each such air carrier to conduct an
6 annual stress test to determine the extent of finan-
7 cial stress that the air carrier can withstand before
8 becoming financially insolvent, using at least 3 sets
9 of assumptions regarding the severity of financial
10 stress and to report the results of such test to the
11 Office for analysis;

12 (4) based on an analysis of the stress tests per-
13 formed under paragraph (3), annually adjust the
14 minimum capital and funding requirements imposed
15 under paragraph (2); and

16 (5) impose such other requirements, including
17 through the issuance of regulations, as the director
18 determines necessary to ensure the continued oper-
19 ations of air carriers despite an event described in
20 paragraph (2).

21 **SEC. 303. ACCESS TO INFORMATION.**

22 (a) IN GENERAL.—In discharging the responsibilities
23 enumerated in section 302, the director or employees of
24 the office may inspect such financial records in an air car-

1 rier's possession as the director or employees of the office
2 deem appropriate.

3 (b) PROTECTION OF TRADE SECRETS.—The Director
4 and employees of the Office of Airline Industry Financial
5 Oversight shall protect, from public disclosure, any mate-
6 rial containing trade secrets in the Office's custody, in ac-
7 cordance with section 1905 of title 18, United States
8 Code.

9 **SEC. 304. REPORTS TO CONGRESS.**

10 Not later than February 1 of each calendar year, the
11 Director of the office established under section 301 shall
12 submit to the Committee on Transportation and Infra-
13 structure of the House of Representatives and the Com-
14 mittee on Commerce, Science, and Transportation of the
15 Senate a report describing each action taken under section
16 302 during the preceding calendar year.

17 **SEC. 305. RULEMAKING AUTHORITY.**

18 The Secretary may issue such regulations as the Sec-
19 retary determines are necessary to implement the require-
20 ments of this title.

21 **SEC. 306. AUTHORIZATION OF APPROPRIATIONS.**

22 There is authorized to be appropriated to the Sec-
23 retary of Transportation \$3,000,000 for each of fiscal
24 years 2020 through 2023 to carry out this title to remain
25 available until expended.

1 **TITLE IV—AIRPORT RELIEF**

2 **SEC. 401. EMERGENCY PANDEMIC FUNDING FOR AIR-**
3 **PORTS.**

4 (a) IN GENERAL.—There is authorized to be appro-
5 priated, from the General Fund of the Treasury,
6 \$10,000,000,000 for the Secretary of Transportation to
7 issue grants to airport sponsors for the purposes of emer-
8 gency response, cleaning, sanitization, janitorial services,
9 staffing, workforce retention, paid leave, procurement of
10 protective health equipment and training for employees
11 and contractors, debt service payments, infrastructure
12 projects and airport operations.

13 (b) METHODOLOGY FOR DISBURSEMENT.—Funds
14 shall be apportioned as set forth in clauses (i) and (ii)
15 of section 47114(c)(1)(C) of title 49, United States Code,
16 and there shall be no maximum apportionment limit.
17 Funds provided under this section shall not be subject to
18 reduced apportionment under section 47114(f) of such
19 title. Any remaining funds shall be distributed to sponsors
20 based on each airport's passenger enplanements compared
21 to total passenger enplanements of all airports, for the
22 most recent calendar year the Secretary apportioned funds
23 pursuant to section 47114(c).

24 (c) HIGH-NEED AIRPORTS.—The Secretary shall set
25 aside 2 percent of the remaining funds described in sub-

1 section (b) to provide grants to commercial service air-
2 ports or general aviation airports that demonstrate the
3 highest financial need.

4 (d) WORKFORCE RETENTION.—

5 (1) IN GENERAL.—Except as otherwise pro-
6 vided in this subsection, all airports receiving funds
7 under subsection (a) shall continue to employ,
8 through December 31, 2020, at least 90 percent of
9 the number of individuals employed by the airport as
10 of the date of enactment of this Act.

11 (2) WAIVER.—The Secretary may waive the
12 workforce retention requirement under this sub-
13 section 120 days after the date of enactment of this
14 Act if the Secretary determines—

15 (A) the airport is experiencing economic
16 hardship as a direct result of the requirement;
17 or

18 (B) the requirement reduces aviation safe-
19 ty or security.

20 (3) SMALL AIRPORTS.—This subsection shall
21 not apply to nonhub airports or nonprimary airports
22 receiving funds under subsection (c).

23 (e) RELIEF TO AIRPORT CONCESSIONS.—An airport
24 sponsor must use at least 2 percent of any funds received
25 under subsection (a) to provide financial relief to airport

1 concessionaires experiencing economic hardship (in terms
2 of rent, minimum annual guarantees, lease obligations, or
3 other fees). With respect to funds under this subsection,
4 airport sponsors must show good faith efforts to provide
5 relief to small business concerns owned and controlled by
6 socially and economically disadvantaged businesses, as
7 such term is defined under section 47113 of title 49,
8 United States Code.

9 (f) COST SHARE.—The Federal share payable of the
10 costs for which a grant is made under this section or under
11 the Consolidated Appropriations Act, 2020 (Public Law
12 116–94) shall be 100 percent.

13 (g) QUALITY ASSURANCE.—The Secretary shall insti-
14 tute adequate policies, procedures and internal controls to
15 prevent waste, fraud, abuse and program mismanagement
16 for the distribution of funds under this section.

17 (h) AVAILABILITY.—Sums authorized to be appro-
18 priated under this sections shall remain available for 3 fis-
19 cal years.

20 (i) LIMITATIONS.—The funds made available under
21 this section shall not be subject to any limitation on obli-
22 gations set forth in an appropriations Act as applied to
23 the heading “Grants-in-Aid for Airports”.

24 (j) ADMINISTRATIVE COSTS.—The Secretary may re-
25 tain up to 0.1 percent of the funds provided under this

1 section to fund the award and oversight of grants made
2 under this heading.

3 (k) DEFINITIONS.—In this section:

4 (1) AIRPORT CONCESSION.—the term “airport
5 concession” means a business, other than air carrier,
6 located on an airport that is engaged in the sale of
7 consumer goods or services to the public under an
8 agreement with an airport, another concessionaire,
9 or the owner or lessee of a terminal.

10 (2) AIRPORT; GENERAL AVIATION AIRPORT;
11 NONHUB AIRPORT; SPONSOR.—The terms “airport”,
12 “general aviation airport”, “nonhub airport”, and
13 “sponsor” have the meanings given those terms in
14 section 47102 of title 49, United States Code.

15 (3) COMMERCIAL SERVICE AIRPORT.—The term
16 “commercial service airport” means a public use air-
17 port that reported at least 2500 passenger boardings
18 at such airport during fiscal year 2018.

19 **SEC. 402. MAINTAINING PRE-CRISIS AIRPORT IMPROVE-**
20 **MENT PROGRAM LEVELS.**

21 Section 47114(c)(1) of title 49, United States Code,
22 is amended by adding at the end the following:

23 “(J) SPECIAL RULE FOR FISCAL YEARS
24 2021 THROUGH 2023.—Notwithstanding sub-
25 paragraph (A), the Secretary shall apportion to

1 a sponsor of an airport under that subpara-
2 graph for each of fiscal years 2021 through
3 2023 an amount based on the number of pas-
4 senger boardings at the airport during calendar
5 year 2018 if the number of passenger boardings
6 at the airport during calendar year 2018 are
7 higher than the number of passenger boardings
8 that would be otherwise calculated under sub-
9 paragraph (A).”.

10 **SEC. 403. NATIONAL AVIATION PREPAREDNESS PLAN.**

11 (a) IN GENERAL.—The Secretary of Transportation,
12 in coordination with the Secretary of Health and Human
13 Services, the Secretary of Homeland Security and other
14 appropriate stakeholders, shall develop a national aviation
15 preparedness plan for communicable disease outbreaks.

16 (b) CONTENTS OF PLAN.—A plan developed under
17 subsection (a) shall, at a minimum—

18 (1) require involvement from multiple airports
19 on a national level;

20 (2) provide airports and air carriers with an
21 adaptable and scalable framework with which to
22 align their individual plans;

23 (3) improve coordination among airports, air
24 carriers, Customs and Border Patrol, the Centers
25 for Disease Control and Prevention, and other ap-

1 appropriate Federal stakeholders on developing policies
2 that increase the effectiveness of screening, quaran-
3 tining, and contact-tracing with respect to inbound
4 passengers; and

5 (4) fully incorporate elements referenced in the
6 recommendation of the Comptroller General of the
7 United States to the Secretary of Transportation
8 contained in Report No. GAO 16–127.

9 **TITLE V—SMALL COMMUNITY**
10 **AIR SERVICE**

11 **SEC. 501. CONTINUATION OF CERTAIN AIR SERVICE.**

12 (a) ACTION OF SECRETARY.—The Secretary of
13 Transportation shall take appropriate action to ensure
14 that all communities that receive scheduled air service be-
15 fore March 1, 2020, continue to receive adequate air
16 transportation service and that essential air service to
17 small communities continues without interruption and in
18 a manner that maintains well-functioning health care sup-
19 ply chains, including medical device, medical supplies, and
20 pharmaceutical supply chains.

21 (b) ANTITRUST IMMUNITY.—The Secretary may
22 grant an exemption under section 41308 of title 49,
23 United States Code, to 2 air carriers for the limited pur-
24 pose of such cooperation as is necessary to ensure that

1 small communities continue to receive an adequate level
2 of air transportation service.

3 **SEC. 502. TOLLING OF EAS LIMITATIONS.**

4 The Secretary may not order the termination of es-
5 sential air service on the basis of the applicable place fail-
6 ing to meet the definition of an eligible place under sub-
7 paragraph (B) or (C) of section 41731(a)(1) of title 49,
8 United States Code, if such community was otherwise an
9 eligible place as defined under section 41731 of such title
10 on March 1, 2020.

11 **SEC. 503. SUNSET.**

12 The requirements of this title, and any order issued
13 by the Secretary under this title, shall sunset on the day
14 that is 6 months after the last effective date of a national
15 emergency declared by the President under the National
16 Emergencies Act (50 U.S.C. 1601 et seq.) related to the
17 pandemic of the coronavirus COVID–19.

18 **TITLE VI—CONSUMER**
19 **PROTECTIONS**

20 **SEC. 601. AIRLINE PRICE GOUGING DURING DISASTER OR**
21 **EMERGENCY.**

22 (a) IN GENERAL.—Section 41712 of title 49, United
23 States Code, is amended by adding at the end the fol-
24 lowing:

1 “(d) AIRFARE PRICING AND FEES DURING DIS-
2 ASTER OR OTHER EMERGENCY.—

3 “(1) IN GENERAL.—It shall be an unfair or de-
4 ceptive practice under subsection (a) for any ticket
5 agent, air carrier, foreign air carrier, or other person
6 selling or offering to sell a ticket for air transpor-
7 tation on a covered flight to—

8 “(A) impose any unreasonable increase in
9 the price of such ticket, as compared to the
10 ticket price in effect on the day on which a
11 flight becomes a covered flight; and

12 “(B) charge any fee for a change to, or
13 cancellation of, such ticket, or for any dif-
14 ference in fare for an itinerary change.

15 “(2) COVERED FLIGHT DEFINED.—In this sub-
16 section, the term ‘covered flight’ means a flight of
17 an air carrier or foreign air carrier departing from,
18 or arriving at, an airport located in an area with re-
19 spect to which—

20 “(A) a major disaster or emergency de-
21 clared by the President under the Robert T.
22 Stafford Disaster Relief and Emergency Assist-
23 ance Act (42 U.S.C. 5121 et seq.) is in effect
24 and State or local authorities have ordered a
25 mandatory evacuation;

1 “(B) a public health emergency declared
2 pursuant to section 319 of the Public Health
3 Service Act (42 U.S.C. 247d) is in effect;

4 “(C) a national emergency declared by the
5 President under the National Emergencies Act
6 (50 U.S.C. 1601 et seq.) is in effect; or

7 “(D) a restriction on air travel is in effect,
8 including restrictions on non-essential air trans-
9 portation or nationwide bans imposed on air
10 transportation during a disaster, emergency, or
11 pandemic.

12 “(3) SAVINGS PROVISION.—Nothing in this sub-
13 section, or the amendment made by this subsection,
14 may be construed to limit or otherwise affect any re-
15 sponsibility of any ticket agent, air carrier, or for-
16 eign air carrier or other person offering to sell a
17 ticket for air transportation during a major disaster
18 or emergency.”.

19 **SEC. 602. AIRLINE REFUNDS DURING NATIONAL DISASTERS**
20 **OR EMERGENCIES.**

21 (a) IN GENERAL.—Not later than 30 days after the
22 date of enactment of this Act, the Secretary of Transpor-
23 tation shall require that any covered seller who sells a tick-
24 et for a passenger to take a covered flight, and either such
25 flight is cancelled by the air carrier or such ticket is can-

1 celed by the passenger, such covered seller shall promptly
2 offer the passenger a choice of—

3 (1) a full monetary refund for such ticket, in-
4 cluding any ancillary fees paid; and

5 (2) an alternative compensation method deter-
6 mined appropriate by the covered seller, including
7 credit, voucher, or other mechanism to compensate
8 a passenger.

9 (b) CREDIT OR VOUCHER.—An alternative compensa-
10 tion method provided pursuant to subsection (a)(2) may
11 not expire for at least 1 year date of the covered flight.

12 (c) DEFINITIONS.—In this section, the following defi-
13 nitions apply:

14 (1) COVERED FLIGHT.—The term “covered
15 flight” has the meaning given to such term in sec-
16 tion 41712(d) of title 49, United States Code.

17 (2) COVERED SELLER.—The term “covered
18 seller” means a ticket agent, air carrier, foreign air
19 carrier, or other person offering to sell a ticket for
20 air transportation.

21 **SEC. 603. CONDITIONS ON AIRLINE ANCILLARY FEES.**

22 (a) IN GENERAL.—Not later than 90 days after the
23 date of enactment of this Act, the Secretary of Transpor-
24 tation shall require covered air carriers to report to the
25 Secretary of Transportation, not less than quarterly, all

1 ancillary revenues collected by the air carrier during the
2 quarter for which the report is provided.

3 (b) CONTENTS.—In implementing the requirement
4 under paragraph (1), the Secretary shall require reporting
5 of ancillary revenues from, at a minimum, the following
6 optional fees or charges:

7 (1) Booking fees, including fees for telephone
8 reservations.

9 (2) Fees for priority check-in and security
10 screening.

11 (3) Fees for the transportation of carry-on, first
12 checked, second checked, excess, and oversized or
13 overweight baggage.

14 (4) Fees for transportation of in-flight medical
15 equipment.

16 (5) Fees for in-flight entertainment, beverages,
17 and food.

18 (6) Fees for internet access.

19 (7) Fees for seating assignments.

20 (8) Fees for reservation cancellation and
21 change.

22 (9) Charges for lost tickets.

23 (10) Revenue from the sale of travel insurance

24 (11) Fees for unaccompanied minor and pas-
25 senger assistance.

1 (12) Fees for pets.

2 (c) DEFINITIONS.—In this section, the following defi-
3 nitions apply:

4 (1) ANCILLARY REVENUES.—The term “ancil-
5 lary revenues” means charges paid by airline pas-
6 sengers that are not included in the standard ticket
7 fare.

8 (2) COVERED AIR CARRIER.—

9 (A) IN GENERAL.—The term “covered air
10 carrier” means an air carrier covered under
11 part 241 of title 14, Code of Federal Regula-
12 tions.

13 (B) EXCLUSION.—The term “covered air
14 carrier” excludes air carriers with annual reve-
15 nues of less than \$20,000,000.

16 **TITLE VII—ENVIRONMENTAL** 17 **PROTECTIONS**

18 **SEC. 701. SUSTAINABLE AVIATION FUEL DEVELOPMENT** 19 **PROGRAM.**

20 (a) IN GENERAL.—The Secretary of Transportation,
21 in consultation with the Department of Agriculture and
22 the Environmental Protection Agency, may make competi-
23 tive grants to eligible entities to offset the cost of a project
24 to develop, transport, or store sustainable aviation fuels

1 that would reduce United States greenhouse gas emis-
2 sions.

3 (b) SELECTION.—In making grants under subsection
4 (a), the Secretary shall consider—

5 (1) the anticipated public benefits of the
6 project;

7 (2) the potential to increase the commercial ap-
8 plication of sustainable aviation fuels among the
9 United States commercial aviation and aerospace in-
10 dustry;

11 (3) the potential greenhouse gases emitted from
12 the project;

13 (4) the potential for new job creation; and

14 (5) the potential the project has in reducing
15 United States greenhouse gas emissions associated
16 with air travel.

17 (c) AUTHORIZATION OF APPROPRIATIONS.—There
18 are authorized to be appropriated \$200,000,000 for each
19 of the fiscal years 2021 through 2026 to carry out this
20 section.

21 (d) REPORT.—Not later than October 1, 2024, the
22 Secretary shall submit to the Committee on Commerce,
23 Science, and Transportation, the Committee on Environ-
24 ment and Public Works, and the Committee on Agri-
25 culture, Nutrition, and Forestry of the Senate, and the

1 Committee on Transportation and Infrastructure, the
2 Committee on Energy and Commerce, and the Committee
3 on Agriculture of the House of Representatives, a report
4 describing the results of the grant program authorized by
5 this section. The report shall include the following:

6 (1) A description of the entities and projects
7 that received grants under this section.

8 (2) Description of whether the program is lead-
9 ing to an increase in commercial application of sus-
10 tainable aviation fuels by United States aviation and
11 aerospace industry stakeholders.

12 (3) The economic impacts resulting from the
13 grants to and operation of the project.

14 (e) ELIGIBILITY.—Entities eligible to receive a grant
15 under this section shall include State and local govern-
16 ments, nongovernmental entities, air carriers, airports,
17 and businesses engaged in the development, transpor-
18 tation, or storage of sustainable aviation fuels.

19 (f) DEFINITION OF SUSTAINABLE AVIATION FUEL.—
20 The term “sustainable aviation fuel” means liquid fuel
21 consisting of synthesized hydrocarbons which meets the
22 requirements of ASTM International Standard D7566 or
23 ASTM International Standard D1655, Annex A1, sub-
24 section A.1.2.2, and is derived from biomass (as defined
25 in section 45K(c)(3) of the Internal Revenue Code of

1 1986), waste streams, or gaseous carbon oxides, conforms
2 to the standards, recommended practices and guidance
3 agreed to by the United States pursuant to the European
4 Union Emissions Trading Scheme Prohibition Act of 2011
5 (Public Law 112–200) for addressing aircraft emissions,
6 and achieves at least a 30 percent reduction in greenhouse
7 gas emissions on a lifecycle basis compared to conventional
8 jet fuel.

9 **SEC. 702. AIRLINE ASSISTANCE TO RECYCLE AND SAVE**
10 **PROGRAM.**

11 (a) ESTABLISHMENT.—Not later than 90 days after
12 the date of enactment of this Act, the Secretary shall es-
13 tablish and carry out a program, to be known as the “Air-
14 line Assistance to Recycle and Save Program”, under
15 which the Secretary shall purchase high-polluting aircraft
16 from air carriers in exchange for commitments from such
17 air carriers to purchase fuel-efficient aircraft.

18 (b) APPLICATION.—To be eligible for the program es-
19 tablished under subsection (a), an air carrier shall submit
20 to the Secretary an application at such time, in such man-
21 ner, and containing such information as the Secretary may
22 require, including a description of an high-polluting air-
23 craft of the air carrier.

24 (c) PROGRAM REQUIREMENTS.—

1 (1) LIST OF ELIGIBLE AIRCRAFT.—In carrying
2 out the program established under subsection (a),
3 the Secretary, in consultation with the Adminis-
4 trator, shall prepare, maintain, publicize, and make
5 available through a publicly available website, lists of
6 aircraft that are—

7 (A) high-polluting aircraft; and

8 (B) fuel-efficient aircraft that are on the
9 market or in production.

10 (2) COMMITMENT REQUIREMENT.—In carrying
11 out the program established under subsection (a),
12 the Secretary shall issue such regulations as are nec-
13 essary to set requirements for the commitment to
14 purchase a fuel-efficient aircraft described in sub-
15 section (a), including a timing requirement for the
16 purchase of a fuel-efficient aircraft.

17 (d) USE OF PURCHASED AIRCRAFT.—Notwith-
18 standing any other provision of law, the Secretary may
19 sell, to an air carrier or eligible foreign air carrier, parts
20 or components of aircraft purchased under this division.

21 (e) REGULATIONS.—Not later than 30 days after the
22 date of enactment of this Act, the Secretary shall issue
23 such regulations as are necessary to carry out this section.

24 (f) AUTHORIZATION OF APPROPRIATIONS.—There is
25 authorized to carry out the program established under this

1 section \$1,000,000,000 and such sums shall remain avail-
2 able until expended.

3 (g) DEFINITIONS.—In this section:

4 (1) ADMINISTRATOR.—The term “Adminis-
5 trator” means the Administrator of the Environ-
6 mental Protection Agency.

7 (2) AIRCRAFT MANUFACTURER.—The term
8 “aircraft manufacturer” has the meaning given such
9 term in section 44301 of title 49, United States
10 Code.

11 (3) ELIGIBLE FOREIGN AIR CARRIER.—

12 (A) IN GENERAL.—The term “eligible for-
13 eign air carrier” means a foreign air carrier as
14 such term is defined in section 40102 of title
15 49, United States Code.

16 (B) EXCLUSION.—The term “eligible for-
17 eign air carrier” does not include a foreign air
18 carrier that—

19 (i) is domiciled in a country that is a
20 state sponsor of terrorism; or

21 (ii) has a majority ownership interest
22 of individuals or entities domiciled in a
23 country that is a state sponsor of ter-
24 rorism.

1 (4) SECRETARY.—The term “Secretary” means
2 the Secretary of Transportation.

3 (5) STATE SPONSOR OF TERRORISM.—The term
4 “state sponsor of terrorism” means a country the
5 government of which the Secretary of State deter-
6 mines has repeatedly provided support for inter-
7 national terrorism pursuant to—

8 (A) section 1754(c)(1)(A) of the Export
9 Control Reform Act of 2018 (50 U.S.C.
10 4318(c)(1)(A));

11 (B) section 620A of the Foreign Assistance
12 Act of 1961 (22 U.S.C. 2371);

13 (C) section 40 of the Arms Export Control
14 Act (22 U.S.C. 2780); or

15 (D) any other provision of law.

16 **SEC. 703. EXPANSION OF VOLUNTARY AIRPORT LOW EMIS-**
17 **SION PROGRAM.**

18 Section 40117 of title 49, United States Code, is
19 amended—

20 (1) in subsection (a)(3)(G) by striking “if the
21 airport is located in an air quality nonattainment
22 area (as defined in section 171(2) of the Clean Air
23 Act (42 U.S.C. 7501(2)) or a maintenance area re-
24 ferred to in section 175A of such act (42 U.S.C.
25 7505a)”;

1 (2) in subsection (b) by adding at the end the
2 following:

3 “(8) PRIORITY OF PROJECTS.—In carrying out
4 this section, the Secretary shall prioritize funding
5 for airports in areas located in an air quality non-
6 attainment area (as defined in section 171(2) of the
7 Clean Air Act (42 U.S.C. 7501(2)) or a maintenance
8 area referred to in section 175A of such act (42
9 U.S.C. 7505a).”.

10 **SEC. 704. AIRLINE CARBON EMISSIONS OFFSETS AND**
11 **GOALS.**

12 (a) CARBON OFFSETTING PROGRAM.—

13 (1) IN GENERAL.—Not later than 90 days after
14 the enactment of this Act, the Administrator of the
15 Federal Aviation Administration shall require each
16 air carrier receiving assistance under section 101, to
17 fully offset the annual carbon emissions of such air
18 carriers for domestic flights beginning in 2025.

19 (2) VERIFICATION.—In issuing regulations and
20 guidance to carry out to paragraph (1), the Admin-
21 istrator shall develop standards and practices to en-
22 sure the use of carbon offsets by air carriers are
23 real, additional, permanent, verifiable, and not dou-
24 ble counted and align with standards, recommended
25 practices, assessment tools, and guidance agreed to

1 by the United States pursuant to the European
2 Union Emissions Trading Scheme Prohibition Act of
3 2011 (Public Law 112–200) for addressing aircraft
4 emissions.

5 (3) AUDITING.—An air carrier covered under
6 this subsection shall take reasonable and continuous
7 measures to ensure any carbon offsets credited to, or
8 purchased by, such carrier continue to be accurate.

9 (4) CERTIFICATION.—The Administrator shall
10 annually certify that an air carrier’s carbon offset-
11 ting program aligns with the standards developed
12 pursuant to paragraph (2).

13 (b) CARBON EMISSIONS GOAL.—

14 (1) IN GENERAL.—The Administrator of the
15 Federal Aviation Administration shall require each
16 air carrier receiving assistance under section 101
17 to—

18 (A) make and achieve a binding commit-
19 ment to reduce the greenhouse gas emissions
20 attributable to the domestic flights of such air
21 carrier in every calendar year, beginning with
22 2021, on a path consistent with a 25 percent
23 reduction in the aviation sector’s emissions
24 from 2005 levels by 2035, and a 50 percent re-
25 duction in the sector’s emissions from 2005 lev-

1 els by 2050, applying the standards, rec-
2 ommended practices, and guidance agreed to by
3 the United States pursuant to the European
4 Union Emissions Trading Scheme Prohibition
5 Act of 2011 (Public Law 112–200) for address-
6 ing aircraft emissions; and

7 (B) submit to the Administrator, annually,
8 a report containing a plan for meeting the com-
9 mitment described in subparagraph (A) and evi-
10 dence of compliance with such commitment, in-
11 cluding the annual emissions of the air carrier,
12 use of alternative fuels, and any other means of
13 implementing such commitment.

14 (2) CERTIFICATION.—

15 (A) IN GENERAL.—Not later than 5 years
16 after the date of enactment of this Act, and not
17 less frequently than every 5 years thereafter,
18 the Administrator shall certify each air carrier
19 covered under this subsection that is taking
20 such actions as are necessary to meet the re-
21 quirements established pursuant to paragraph
22 (1).

23 (B) REMEDIATION.—With respect to any
24 air carrier covered under this subsection that
25 the Administrator does not certify under sub-

1 paragraph (A), the Administrator, in consulta-
2 tion with such air carrier, shall, not later than
3 180 days after the last date on which a certifi-
4 cation could have been made under such sub-
5 paragraph, develop a plan to ensure such air
6 carrier meets the requirements established pur-
7 suant to paragraph (1).

8 (3) PUBLIC INFORMATION.—The Secretary
9 shall make publicly available the reports described in
10 paragraph (1).

11 (4) LIMITATION.—Nothing in this subsection
12 shall affect or alter the authorities and responsibil-
13 ities to address greenhouse gases under any other
14 provision of law.

15 (c) INTERNATIONAL COMPETITIVENESS.—In issuing
16 regulations to carry out to subsection (b) and (c), the Ad-
17 ministrator shall create a mechanism that ensures foreign
18 air carriers that enter the national airspace system have
19 an equivalent emissions reductions target or programs
20 such that the United States airline industry is not at a
21 competitive disadvantage.

22 **SEC. 705. RESEARCH AND DEVELOPMENT OF SUSTAINABLE**
23 **AVIATION FUELS.**

24 There is authorized to be appropriated to the Federal
25 Aviation Administration \$100,000,000 for each of fiscal

1 years 2021 through 2026 for research and development
2 of sustainable aviation fuels.

3 **SEC. 706. IMPROVING CONSUMER INFORMATION REGARD-**
4 **ING RELEASE OF GREENHOUSE GASES FROM**
5 **FLIGHTS.**

6 (a) IN GENERAL.—Not later than January 1, 2023,
7 the Secretary of Transportation shall develop and imple-
8 ment, by regulation, a program to require air carriers that
9 receive assistance under section 101 provide passengers
10 with information regarding greenhouse gas emissions re-
11 sulting from each individual flight that is—

12 (1) customized to account for such emissions
13 associated with each aircraft and the flight route of
14 such aircraft; and

15 (2) made available on the first display of any
16 website selling any ticket for such flight, following a
17 search of a requested itinerary in a format that is
18 easily visible to the purchaser.

19 (b) PUBLIC REPORTING.—The Secretary shall pub-
20 lish monthly data and information that anonymously ag-
21 gregates and analyzes the information provided to indi-
22 vidual passengers under to subsection (a). Such informa-
23 tion and data shall—

24 (1) be accessible to the public on the internet;
25 and

1 (2) identify and quantify the greenhouse gas
2 emissions and relative climate change impact of each
3 passenger air carrier that receives assistance under
4 section 101.

5 **SEC. 707. STUDY ON CERTAIN CLIMATE CHANGE MITIGA-**
6 **TION EFFORTS.**

7 (a) IN GENERAL.—Not later than 90 days after the
8 date of enactment of this Act, the Secretary of Transpor-
9 tation shall seek to enter into an agreement with the Na-
10 tional Academies of Sciences, Engineering, and Medicine
11 (referred to in this section as the “National Academies”)
12 to conduct a study on climate change mitigation efforts
13 with respect to the civil aviation and aerospace industries.

14 (b) STUDY CONTENTS.—In conducting the study
15 under subsection (a), the National Academies shall—

16 (1) identify climate change mitigation efforts,
17 including efforts relating to emerging technologies,
18 in the civil aviation and aerospace industries;

19 (2) develop and apply an appropriate indicator
20 for assessing the effectiveness of such efforts;

21 (3) identify gaps in such efforts;

22 (4) identify barriers preventing expansion of
23 such efforts; and

24 (5) develop recommendations with respect to
25 such efforts.

1 (c) REPORTS.—

2 (1) FINDINGS OF STUDY.—Not later than 1
3 year after the date on which the Secretary enters
4 into an agreement for a study pursuant to sub-
5 section (a), the Secretary shall submit to the appro-
6 priate congressional committees the findings of the
7 study.

8 (2) ASSESSMENT.—Not later than 180 days
9 after the date on which the Secretary submits the
10 findings pursuant to paragraph (1), the Secretary,
11 acting through the Administrator of the Federal
12 Aviation Administration, shall submit to the appro-
13 priate congressional committees a report that con-
14 tains an assessment of the findings.

15 (d) AUTHORIZATION OF APPROPRIATIONS.—There is
16 authorized to be appropriated to the Secretary to carry
17 out this section \$1,500,000.

18 (e) DEFINITIONS.—In this section:

19 (1) APPROPRIATE CONGRESSIONAL COMMIT-
20 TEES.—The term “appropriate congressional com-
21 mittees” means the Committee on Transportation
22 and Infrastructure of the House of Representatives,
23 the Committee on Commerce, Science, and Trans-
24 portation of the Senate, and other congressional
25 committees determined appropriate by the Secretary.

1 (2) CLIMATE CHANGE MITIGATION EFFORTS.—

2 The term “climate change mitigation efforts” means
3 efforts, including the use of technologies, materials,
4 processes, or practices, that contribute to the reduc-
5 tion of greenhouse gas emissions.

6 **TITLE VIII—MISCELLANEOUS**

7 **SEC. 801. SEPARABILITY.**

8 If any provision of this division (including any
9 amendment made by this division) or the application
10 thereof to any person or circumstance is held invalid, the
11 remainder of this division (including any amendment
12 made by this division) and the application thereof to other
13 persons or circumstances shall not be affected thereby.

14 **SEC. 802. APPLICATION OF LAW.**

15 Chapter 83 of title 41, United States Code, shall not
16 apply with respect to purchases made in response to—

17 (1) the public health emergency declared on
18 January 31, 2020 under section 319 of the Public
19 Health Service Act (42 U.S.C. 247d); or

20 (2) the emergency declared by the President on
21 March 13, 2020, under section 501 of the Robert T.
22 Stafford Disaster Relief and Emergency Assistance
23 Act (42 U.S.C. 5191) and under any subsequent
24 major disaster declaration under section 401 of such
25 Act that supersedes such emergency declaration.

1 **DIVISION S—SBC PROVISIONS**
2 **DIVISION T—REVENUE**
3 **PROVISIONS**

4 **SEC. 1. SHORT TITLE; TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This division may be cited as the
6 “Emergency Pension Plan Relief Act of 2020”.

7 (b) TABLE OF CONTENTS.—The table of contents of
8 this division is as follows:

Sec. 1. Short title; table of contents.

TITLE I—HEALTH-RELATED TAX RELIEF

Sec. 101. Payroll credit for COVID–19 charity care provided by hospitals.

Sec. 102. Payroll credit for COVID–19 hospital facility expenditures.

Sec. 103. Restoration of limitations on reconciliation of tax credits for coverage
under a qualified health plan with advance payments of such
credit.

Sec. 104. Improving affordability by reducing premium costs for consumers.

TITLE II—ECONOMIC STIMULUS

Subtitle A—Economic Assistance Payments

Sec. 201. 2020 economic assistance payments to individuals.

Sec. 202. Economic assistance payments to certain Federal beneficiaries.

Subtitle B—Earned Income Tax Credit

Sec. 211. Strengthening the earned income tax credit for individuals with no
qualifying children.

Sec. 212. Taxpayer eligible for childless earned income credit in case of quali-
fying children who fail to meet certain identification require-
ments.

Sec. 213. Credit allowed in case of certain separated spouses.

Sec. 214. Elimination of disqualified investment income test.

Sec. 215. Application of earned income tax credit in possessions of the United
States.

Subtitle C—Child Tax Credit

Sec. 221. Child tax credit fully refundable for 2020 through 2025.

Sec. 222. Application of child tax credit in possessions.

Sec. 223. Increased child tax credit for children who have not attained age 6.

Subtitle D—Dependent Care Assistance

Sec. 231. Refundability and enhancement of child and dependent care tax cred-
it.

812

Sec. 232. Increase in exclusion for employer-provided dependent care assistance.

Subtitle E—Net Operating Losses

Sec. 241. Five-year carryback of net operating losses and temporary suspension of taxable income limitation.

Subtitle F—Employee Retention Credit

Sec. 251. Payroll credit for certain employers affected by COVID–19.

Subtitle G—Credits for Paid Sick and Family Leave

Sec. 261. Extension of credits.

Sec. 262. Repeal of reduced rate of credit for certain leave.

Sec. 263. Federal, State, and local governments allowed tax credits for paid sick and paid family and medical leave.

Sec. 264. Credits not allowed to certain large employers.

Sec. 265. Effective date.

TITLE III—ADMINISTRATIVE

Sec. 301. Delay of certain deadlines.

TITLE IV—RETIREMENT PROVISIONS

Sec. 401. Special rules for use of retirement funds.

Sec. 402. Single-employer plan funding rules.

Sec. 403. Temporary waiver of required minimum distribution rules for certain retirement plans and accounts.

Sec. 404. Modification of special rules for minimum funding standards for community newspaper plans.

Sec. 405. Application of cooperative and small employer charity pension plan rules to certain charitable employers whose primary exempt purpose is providing services with respect to mothers and children.

Sec. 406. Extended amortization for single employer plans.

Sec. 407. Extension of pension funding stabilization percentages for single employer plans.

TITLE V—REHABILITATION FOR MULTIEMPLOYER PENSIONS

Sec. 501. Short title.

Sec. 502. Pension Rehabilitation Administration; establishment; powers.

Sec. 503. Pension Rehabilitation Trust Fund.

Sec. 504. Loan program for multiemployer defined benefit plans.

Sec. 505. Coordination with withdrawal liability and funding rules.

Sec. 506. Issuance of Treasury bonds.

Sec. 507. Reports of plans receiving pension rehabilitation loans.

Sec. 508. PBGC financial assistance.

1 **TITLE I—HEALTH-RELATED TAX**
2 **RELIEF**

3 **SEC. 101. PAYROLL CREDIT FOR COVID-19 CHARITY CARE**
4 **PROVIDED BY HOSPITALS.**

5 (a) IN GENERAL.—In the case of an employer which
6 is an eligible hospital, there shall be allowed as a credit
7 against the tax imposed by section 3111(a) of the Internal
8 Revenue Code of 1986 for each calendar quarter an
9 amount equal to 90 percent of the COVID-related charity
10 care furnished by such hospital during such calendar quar-
11 ter.

12 (b) LIMITATIONS AND REFUNDABILITY.—

13 (1) CREDIT LIMITED TO CERTAIN EMPLOYMENT
14 TAXES.—The credit allowed by subsection (a) with
15 respect to any calendar quarter shall not exceed the
16 tax imposed by section 3111(a) of such Code for
17 such calendar quarter (reduced by any credits al-
18 lowed under subsection (e) or (f) of section 3111 of
19 such Code, or under section 7001 or 7003 of the
20 Families First Coronavirus Response Act, for such
21 quarter) on the wages paid with respect to the em-
22 ployment of all employees of the employer.

23 (2) REFUNDABILITY OF EXCESS CREDIT.—

24 (A) IN GENERAL.—If the amount of the
25 credit under subsection (a) exceeds the limita-

1 tion of paragraph (1) for any calendar quarter,
2 such excess shall be treated as an overpayment
3 that shall be refunded under sections 6402(a)
4 and 6413(b) of such Code.

5 (B) TREATMENT OF PAYMENTS.—For pur-
6 poses of section 1324 of title 31, United States
7 Code, any amounts due to an employer under
8 this paragraph shall be treated in the same
9 manner as a refund due from a credit provision
10 referred to in subsection (b)(2) of such section.

11 (c) ELIGIBLE HOSPITAL.—For purposes of this sec-
12 tion, the term “eligible hospital” means a subsection (d)
13 hospital as defined in section 1886(d)(1)(B) of the Social
14 Security Act (42 U.S.C. 1395ww(d)(1)(B)) or a critical
15 access hospital (as defined in section 1861(mm)(1) of such
16 Act (42 U.S.C. 1395x(mm)(1))).

17 (d) COVID-RELATED CHARITY CARE.—For purposes
18 of this section—

19 (1) IN GENERAL.—The term “COVID-related
20 charity care” means, with respect to any eligible
21 hospital, so much of the specified charity care fur-
22 nished by such hospital as relates to items and serv-
23 ices furnished in the United States for the treatment
24 of COVID–19 or a related condition.

1 (2) SPECIFIED CHARITY CARE.—The term
2 “specified charity care” means, with respect to an
3 eligible hospital, the cost of charity care of such hos-
4 pital as defined for purposes of the Medicare Cost
5 Report Worksheet S–10.

6 (e) SPECIAL RULES.—

7 (1) DENIAL OF DOUBLE BENEFIT.—For pur-
8 poses of chapter 1 of the Internal Revenue Code of
9 1986, any deduction otherwise allowable under such
10 chapter for any COVID-related charity care shall be
11 reduced by the amount of the credit allowed under
12 this section with respect to such care.

13 (2) DOCUMENTATION.—No credit shall be al-
14 lowed under this section unless the employer main-
15 tains such documentation as the Secretary of the
16 Treasury (or the Secretary’s delegate) may prescribe
17 to establish such employer’s eligibility for the credit
18 allowed under this section (and the amount thereof).

19 (3) ELECTION NOT TO HAVE SECTION APPLY.—
20 This section shall not apply with respect to any em-
21 ployer for any calendar quarter if such employer
22 elects (at such time and in such manner as the Sec-
23 retary of the Treasury (or the Secretary’s delegate)
24 may prescribe) not to have this section apply.

1 (4) CERTAIN TERMS.—Any term used in this
2 section which is also used in chapter 21 of such
3 Code shall have the same meaning as when used in
4 such chapter.

5 (f) REGULATIONS.—The Secretary of the Treasury
6 (or the Secretary's delegate) shall prescribe such regula-
7 tions or other guidance as may be necessary to carry out
8 the purposes of this section, including—

9 (1) regulations or other guidance (prescribed
10 after consultation with the Secretary of Health and
11 Human Services) which identify specific items and
12 services which are considered for purposes of sub-
13 section (d)(1) to be for the treatment of COVID–19
14 or a related condition,

15 (2) regulations or other guidance to effectuate
16 the purposes of the limitations under this section,

17 (3) regulations or other guidance to minimize
18 compliance and record-keeping burdens under this
19 section,

20 (4) regulations or other guidance providing for
21 a waiver of penalties for the failure to deposit taxes
22 imposed under section 3111(a) of such Code in an-
23 ticipation of the allowance of the credit allowed
24 under this section,

1 (5) regulations or other guidance for recap-
2 turing the benefit of credits determined under this
3 section in cases where there is a subsequent adjust-
4 ment to the credit determined under subsection (a),
5 and

6 (6) regulations or other guidance regarding the
7 treatment of certified professional employer organi-
8 zations, as described in section 3511 of such Code.

9 (g) APPLICATION OF SECTION.—

10 (1) IN GENERAL.—This section shall apply only
11 to COVID-related charity care which is furnished
12 during the period beginning on February 1, 2020,
13 and ending on December 31, 2020.

14 (2) TREATMENT OF CERTAIN CARE FURNISHED
15 BEFORE DATE OF ENACTMENT.—For purposes of
16 this section, any COVID-related charity care which
17 is furnished after January 31, 2020, and before the
18 calendar quarter which includes the date of the en-
19 actment of this Act shall be treated as having been
20 furnished in such calendar quarter.

21 (h) TRANSFERS TO FEDERAL OLD-AGE AND SUR-
22 VIVORS INSURANCE TRUST FUND.—There are hereby ap-
23 propriated to the Federal Old-Age and Survivors Insur-
24 ance Trust Fund and the Federal Disability Insurance
25 Trust Fund established under section 201 of the Social

1 Security Act (42 U.S.C. 401) amounts equal to the reduc-
2 tion in revenues to the Treasury by reason of this section
3 (without regard to this subsection). Amounts appropriated
4 by the preceding sentence shall be transferred from the
5 general fund at such times and in such manner as to rep-
6 licate to the extent possible the transfers which would have
7 occurred to such Trust Fund had this section not been
8 enacted.

9 (i) COORDINATION WITH DSH PAYMENTS.—Section
10 1886(r) of the Social Security Act (42 U.S.C. 1395ww(r))
11 is amended—

12 (1) in paragraph (2), by inserting “subject to
13 paragraph (4),” before “for fiscal year 2014”; and

14 (2) by adding at the end the following new
15 paragraph:

16 “(4) SPECIAL RULE FOR COVID-RELATED CHAR-
17 ITY CARE.—The Secretary shall, beginning in the
18 first fiscal year in which the factor described in
19 paragraph (2)(C) is calculated based on a cost re-
20 porting period that includes any portion of calendar
21 year 2020, exclude the amount of the payroll credit
22 for COVID–19 charity care allowed under section
23 101(a) of the Emergency Pension Plan Relief Act of
24 2020 provided to a subsection (d) hospital, from the
25 calculation of such factor.”.

1 **SEC. 102. PAYROLL CREDIT FOR COVID-19 HOSPITAL FA-**
2 **CILITY EXPENDITURES.**

3 (a) IN GENERAL.—In the case of an employer which
4 is an eligible hospital, there shall be allowed as a credit
5 against the tax imposed by section 3111(a) of the Internal
6 Revenue Code of 1986 for each calendar quarter an
7 amount equal to 90 percent of the COVID-19 hospital
8 facility expenditures paid or incurred by such hospital dur-
9 ing such calendar quarter.

10 (b) LIMITATIONS AND REFUNDABILITY.—

11 (1) CREDIT LIMITED TO CERTAIN EMPLOYMENT
12 TAXES.—The credit allowed by subsection (a) with
13 respect to any calendar quarter shall not exceed the
14 tax imposed by section 3111(a) of such Code for
15 such calendar quarter (reduced by any credits al-
16 lowed under subsection (e) or (f) of section 3111 of
17 such Code, under section 7001 or 7003 of the Fami-
18 lies First Coronavirus Response Act, or under the
19 preceding section of this Act, for such quarter) on
20 the wages paid with respect to the employment of all
21 employees of the employer.

22 (2) REFUNDABILITY OF EXCESS CREDIT.—

23 (A) IN GENERAL.—If the amount of the
24 credit under subsection (a) exceeds the limita-
25 tion of paragraph (1) for any calendar quarter,
26 such excess shall be treated as an overpayment

1 that shall be refunded under sections 6402(a)
2 and 6413(b) of such Code.

3 (B) TREATMENT OF PAYMENTS.—For pur-
4 poses of section 1324 of title 31, United States
5 Code, any amounts due to an employer under
6 this paragraph shall be treated in the same
7 manner as a refund due from a credit provision
8 referred to in subsection (b)(2) of such section.

9 (c) ELIGIBLE HOSPITAL.—For purposes of this sec-
10 tion, the term “eligible hospital” means a subsection (d)
11 hospital as defined in section 1886(d)(1)(B) of the Social
12 Security Act (42 U.S.C. 1395ww(d)(1)(B)) or a critical
13 access hospital (as defined in section 1861(mm)(1) of such
14 Act (42 U.S.C. 1395x(mm)(1)).

15 (d) COVID–19 HOSPITAL FACILITY EXPENDI-
16 TURES.—For purposes of this section—

17 (1) IN GENERAL.—The term “COVID–19 hos-
18 pital facility expenditures” means amounts paid or
19 incurred by an eligible hospital for—

20 (A) the purchase or construction of a tem-
21 porary structure in the United States for speci-
22 fied COVID-related purposes,

23 (B) the lease of any structure in the
24 United States for specified COVID-related pur-

1 poses if the term of such lease is not greater
2 than 2 years,

3 (C) the retrofitting of any existing perma-
4 nent structure in the United States for specified
5 COVID-related purposes, and

6 (D) any property for use in a structure de-
7 scribed in subparagraph (A), (B), or (C) for
8 specified COVID-related purposes if such prop-
9 erty is of a character which is subject to the al-
10 lowance for depreciation provided in section 167
11 of the Internal Revenue Code of 1986.

12 (2) SPECIFIED COVID-RELATED PURPOSES.—
13 The term “specified COVID-related purposes”
14 means the diagnosis, prevention, or treatment of
15 COVID–19 or a related condition.

16 (3) TEMPORARY STRUCTURE.—The term “tem-
17 porary structure” means a tent or such other struc-
18 ture which by its design or nature is not suitable to
19 serve as a permanent structure.

20 (4) COORDINATION WITH GOVERNMENT
21 GRANTS.—The COVID–19 hospital facility expendi-
22 tures taken into account under this section by any
23 eligible hospital shall be reduced by any amounts
24 provided by any Federal, State, or local government

1 for purposes of making or reimbursing such expendi-
2 tures.

3 (e) SPECIAL RULES.—

4 (1) DENIAL OF DOUBLE BENEFIT.—For pur-
5 poses of the Internal Revenue Code of 1986—

6 (A) the basis of any property with respect
7 to which a credit is allowed under this section
8 shall be reduced by the amount of such credit,
9 and

10 (B) such reduction shall be taken into ac-
11 count before determining the amount of any de-
12 duction, or allowance for depreciation or amor-
13 tization, with respect to such property for pur-
14 poses of such Code.

15 (2) RECAPTURE OF GAIN.—If an eligible hos-
16 pital disposes of any property with respect to which
17 a credit was allowed under this section and any gain
18 is determined on such disposition under section
19 1001 of such Code, the tax imposed under chapter
20 1 of such Code on such hospital shall be increased
21 by the amount of such gain. The preceding sentence
22 shall apply without regard to whether such eligible
23 hospital is otherwise exempt from, or not subject to,
24 the taxes otherwise imposed under such chapter.

1 (3) DOCUMENTATION.—No credit shall be al-
2 lowed under this section unless the employer main-
3 tains such documentation as the Secretary of the
4 Treasury (or the Secretary’s delegate) may prescribe
5 to establish such employer’s eligibility for the credit
6 allowed under this section (and the amount thereof).

7 (4) ELECTION NOT TO HAVE SECTION APPLY.—
8 This section shall not apply with respect to any em-
9 ployer for any calendar quarter if such employer
10 elects (at such time and in such manner as the Sec-
11 retary of the Treasury (or the Secretary’s delegate)
12 may prescribe) not to have this section apply.

13 (5) CERTAIN TERMS.—Any term used in this
14 section which is also used in chapter 21 of such
15 Code shall have the same meaning as when used in
16 such chapter.

17 (f) REGULATIONS.—The Secretary of the Treasury
18 (or the Secretary’s delegate) shall prescribe such regula-
19 tions or other guidance as may be necessary to carry out
20 the purposes of this section, including—

21 (1) regulations or other guidance to effectuate
22 the purposes of the limitations under this section,

23 (2) regulations or other guidance to minimize
24 compliance and record-keeping burdens under this
25 section,

1 (3) regulations or other guidance providing for
2 a waiver of penalties for the failure to deposit taxes
3 imposed under section 3111(a) in anticipation of the
4 allowance of the credit allowed under this section,

5 (4) regulations or other guidance for recap-
6 turing the benefit of credits determined under this
7 section in cases where there is a subsequent adjust-
8 ment to the credit determined under subsection (a),

9 (5) regulations or other guidance (prescribed
10 after consultation with the Secretary of Health and
11 Human Services) which identify specific items and
12 services which are considered for purposes of sub-
13 section (d)(2) to be for specified COVID-related pur-
14 poses, and

15 (6) regulations or other guidance regarding the
16 treatment of certified professional employer organi-
17 zations, as described in section 3511 of such Code.

18 (g) APPLICATION OF SECTION.—

19 (1) IN GENERAL.—This section shall apply only
20 to COVID–19 hospital facility expenditures which
21 are paid or incurred during the period beginning on
22 February 1, 2020, and ending on December 31,
23 2020.

24 (2) TREATMENT OF CERTAIN EXPENDITURES
25 MADE BEFORE DATE OF ENACTMENT.—For pur-

1 poses of this section, any COVID–19 hospital facility
2 expenditures which are paid or incurred after Janu-
3 ary 31, 2020, and before the calendar quarter which
4 includes the date of the enactment of this Act shall
5 be treated as having been furnished in such calendar
6 quarter.

7 (h) TRANSFERS TO FEDERAL OLD-AGE AND SUR-
8 VIVORS INSURANCE TRUST FUND.—There are hereby ap-
9 propriated to the Federal Old-Age and Survivors Insur-
10 ance Trust Fund and the Federal Disability Insurance
11 Trust Fund established under section 201 of the Social
12 Security Act (42 U.S.C. 401) amounts equal to the reduc-
13 tion in revenues to the Treasury by reason of this section
14 (without regard to this subsection). Amounts appropriated
15 by the preceding sentence shall be transferred from the
16 general fund at such times and in such manner as to rep-
17 licate to the extent possible the transfers which would have
18 occurred to such Trust Fund had this section not been
19 enacted.

1 **SEC. 103. RESTORATION OF LIMITATIONS ON RECONCILI-**
2 **ATION OF TAX CREDITS FOR COVERAGE**
3 **UNDER A QUALIFIED HEALTH PLAN WITH AD-**
4 **VANCE PAYMENTS OF SUCH CREDIT.**

5 (a) IN GENERAL.—Section 36B(f)(2)(B)(i) of the In-
6 ternal Revenue Code of 1986 is amended to read as fol-
7 lows:

8 “(i) IN GENERAL.—In the case of a
9 taxpayer whose household income is less
10 than 500 percent of the poverty line for
11 the size of the family involved for the tax-
12 able year, the amount of the increase
13 under subparagraph (A) shall in no event
14 exceed the applicable dollar amount deter-
15 mined in accordance with the following
16 table (one-half of such amount in the case
17 of a taxpayer whose tax is determined
18 under section 1(c) for the taxable year):

“If the household income (expressed as a percent of poverty line) is:	The applicable dollar amount is:
Less than 200%	\$600
At least 200% but less than 250%	\$1,000
At least 250% but less than 300%	\$1,500
At least 300% but less than 350%	\$2,000
At least 350% but less than 400%	\$2,500
At least 400% but less than 450%	\$3,000
At least 450% but less than 500%	\$3,500.”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 104. IMPROVING AFFORDABILITY BY REDUCING PREMIUM COSTS FOR CONSUMERS.

(a) **IN GENERAL.**—Section 36B(b)(3)(A) of the Internal Revenue Code of 1986 is amended to read as follows:

“(A) **APPLICABLE PERCENTAGE.**—The applicable percentage for any taxable year shall be the percentage such that the applicable percentage for any taxpayer whose household income is within an income tier specified in the following table shall increase, on a sliding scale in a linear manner, from the initial premium percentage to the final premium percentage specified in such table for such income tier:

“In the case of household income (expressed as a percent of poverty line) within the following income tier:	The initial premium percentage is—	The final premium percentage is—
Over 100.0 percent up to 150.0 percent	0.0	0.0
150.0 percent up to 200.0 percent	0.0	3.0
200.0 percent up to 250.0 percent	3.0	4.0
250.0 percent up to 300.0 percent	4.0	6.0
300.0 percent up to 400.0 percent	6.0	8.5
400.0 percent and higher	8.5	8.5”.

(b) **CONFORMING AMENDMENT.**—Section 36B(c)(1)(A) of the Internal Revenue Code of 1986 is amended by striking “but does not exceed 400 percent”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2020.

4 **TITLE II—ECONOMIC STIMULUS**
5 **Subtitle A—Economic Assistance**
6 **Payments**

7 **SEC. 201. 2020 ECONOMIC ASSISTANCE PAYMENTS TO INDI-**
8 **VIDUALS.**

9 (a) IN GENERAL.—Subchapter B of chapter 65 of the
10 Internal Revenue Code of 1986 is amended by adding at
11 the end the following new section:

12 **“SEC. 6431. 2020 ECONOMIC ASSISTANCE PAYMENTS TO IN-**
13 **DIVIDUALS.**

14 “(a) IN GENERAL.—In the case of an eligible indi-
15 vidual, there shall be allowed as a credit against the tax
16 imposed by subtitle A for the first taxable year beginning
17 in 2020 an amount equal to the sum of—

18 “(1) the base amount, and

19 “(2) the income supplement amount.

20 “(b) BASE AMOUNT.—For purposes of this section,
21 the term ‘base amount’ means, with respect to any tax-
22 payer, the sum of—

23 “(1) \$1,500 (\$3,000 in the case of a joint re-
24 turn), plus

1 “(2) \$1,500 multiplied by the number of quali-
2 fying children (within the meaning of section 24(c))
3 of the taxpayer (not in excess of 3 such children) for
4 the taxpayer’s first taxable year beginning in 2020.

5 “(c) INCOME SUPPLEMENT AMOUNT.—For purposes
6 of this section—

7 “(1) IN GENERAL.—The term ‘income supple-
8 ment amount’ means—

9 “(A) in the case of any taxpayer not de-
10 scribed in subparagraph (B), the excess (if any)
11 of—

12 “(i) adjusted gross income for the tax-
13 able year immediately preceding such tax-
14 payer’s first taxable year beginning in
15 2020, over

16 “(ii) adjusted gross income for such
17 taxpayer’s first taxable year beginning in
18 2020, and

19 “(B) in the case of any taxpayer whose
20 household income for such taxpayer’s first tax-
21 able year beginning in 2020 does not exceed the
22 applicable phaseout amount, the greater of—

23 “(i) the excess (if any) described in
24 subparagraph (A), or

25 “(ii) the sum of—

1 “(I) base amount multiplied by 5,
2 plus

3 “(II) \$5,000.

4 “(2) MAXIMUM INCOME SUPPLEMENT
5 AMOUNT.—The income supplement amount deter-
6 mined under this subsection shall not exceed the
7 sum described in paragraph (1)(B)(ii) (determined
8 without regard to paragraph (3)).

9 “(3) PHASEOUT OF THE MINIMUM INCOME SUP-
10 PLEMENT AMOUNT.—The sum described in para-
11 graph (1)(B)(ii) shall be reduced (but not below
12 zero) by the amount which bears the same ratio to
13 such sum as—

14 “(A) the excess (if any) of the household
15 income for the taxpayer’s first taxable year be-
16 ginning in 2020 over 200 percent of the poverty
17 line for a family of the size involved, bears to

18 “(B) the excess of the applicable phaseout
19 amount over 200 percent of the poverty line for
20 a family of the size involved.

21 “(4) DEFINITIONS RELATING TO THE POVERTY
22 LINE.—For purposes of this subsection—

23 “(A) IN GENERAL.—The terms ‘family
24 size’ and ‘poverty line’ have the respective

1 meaning given such terms under section
2 36B(d).

3 “(B) HOUSEHOLD INCOME.—The term
4 ‘household income’ has the meaning given such
5 term by section 36B(d)(2)(A) applied by using
6 adjusted gross income (within the meaning of
7 this section) in lieu of modified adjusted gross
8 income (within the meaning of section 36B).

9 “(d) OVERALL PHASEOUT BASED ON ADJUSTED
10 GROSS INCOME.—

11 “(1) IN GENERAL.—The amount of the credit
12 allowed by subsection (a) (determined without re-
13 gard to this subsection and subsection (g)) shall be
14 reduced (but not below zero) by the amount which
15 bears the same ratio to such amount as—

16 “(A) the excess (if any) of the adjusted
17 gross income for the taxpayer’s first taxable
18 year beginning in 2020 over the applicable
19 phaseout amount, bears to

20 “(B) 50 percent of the applicable phaseout
21 amount.

22 “(2) APPLICABLE PHASEOUT AMOUNT.—The
23 term ‘applicable phaseout amount’ means—

1 “(A) \$150,000 in the case of a joint return
2 or a surviving spouse (as defined in section
3 2(a)),

4 “(B) \$112,500 in the case of a head of
5 household (as defined in section 2(b)), and

6 “(C) \$75,000 in any other case.

7 “(e) OTHER DEFINITIONS.—For purposes of this
8 section—

9 “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible
10 individual’ means any individual other than—

11 “(A) any nonresident alien individual,

12 “(B) any individual with respect to whom
13 a deduction under section 151 is allowable to
14 another taxpayer for a taxable year beginning
15 in the calendar year in which the individual’s
16 taxable year begins, and

17 “(C) an estate or trust.

18 “(2) ADJUSTED GROSS INCOME.—The term ‘ad-
19 justed gross income’ means adjusted gross income
20 determined without regard to sections 911, 931, and
21 933.

22 “(f) SPECIAL RULES.—

23 “(1) CREDIT TREATED AS REFUNDABLE.—The
24 credit allowed by subsection (a) shall be treated as

1 allowed by subpart C of part IV of subchapter A of
2 chapter 1.

3 “(2) TREATMENT OF CREDIT AND ADVANCE
4 PAYMENTS.—For purposes of section 1324 of title
5 31, United States Code, any credit under subsection
6 (a) and any credit or refund under subsection (h)
7 shall be treated in the same manner as a refund due
8 from a credit provision referred to in subsection
9 (b)(2) of such section.

10 “(3) IDENTIFICATION NUMBER REQUIRE-
11 MENT.—An individual shall not be taken into ac-
12 count in determining the amount of the credit al-
13 lowed under subsection (a) unless the taxpayer iden-
14 tification number of such individual is included on
15 the return of tax for the taxable year.

16 “(g) COORDINATION WITH ADVANCE REFUNDS OF
17 CREDIT.—

18 “(1) REDUCTION OF REFUNDABLE CREDIT.—
19 The amount of the credit which would (but for this
20 paragraph) be allowable under subsection (a) shall
21 be reduced (but not below zero) by the aggregate re-
22 funds and credits made or allowed to the taxpayer
23 under subsection (h) and the aggregate payments to
24 which the taxpayer is entitled under section 202 of
25 the Emergency Pension Plan Relief Act of 2020.

1 Any failure to so reduce the credit shall be treated
2 as arising out of a mathematical or clerical error
3 and assessed according to section 6213(b)(1).

4 “(2) RECAPTURE OF PAYMENTS IN EXCESS OF
5 REFUNDABLE CREDIT.—

6 “(A) IN GENERAL.—If the sum of the ag-
7 gregate refunds and credits made or allowed to
8 the taxpayer under subsection (h) and the ag-
9 gregate payments to which the taxpayer is enti-
10 tled under section 202 of the Emergency Pen-
11 sion Plan Relief Act of 2020 exceeds the credit
12 allowed under subsection (a) (determined with-
13 out regard to paragraph (1)), the tax imposed
14 under chapter 1 for the taxpayer’s first taxable
15 year beginning in 2020 shall be increased by
16 the amount of such excess.

17 “(B) ELECTION TO SPREAD RECAPTURE
18 OVER 3 YEARS.—In the case of a taxpayer who
19 elects (at such time and in such manner as the
20 Secretary may provide) the application of this
21 subparagraph, subparagraph (A) shall not apply
22 and the tax imposed under chapter 1 shall be
23 increased by $\frac{1}{3}$ of the excess described in sub-
24 paragraph (A) in the taxpayer’s first taxable

1 year beginning in 2020 and in each of the 2 im-
2 mediately following taxable years.

3 “(3) JOINT RETURNS.—In the case of a refund
4 or credit made or allowed under subsection (h) with
5 respect to a joint return, half of such refund or cred-
6 it shall be treated as having been made or allowed
7 to each individual filing such return.

8 “(h) ADVANCE REFUNDS AND CREDITS.—

9 “(1) IN GENERAL.—Each taxpayer who was an
10 eligible individual for such taxpayer’s first taxable
11 year beginning in 2019 shall be treated as having
12 made a payment against the tax imposed by chapter
13 1 for such first taxable year in an amount equal to
14 the advance refund amount.

15 “(2) ADVANCE REFUND AMOUNT.—For pur-
16 poses of this subsection, the term ‘advance refund
17 amount’ means the sum of—

18 “(A) the product of the prior-year base
19 amount multiplied by 6, plus

20 “(B) \$5,000.

21 “(3) TIMING OF PAYMENTS.—

22 “(A) BASE AMOUNT.—The Secretary shall,
23 subject to the provisions of this title, refund or
24 credit so much of any overpayment attributable

1 to paragraph (1) as is not less than the prior-
2 year base amount as rapidly as possible.

3 “(B) PERIODIC ADDITIONAL PAYMENTS.—

4 To the extent that the Secretary determines
5 feasible, the Secretary shall, subject to the pro-
6 visions of this title, refund or credit any re-
7 maining overpayment in periodic additional
8 amounts. The Secretary, to the maximum ex-
9 tent practicable, shall ensure that the entire
10 overpayment attributable to paragraph (1) is
11 refunded or credited under this paragraph not
12 later than December 31, 2020. For purposes of
13 the preceding sentence, the term ‘remaining
14 overpayment’ means so much of the overpay-
15 ment attributable to paragraph (1) as is not re-
16 funded or credited under subparagraph (A).

17 “(C) TERMINATION OF PAYMENT AUTHOR-
18 ITY.—No refund or credit shall be made or al-
19 lowed under this subsection after December 31,
20 2020.

21 “(4) PRIOR-YEAR BASE AMOUNT.—For pur-
22 poses of this subsection, the term ‘prior-year base
23 amount’ means the base amount determined under
24 subsection (b) with respect to—

1 “(A) the taxpayer’s first taxable year be-
2 ginning in 2019, or

3 “(B) if information regarding such taxable
4 year is not available to the Secretary, the tax-
5 payer’s first taxable year beginning in 2018.

6 “(5) COORDINATION WITH PAYMENTS TO SO-
7 CIAL SECURITY ADMINISTRATION RECIPIENTS.—This
8 subsection shall not apply with respect to any tax-
9 payer entitled to a payment under section 202 of the
10 Emergency Pension Plan Relief Act of 2020.

11 “(6) NO INTEREST.—No interest shall be al-
12 lowed on any overpayment attributable to this sec-
13 tion.

14 “(7) INFORMATION PROVIDED TO TAX-
15 PAYERS.—As soon as practicable, the Secretary
16 shall—

17 “(A) make best efforts to inform every tax-
18 payer that amounts received pursuant to this
19 subsection may be subject to recapture under
20 subsection (g)(2), and

21 “(B) develop an Internet tool allowing tax-
22 payer’s to determine the amount of such recap-
23 ture using input from the taxpayer.

24 “(i) REGULATIONS.—The Secretary shall prescribe
25 such regulations or other guidance as may be necessary

1 or appropriate to carry out the purposes of this section,
2 including—

3 “(1) regulations or other guidance providing for
4 proper determination of adjusted gross income in the
5 case of an individual whose filing status changes be-
6 tween the taxable years taken into account under
7 this section and in the case of any taxable year
8 which is less than 12 months,

9 “(2) regulations or other guidance providing
10 taxpayers with respect to whom information for nei-
11 ther taxable year described in subsection (h)(4) is
12 available to the Secretary the opportunity to provide
13 the Secretary information sufficient to allow the Sec-
14 retary to determine the amount of the credit or re-
15 fund for such taxpayer under subsection (h), and

16 “(3) regulations or other guidance providing for
17 proper determination of the treatment of households
18 that include an eligible individual (as defined in sec-
19 tion 202(b) of the Emergency Pension Plan Relief
20 Act of 2020).

21 “(j) OUTREACH.—The Secretary shall carry out a ro-
22 bust and comprehensive outreach program to ensure that
23 all taxpayers described in subsection (i)(2) learn of their
24 eligibility for the advance refunds and credits under sub-
25 section (h); are advised of the opportunity to receive such

1 advance refunds and credits as provided under subsection
2 (i)(2), and provided assistance in applying for such cred-
3 its. In conducting this outreach, the Secretary shall co-
4 ordinate with other government, state, and local agencies;
5 federal partners; and community-based nonprofit organi-
6 zations that regularly interface with those taxpayers so de-
7 scribed.”.

8 (b) TREATMENT OF CERTAIN POSSESSIONS.—

9 (1) PAYMENTS TO POSSESSIONS WITH MIRROR
10 CODE TAX SYSTEMS.—The Secretary of the Treas-
11 ury shall pay to each possession of the United States
12 which has a mirror code tax system amounts equal
13 to the loss (if any) to that possession by reason of
14 the amendments made by this section. Such
15 amounts shall be determined by the Secretary of the
16 Treasury based on information provided by the gov-
17 ernment of the respective possession.

18 (2) PAYMENTS TO OTHER POSSESSIONS.—The
19 Secretary of the Treasury shall pay to each posses-
20 sion of the United States which does not have a mir-
21 ror code tax system amounts estimated by the Sec-
22 retary of the Treasury as being equal to the aggre-
23 gate benefits (if any) that would have been provided
24 to residents of such possession by reason of the
25 amendments made by this section if a mirror code

1 tax system had been in effect in such possession.
2 The preceding sentence shall not apply unless the re-
3 spective possession has a plan, which has been ap-
4 proved by the Secretary of the Treasury, under
5 which such possession will promptly distribute such
6 payments to its residents.

7 (3) COORDINATION WITH CREDIT ALLOWED
8 AGAINST UNITED STATES INCOME TAXES.—No cred-
9 it shall be allowed against United States income
10 taxes under section 6431 of the Internal Revenue
11 Code of 1986 (as amended by this section), nor shall
12 any credit or refund be made or allowed under sub-
13 section (h) of such section, to any person—

14 (A) to whom a credit is allowed against
15 taxes imposed by the possession by reason of
16 the amendments made by this section, or

17 (B) who is eligible for a payment under a
18 plan described in paragraph (2).

19 (4) MIRROR CODE TAX SYSTEM.—For purposes
20 of this subsection, the term “mirror code tax sys-
21 tem” means, with respect to any possession of the
22 United States, the income tax system of such posses-
23 sion if the income tax liability of the residents of
24 such possession under such system is determined by

1 reference to the income tax laws of the United
2 States as if such possession were the United States.

3 (c) ADMINISTRATIVE PROVISIONS.—

4 (1) DEFINITION OF DEFICIENCY.—Section
5 6211(b)(4)(A) of the Internal Revenue Code of 1986
6 is amended by striking “168(k)(4)” and inserting
7 “168(k)(4), and 6431”.

8 (2) MATHEMATICAL OR CLERICAL ERROR AU-
9 THORITY.—Section 6213(g)(2) of such Code is
10 amended—

11 (A) by inserting “or section 6431 (relating
12 to economic assistance payments to individ-
13 uals)” before the comma at the end of subpara-
14 graph (H), and

15 (B) by striking “or 32” in subparagraph
16 (L) and inserting “32, or 6431”.

17 (3) EXEMPTION FROM OFFSETS.—So much of
18 any overpayment, credit, refund, or payment as is
19 attributable to the application of section 6431 of the
20 Internal Revenue Code of 1986 shall not be subject
21 to reduction, offset, or levy under section 6331 or
22 subsections (c), (d), (e), or (f) of section 6402 of
23 such Code or under section 3716 or 3720A of title
24 31, United States Code.

1 (4) TREATMENT OF CREDIT AND ADVANCE PAY-
2 MENTS.—For purposes of section 1324 of title 31,
3 United States Code, any credit under section
4 6431(a) of the Internal Revenue Code of 1986, any
5 credit or refund under section 6431(h) of such Code,
6 and any payment under subsection (b) of this Act,
7 shall be treated in the same manner as a refund due
8 from a credit provision referred to in subsection
9 (b)(2) of such section 1324.

10 (d) APPROPRIATIONS TO CARRY OUT THIS SEC-
11 TION.—

12 (1) IN GENERAL.—Immediately upon the enact-
13 ment of this Act, the following sums are appro-
14 priated, out of any money in the Treasury not other-
15 wise appropriated, for the fiscal year ending Sep-
16 tember 30, 2020—

17 (A) For an additional amount for “Depart-
18 ment of the Treasury—Bureau of Fiscal Serv-
19 ices—Salaries and Expenses”, \$78,600,000, to
20 remain available until December 31, 2020.

21 (B) For an additional amount for “Depart-
22 ment of the Treasury—Internal Revenue Serv-
23 ice—Taxpayer Services”, \$301,000,000, to re-
24 main available until December 31, 2020.

1 (C) For an additional amount for “Depart-
2 ment of the Treasury—Internal Revenue Serv-
3 ice—Enforcement”, \$37,200,000, to remain
4 available until December 31, 2020.

5 (D) For an additional amount for “De-
6 partment of the Treasury—Internal Revenue
7 Service—Operations Support”, \$8,000,000, to
8 remain available until December 31, 2020.

9 (2) REPORTS.—No later than 15 days after en-
10 actment of this Act, the Secretary of the Treasury
11 shall submit a plan to the Committees on Appropria-
12 tions of the House of Representatives and the Sen-
13 ate detailing the expected use of the funds provided
14 by paragraph (1)(A). Beginning 90 days after enact-
15 ment of this Act, the Secretary of the Treasury shall
16 submit a quarterly report to the Committees on Ap-
17 propriations of the House of Representatives and the
18 Senate detailing the actual expenditure of funds pro-
19 vided by paragraph (1)(A) and the expected expendi-
20 ture of such funds in the subsequent quarter.

21 **SEC. 202. ECONOMIC ASSISTANCE PAYMENTS TO CERTAIN**
22 **FEDERAL BENEFICIARIES.**

23 (a) PAYMENT AUTHORITIES AND AMOUNTS.—

24 (1) BASE AMOUNT PAYMENTS.—Subject to sub-
25 section (c), the Secretary of the Treasury shall dis-

1 burse a base amount payment to each individual
2 who, as of the date of the enactment of this Act, is
3 an eligible individual. Such payment shall be in the
4 amount that would be paid under section 6431(b) of
5 the Internal Revenue Code of 1986 for a single tax-
6 payer with no qualifying children.

7 (2) INCOME SUPPLEMENT AMOUNT PAY-
8 MENTS.—Subject to subsection (c), the Secretary of
9 the Treasury shall disburse income supplement
10 amount payments to each individual who, as of the
11 date of the enactment of this Act, is an eligible indi-
12 vidual. The total of such payments to each such in-
13 dividual shall equal the amount defined in
14 6431(c)(1)(B)(ii) for a single taxpayer with no
15 qualifying children.

16 (b) ELIGIBLE INDIVIDUAL.—

17 (1) IN GENERAL.—For purposes of subsection
18 (a), an “eligible individual” is an individual who, for
19 the last month that ends prior to the date of enact-
20 ment of this Act—

21 (A) is entitled to a social security insur-
22 ance benefit described in paragraph (2); or

23 (B) is eligible for a supplemental security
24 income benefit described in paragraph (3).

1 (2) SOCIAL SECURITY BENEFIT DESCRIBED.—

2 For purposes of paragraph (1), a social security in-
3 surance benefit described in this paragraph is any
4 monthly insurance benefit payable under title II of
5 the Social Security Act (42 U.S.C. 401 et seq.)
6 (other than child's insurance benefits payable under
7 section 202(d)(1)(B)(i) of such Act (42 U.S.C.
8 402(d)(1)(B)(i)), including payments made pursuant
9 to subsections (g) or (i)(7) of section 223 of such
10 Act (42 U.S.C. 423).

11 (3) SUPPLEMENTAL SECURITY INCOME BEN-
12 EFIT DESCRIBED.—For purposes of paragraph (1),
13 a supplemental security income benefit described in
14 this paragraph is a monthly benefit payable under
15 title XVI of the Social Security Act (42 U.S.C. 1381
16 et seq.) (other than a benefit to an individual de-
17 scribed in section 1611(e)(1)(B) or section
18 1614(a)(3)(C) of such Act (42 U.S.C.
19 1382(e)(1)(B); 1382c(a)(3)(C)), including—

20 (A) payments made pursuant to section
21 1619(a) (42 U.S.C. 1382h) or subsections
22 (a)(4), (a)(7), or (p)(7) of section 1631 (42
23 U.S.C. 1383) of such Act; and

24 (B) State supplementary payments of the
25 type referred to in section 1616(a) of such Act

1 (42 U.S.C. 1382e(a)) (or payments of the type
2 described in section 212(a) of Public Law 93–
3 66) which are paid by the Commissioner under
4 an agreement referred to in such section
5 1616(a) (or section 212(a) of Public Law 93–
6 66).

7 (4) LIMITATION.—Notwithstanding paragraph
8 (1), no individual shall be considered an eligible indi-
9 vidual for purposes of subsection (a) if, for the last
10 month that ends prior to the date of enactment of
11 this Act—

12 (A) the individual is entitled to a social se-
13 curity insurance benefit described in paragraph
14 (2) that was not payable for such month by rea-
15 son of subsection (x) or (y) of section 202 the
16 Social Security Act (42 U.S.C. 402) or section
17 1129A of such Act (42 U.S.C. 1320a–8a); or

18 (B) the individual is eligible for a supple-
19 mental security income benefit described in
20 paragraph (3) that was not payable for such
21 month by reason of subsection (e)(1)(A) or
22 (e)(4) of section 1611 (42 U.S.C. 1382) or sec-
23 tion 1129A of such Act (42 U.S.C. 1320a–8a).

24 (c) LIMITATIONS ON PAYMENTS.—

1 (1) RESIDENCY REQUIREMENT.—A payment
2 under this section shall be made only to individuals
3 who reside in 1 of the 50 States, the District of Co-
4 lumbia, Puerto Rico, Guam, the United States Vir-
5 gin Islands, American Samoa, or the Northern Mar-
6 iana Islands, or who are utilizing a foreign or do-
7 mestic Army Post Office or Fleet Post Office ad-
8 dress. For purposes of the preceding sentence, the
9 determination of the individual's residence shall be
10 based on the address of record, as of the date of cer-
11 tification under subsection (d) for a payment under
12 this section, under a program specified in paragraph
13 (b).

14 (2) TIMING AND MANNER OF PAYMENTS.—

15 (A) TIMING OF BASE AMOUNT PAYMENT.—

16 The Secretary of the Treasury shall commence
17 disbursing payments under subsection (a)(1) at
18 the earliest practicable date but in no event
19 later than 90 days after the date of enactment
20 of this Act.

21 (B) TIMING OF INCOME SUPPLEMENT
22 AMOUNT PAYMENTS.—The Secretary of the
23 Treasury shall disburse payments under sub-
24 section (a)(2) on a periodic basis in coordina-
25 tion with the timing of refunds and credits

1 made under section 6431(h)(3)(B) of the Inter-
2 nal Revenue Code of 1986.

3 (C) ELECTRONIC DISBURSEMENT.—The
4 Secretary of the Treasury may disburse any
5 payment electronically to an individual in such
6 manner as if such payment were a benefit pay-
7 ment made to such individual under the appli-
8 cable program described in paragraph (2) or (3)
9 of subsection (b).

10 (D) NOTICES.—The Commissioner of So-
11 cial Security shall send one or more notices, as
12 appropriate, in connection with such payments.
13 Such notices shall include the information de-
14 scribed in section 6431(h)(7)(A) of the Internal
15 Revenue Code of 1986 relating to such pay-
16 ments being subject to recapture.

17 (d) IDENTIFICATION OF RECIPIENTS.—The Commis-
18 sioner of Social Security shall certify the individuals enti-
19 tled to receive payments under this section and provide
20 the Secretary of the Treasury with the information needed
21 to disburse such payments. A certification of an individual
22 for payment shall be unaffected by any subsequent deter-
23 mination or redetermination of the individual's entitlement
24 to, or eligibility for, a benefit specified in paragraph (2)
25 or (3) of subsection (b).

1 (e) TREATMENT OF PAYMENTS.—

2 (1) PAYMENT DISREGARDED FOR PURPOSES OF
3 ALL FEDERAL AND FEDERALLY ASSISTED PRO-
4 GRAMS.—A payment under subsection (a) shall not
5 be regarded as income or as a resource for any
6 month for purposes of determining the eligibility of
7 the recipient (or the recipient's spouse or family) for
8 benefits or assistance, or the amount or extent of
9 benefits or assistance, under any Federal program
10 or under any State or local program financed in
11 whole or in part with Federal funds.

12 (2) PAYMENT NOT CONSIDERED INCOME FOR
13 PURPOSES OF TAXATION.—A payment under sub-
14 section (a) shall not be considered as gross income
15 for purposes of the Internal Revenue Code of 1986.

16 (3) PAYMENTS PROTECTED FROM ASSIGN-
17 MENT.—The provisions of sections 207 and
18 1631(d)(1) of the Social Security Act (42 U.S.C.
19 407, 1383(d)(1)) shall apply to any payment made
20 under subsection (a) as if such payment was a ben-
21 efit payment made to such individual under the ap-
22 plicable program described in paragraph (2) or (3)
23 of subsection (b).

24 (4) PAYMENTS PROTECTED FROM OFFSET AND
25 RECLAMATION.—Notwithstanding paragraph (3), a

1 payment under subsection (a) shall not be subject to
2 any reduction, offset, or levy pursuant to—

3 (A) section 3716 or 3720A of title 31,
4 United States Code;

5 (B) section 6331 of the Internal Revenue
6 Code of 1986; or

7 (C) subsection (c), (d), (e), or (f) of section
8 6402 of the Internal Revenue Code of 1986.

9 (f) PAYMENT TO REPRESENTATIVE PAYEES.—

10 (1) IN GENERAL.—In any case in which an in-
11 dividual who is entitled to a payment under sub-
12 section (a) and whose benefit described in subsection
13 (b) is paid to a representative payee, the payment
14 under subsection (a) shall be made to the individ-
15 ual's representative payee and the entire payment
16 shall be used only for the benefit of the individual
17 who is entitled to the payment.

18 (2) ENFORCEMENT.—Section 1129(a)(3) of the
19 Social Security Act (42 U.S.C. 1320a-8(a)(3)) shall
20 apply to any payment under subsection (a) in the
21 same manner as such section applies to a payment
22 under title II or XVI of such Act.

23 (g) COORDINATION.—The Secretary of the Treasury
24 and the Commissioner of Social Security shall coordinate

1 with respect to any payments made under this section or
2 section 6431(h) of the Internal Revenue Code of 1986.

3 (h) APPROPRIATION.—Out of any money in the
4 Treasury not otherwise appropriated, there is appro-
5 priated to the Commissioner of Social Security such sums
6 as may be necessary for payments to individuals certified
7 by the Commissioner of Social Security as entitled to re-
8 ceive a payment under this section, to remain available
9 until expended.

10 **Subtitle B—Earned Income Tax** 11 **Credit**

12 **SEC. 211. STRENGTHENING THE EARNED INCOME TAX** 13 **CREDIT FOR INDIVIDUALS WITH NO QUALI-** 14 **FYING CHILDREN.**

15 (a) SPECIAL RULES FOR 2020 AND 2021.—Section
16 32 of the Internal Revenue Code of 1986 is amended by
17 adding at the end the following new subsection:

18 “(n) SPECIAL RULES FOR INDIVIDUALS WITHOUT
19 QUALIFYING CHILDREN.—In the case of any taxable year
20 beginning in 2020 or 2021—

21 “(1) DECREASE IN MINIMUM AGE FOR CRED-
22 IT.—

23 “(A) IN GENERAL.—Subsection
24 (c)(1)(A)(ii)(II) shall be applied by substituting
25 ‘the applicable minimum age’ for ‘age 25’.

1 “(B) APPLICABLE MINIMUM AGE.—For
2 purposes of this paragraph, the term ‘applicable
3 minimum age’ means—

4 “(i) except as otherwise provided in
5 this subparagraph, age 19,

6 “(ii) in the case of a full-time student
7 (other than a qualified former foster youth
8 or a qualified homeless youth), age 25, and

9 “(iii) in the case of a qualified former
10 foster youth or qualified homeless youth,
11 age 18.

12 “(C) FULL-TIME STUDENT.—For purposes
13 of this paragraph, the term ‘full-time student’
14 means, with respect to any taxable year, an in-
15 dividual who is an eligible student (as defined
16 in section 25A(b)(3)) during at least 5 calendar
17 months during the taxable year.

18 “(D) QUALIFIED FORMER FOSTER
19 YOUTH.—For purposes of this paragraph, the
20 term ‘qualified former foster youth’ means an
21 individual who—

22 “(i) on or after the date that such in-
23 dividual attained age 14, was in foster care
24 provided under the supervision or adminis-
25 tration of a State or tribal agency admin-

1 istering (or eligible to administer) a plan
2 under part B or part E of the Social Secu-
3 rity Act (without regard to whether Fed-
4 eral assistance was provided with respect
5 to such child under such part E), and

6 “(ii) provides (in such manner as the
7 Secretary may provide) consent for State
8 and tribal agencies which administer a
9 plan under part B or part E of the Social
10 Security Act to disclose to the Secretary
11 information related to the status of such
12 individual as a qualified former foster
13 youth.

14 “(E) QUALIFIED HOMELESS YOUTH.—For
15 purposes of this paragraph, the term ‘qualified
16 homeless youth’ means, with respect to any tax-
17 able year, an individual who—

18 “(i) is certified by a local educational
19 agency or a financial aid administrator
20 during such taxable year as being either an
21 unaccompanied youth who is a homeless
22 child or youth, or as unaccompanied, at
23 risk of homelessness, and self-supporting.
24 Terms used in the preceding sentence
25 which are also used in section 480(d)(1) of

1 the Higher Education Act of 1965 shall
2 have the same meaning as when used in
3 such section, and

4 “(ii) provides (in such manner as the
5 Secretary may provide) consent for local
6 educational agencies and financial aid ad-
7 ministrators to disclose to the Secretary in-
8 formation related to the status of such in-
9 dividual as a qualified homeless youth.

10 “(2) INCREASE IN MAXIMUM AGE FOR CRED-
11 IT.—Subsection (c)(1)(A)(ii)(II) shall be applied by
12 substituting ‘age 66’ for ‘age 65’.

13 “(3) INCREASE IN CREDIT AND PHASEOUT PER-
14 CENTAGES.—The table contained in subsection
15 (b)(1) shall be applied by substituting ‘15.3’ for
16 ‘7.65’ each place it appears therein.

17 “(4) INCREASE IN EARNED INCOME AND
18 PHASEOUT AMOUNTS.—

19 “(A) IN GENERAL.—The table contained in
20 subsection (b)(2)(A) shall be applied—

21 “(i) by substituting ‘\$9,570’ for
22 ‘\$4,220’, and

23 “(ii) by substituting ‘\$11,310’ for
24 ‘\$5,280’.

1 “(B) COORDINATION WITH INFLATION AD-
2 JUSTMENT.—

3 “(i) IN GENERAL.—In the case of any
4 taxable year beginning after 2019, the
5 \$9,570 and \$11,310 amounts in subpara-
6 graph (A) shall each be increased by an
7 amount equal to—

8 “(I) such dollar amount, multi-
9 plied by

10 “(II) the cost-of-living adjust-
11 ment determined under section 1(f)(3)
12 for the calendar year in which the tax-
13 able year begins, determined by sub-
14 stituting ‘2018’ for ‘2016’ in subpara-
15 graph (A)(ii) thereof.

16 “(ii) ROUNDING.—If any increase
17 under clause (i) is not a multiple of \$10,
18 such increase shall be rounded to the near-
19 est multiple of \$10.

20 “(iii) COORDINATION WITH OTHER IN-
21 FLATION ADJUSTMENT.—Subsection (j)
22 shall not apply to any dollar amount speci-
23 fied in this paragraph.”.

24 (b) INFORMATION RETURN MATCHING.—As soon as
25 practicable, the Secretary of the Treasury (or the Sec-

1 retary's delegate) shall develop and implement procedures
2 for checking an individual's claim for a credit under sec-
3 tion 32 of the Internal Revenue Code of 1986, by reason
4 of subsection (n)(1) thereof, against any information re-
5 turn made with respect to such individual under section
6 6050S (relating to returns relating to higher education
7 tuition and related expenses).

8 (c) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to taxable years beginning after
10 December 31, 2019.

11 **SEC. 212. TAXPAYER ELIGIBLE FOR CHILDLESS EARNED IN-**
12 **COME CREDIT IN CASE OF QUALIFYING CHIL-**
13 **DREN WHO FAIL TO MEET CERTAIN IDENTI-**
14 **FICATION REQUIREMENTS.**

15 (a) IN GENERAL.—Section 32(c)(1) of the Internal
16 Revenue Code of 1986 is amended by striking subpara-
17 graph (F).

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 the date of the enactment of this Act.

21 **SEC. 213. CREDIT ALLOWED IN CASE OF CERTAIN SEPA-**
22 **RATED SPOUSES.**

23 (a) IN GENERAL.—Section 32(d) of the Internal Rev-
24 enue Code of 1986 is amended—

1 (1) by striking “MARRIED INDIVIDUALS.—In
2 the case of” and inserting the following: “MARRIED
3 INDIVIDUALS.—

4 “(1) IN GENERAL.—In the case of”, and

5 (2) by adding at the end the following new
6 paragraph:

7 “(2) DETERMINATION OF MARITAL STATUS.—
8 For purposes of this section—

9 “(A) IN GENERAL.—Except as provided in
10 subparagraph (B), marital status shall be deter-
11 mined under section 7703(a).

12 “(B) SPECIAL RULE FOR SEPARATED
13 SPOUSE.—An individual shall not be treated as
14 married if such individual—

15 “(i) is married (as determined under
16 section 7703(a)) and does not file a joint
17 return for the taxable year,

18 “(ii) lives with a qualifying child of
19 the individual for more than one-half of
20 such taxable year, and

21 “(iii)(I) during the last 6 months of
22 such taxable year, does not have the same
23 principal place of abode as the individual’s
24 spouse, or

1 “(II) has a decree, instrument, or
2 agreement (other than a decree of divorce)
3 described in section 121(d)(3)(C) with re-
4 spect to the individual’s spouse and is not
5 a member of the same household with the
6 individual’s spouse by the end of the tax-
7 able year.”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Section 32(c)(1)(A) of such Code is amend-
10 ed by striking the last sentence.

11 (2) Section 32(c)(1)(E)(ii) of such Code is
12 amended by striking “(within the meaning of section
13 7703)”.

14 (3) Section 32(d)(1) of such Code, as amended
15 by subsection (a), is amended by striking “(within
16 the meaning of section 7703)”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 the date of the enactment of this Act.

20 **SEC. 214. ELIMINATION OF DISQUALIFIED INVESTMENT IN-**
21 **COME TEST.**

22 (a) IN GENERAL.—Section 32 of the Internal Rev-
23 enue Code of 1986 is amended by striking subsection (i).

24 (b) CONFORMING AMENDMENTS.—

1 (1) Section 32(j)(1) of such Code is amended
2 by striking “subsections (b)(2) and (i)(1)” and in-
3 serting “subsection (b)(2)”.

4 (2) Section 32(j)(1)(B)(i) of such Code is
5 amended by striking “subsections (b)(2)(A) and
6 (i)(1)” and inserting “subsection (b)(2)(A)”.

7 (3) Section 32(j)(2) of such Code is amended—
8 (A) by striking subparagraph (B), and
9 (B) by striking “ROUNDING.—” and all
10 that follows through “If any dollar amount”
11 and inserting the following: “ROUNDING.—If
12 any dollar amount”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 the date of the enactment of this Act.

16 **SEC. 215. APPLICATION OF EARNED INCOME TAX CREDIT**
17 **IN POSSESSIONS OF THE UNITED STATES.**

18 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
19 enue Code of 1986 is amended by adding at the end the
20 following new section:

21 **“SEC. 7530. APPLICATION OF EARNED INCOME TAX CREDIT**
22 **TO POSSESSIONS OF THE UNITED STATES.**

23 “(a) PUERTO RICO.—

24 “(1) IN GENERAL.—With respect to calendar
25 year 2021 and each calendar year thereafter, the

1 Secretary shall, except as otherwise provided in this
2 subsection, make payments to Puerto Rico equal
3 to—

4 “(A) the specified matching amount for
5 such calendar year, plus

6 “(B) in the case of calendar years 2021
7 through 2025, the lesser of—

8 “(i) the expenditures made by Puerto
9 Rico during such calendar year for edu-
10 cation efforts with respect to individual
11 taxpayers and tax return preparers relat-
12 ing to the earned income tax credit, or

13 “(ii) \$1,000,000.

14 “(2) REQUIREMENT TO REFORM EARNED IN-
15 COME TAX CREDIT.—The Secretary shall not make
16 any payments under paragraph (1) with respect to
17 any calendar year unless Puerto Rico has in effect
18 an earned income tax credit for taxable years begin-
19 ning in or with such calendar year which (relative to
20 the earned income tax credit which was in effect for
21 taxable years beginning in or with calendar year
22 2019) increases the percentage of earned income
23 which is allowed as a credit for each group of indi-
24 viduals with respect to which such percentage is sep-

1 arately stated or determined in a manner designed
2 to substantially increase workforce participation.

3 “(3) SPECIFIED MATCHING AMOUNT.—For pur-
4 poses of this subsection—

5 “(A) IN GENERAL.—The term ‘specified
6 matching amount’ means, with respect to any
7 calendar year, the lesser of—

8 “(i) the excess (if any) of—

9 “(I) the cost to Puerto Rico of
10 the earned income tax credit for tax-
11 able years beginning in or with such
12 calendar year, over

13 “(II) the base amount for such
14 calendar year, or

15 “(ii) the product of 3, multiplied by
16 the base amount for such calendar year.

17 “(B) BASE AMOUNT.—

18 “(i) BASE AMOUNT FOR 2021.—In the
19 case of calendar year 2021, the term ‘base
20 amount’ means the greater of—

21 “(I) the cost to Puerto Rico of
22 the earned income tax credit for tax-
23 able years beginning in or with cal-
24 endar year 2019 (rounded to the
25 nearest multiple of \$1,000,000), or

1 “(II) \$200,000,000.

2 “(ii) INFLATION ADJUSTMENT.—In
3 the case of any calendar year after 2021,
4 the term ‘base amount’ means the dollar
5 amount determined under clause (i) in-
6 creased by an amount equal to—

7 “(I) such dollar amount, multi-
8 plied by—

9 “(II) the cost-of-living adjust-
10 ment determined under section 1(f)(3)
11 for such calendar year, determined by
12 substituting ‘calendar year 2020’ for
13 ‘calendar year 2016’ in subparagraph
14 (A)(ii) thereof.

15 Any amount determined under this clause
16 shall be rounded to the nearest multiple of
17 \$1,000,000.

18 “(4) RULES RELATED TO PAYMENTS AND RE-
19 PORTS.—

20 “(A) TIMING OF PAYMENTS.—The Sec-
21 retary shall make payments under paragraph
22 (1) for any calendar year—

23 “(i) after receipt of the report de-
24 scribed in subparagraph (B) for such cal-
25 endar year, and

1 “(ii) except as provided in clause (i),
2 within a reasonable period of time before
3 the due date for individual income tax re-
4 turns (as determined under the laws of
5 Puerto Rico) for taxable years which began
6 on the first day of such calendar year.

7 “(B) ANNUAL REPORTS.—With respect to
8 calendar year 2021 and each calendar year
9 thereafter, Puerto Rico shall provide to the Sec-
10 retary a report which shall include—

11 “(i) an estimate of the costs described
12 in paragraphs (1)(B)(i) and (3)(A)(i)(I)
13 with respect to such calendar year, and

14 “(ii) a statement of such costs with
15 respect to the preceding calendar year.

16 “(C) ADJUSTMENTS.—

17 “(i) IN GENERAL.—In the event that
18 any estimate of an amount is more or less
19 than the actual amount as later deter-
20 mined and any payment under paragraph
21 (1) was determined on the basis of such
22 estimate, proper payment shall be made
23 by, or to, the Secretary (as the case may
24 be) as soon as practicable after the deter-
25 mination that such estimate was inac-

1 curate. Proper adjustment shall be made in
2 the amount of any subsequent payments
3 made under paragraph (1) to the extent
4 that proper payment is not made under the
5 preceding sentence before such subsequent
6 payments.

7 “(ii) ADDITIONAL REPORTS.—The
8 Secretary may require such additional peri-
9 odic reports of the information described in
10 subparagraph (B) as the Secretary deter-
11 mines appropriate to facilitate timely ad-
12 justments under clause (i).

13 “(D) DETERMINATION OF COST OF
14 EARNED INCOME TAX CREDIT.—For purposes
15 of this subsection, the cost to Puerto Rico of
16 the earned income tax credit shall be deter-
17 mined by the Secretary on the basis of the laws
18 of Puerto Rico and shall include reductions in
19 revenues received by Puerto Rico by reason of
20 such credit and refunds attributable to such
21 credit, but shall not include any administrative
22 costs with respect to such credit.

23 “(E) PREVENTION OF MANIPULATION OF
24 BASE AMOUNT.—No payments shall be made
25 under paragraph (1) if the earned income tax

1 credit as in effect in Puerto Rico for taxable
2 years beginning in or with calendar year 2019
3 is modified after the date of the enactment of
4 this subsection.

5 “(b) POSSESSIONS WITH MIRROR CODE TAX SYS-
6 TEMS.—

7 “(1) IN GENERAL.—With respect to calendar
8 year 2021 and each calendar year thereafter, the
9 Secretary shall, except as otherwise provided in this
10 subsection, make payments to the Virgin Islands,
11 Guam, and the Commonwealth of the Northern Mar-
12 iana Islands equal to—

13 “(A) 75 percent of the cost to such posses-
14 sion of the earned income tax credit for taxable
15 years beginning in or with such calendar year,
16 plus

17 “(B) in the case of calendar years 2021
18 through 2025, the lesser of—

19 “(i) the expenditures made by such
20 possession during such calendar year for
21 education efforts with respect to individual
22 taxpayers and tax return preparers relat-
23 ing to such earned income tax credit, or

24 “(ii) \$50,000.

1 “(2) APPLICATION OF CERTAIN RULES.—Rules
2 similar to the rules of subparagraphs (A), (B), (C),
3 and (D) of subsection (a)(4) shall apply for purposes
4 of this subsection.

5 “(c) AMERICAN SAMOA.—

6 “(1) IN GENERAL.—With respect to calendar
7 year 2021 and each calendar year thereafter, the
8 Secretary shall, except as otherwise provided in this
9 subsection, make payments to American Samoa
10 equal to—

11 “(A) the lesser of—

12 “(i) 75 percent of the cost to Amer-
13 ican Samoa of the earned income tax cred-
14 it for taxable years beginning in or with
15 such calendar year, or

16 “(ii) \$12,000,000, plus

17 “(B) in the case of calendar years 2021
18 through 2025, the lesser of—

19 “(i) the expenditures made by Amer-
20 ican Samoa during such calendar year for
21 education efforts with respect to individual
22 taxpayers and tax return preparers relat-
23 ing to such earned income tax credit, or

24 “(ii) \$50,000.

1 “(2) REQUIREMENT TO ENACT AND MAINTAIN
2 AN EARNED INCOME TAX CREDIT.—The Secretary
3 shall not make any payments under paragraph (1)
4 with respect to any calendar year unless American
5 Samoa has in effect an earned income tax credit for
6 taxable years beginning in or with such calendar
7 year which allows a refundable tax credit to individ-
8 uals on the basis of the taxpayer’s earned income
9 which is designed to substantially increase workforce
10 participation.

11 “(3) INFLATION ADJUSTMENT.—In the case of
12 any calendar year after 2021, the \$12,000,000
13 amount in paragraph (1)(A)(ii) shall be increased by
14 an amount equal to—

15 “(A) such dollar amount, multiplied by—

16 “(B) the cost-of-living adjustment deter-
17 mined under section 1(f)(3) for such calendar
18 year, determined by substituting ‘calendar year
19 2020’ for ‘calendar year 2016’ in subparagraph
20 (A)(ii) thereof.

21 Any increase determined under this clause shall be
22 rounded to the nearest multiple of \$100,000.

23 “(4) APPLICATION OF CERTAIN RULES.—Rules
24 similar to the rules of subparagraphs (A), (B), (C),

1 and (D) of subsection (a)(4) shall apply for purposes
2 of this subsection.

3 “(d) TREATMENT OF PAYMENTS.—For purposes of
4 section 1324 of title 31, United States Code, the payments
5 under this section shall be treated in the same manner
6 as a refund due from a credit provision referred to in sub-
7 section (b)(2) of such section.”.

8 (b) CLERICAL AMENDMENT.—The table of sections
9 for chapter 77 of such Code is amended by adding at the
10 end the following new item:

“Sec. 7529. Application of earned income tax credit to possessions of the
United States.”.

11 **Subtitle C—Child Tax Credit**

12 **SEC. 221. CHILD TAX CREDIT FULLY REFUNDABLE FOR 2020** 13 **THROUGH 2025.**

14 (a) IN GENERAL.—Section 24(h)(5) of the Internal
15 Revenue Code of 1986 is amended to read as follows:

16 “(5) REFUNDABLE CREDIT.—The increase de-
17 termined under the first sentence of subsection
18 (d)(1) shall be the amount determined under sub-
19 paragraph (A) of such subsection (determined with-
20 out regard to paragraph (4) of this subsection).”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to taxable years beginning after
23 December 31, 2019.

1 **SEC. 222. APPLICATION OF CHILD TAX CREDIT IN POSSES-**
2 **SIONS.**

3 (a) IN GENERAL.—Section 24 of the Internal Rev-
4 enue Code of 1986 is amended by adding at the end the
5 following new subsection:

6 “(i) APPLICATION OF CREDIT IN POSSESSIONS.—

7 “(1) MIRROR CODE POSSESSIONS.—

8 “(A) IN GENERAL.—The Secretary shall
9 pay to each possession of the United States
10 with a mirror code tax system amounts equal to
11 the loss to that possession by reason of the ap-
12 plication of this section (determined without re-
13 gard to this subsection) with respect to taxable
14 years beginning after 2019. Such amounts shall
15 be determined by the Secretary of the Treasury
16 based on information provided by the govern-
17 ment of the respective possession.

18 “(B) COORDINATION WITH CREDIT AL-
19 LOWED AGAINST UNITED STATES INCOME
20 TAXES.—No credit shall be allowed under this
21 section for any taxable year to any individual to
22 whom a credit is allowable against taxes im-
23 posed by a possession with a mirror code tax
24 system by reason of the application of this sec-
25 tion in such possession for such taxable year.

1 “(C) MIRROR CODE TAX SYSTEM.—For
2 purposes of this paragraph, the term ‘mirror
3 code tax system’ means, with respect to any
4 possession of the United States, the income tax
5 system of such possession if the income tax li-
6 ability of the residents of such possession under
7 such system is determined by reference to the
8 income tax laws of the United States as if such
9 possession were the United States.

10 “(2) PUERTO RICO.—In the case of any bona
11 fide resident of Puerto Rico (within the meaning of
12 section 937(a))—

13 “(A) the credit determined under this sec-
14 tion shall be allowable to such resident,

15 “(B) in the case of any taxable year begin-
16 ning after December 31, 2021, and before Jan-
17 uary 1, 2027, the increase determined under
18 the first sentence of subsection (d)(1) shall be
19 the lesser of—

20 “(i) the amount determined under
21 subsection (d)(1)(A) (determined without
22 regard to subsection (h)(4)), or

23 “(ii) the dollar amount in effect under
24 subsection (h)(5), and

1 “(C) in the case of any taxable year after
2 December 31, 2026, the increase determined
3 under the first sentence of subsection (d)(1)
4 shall be the amount determined under sub-
5 section (d)(1)(A).

6 “(3) AMERICAN SAMOA.—

7 “(A) IN GENERAL.—The Secretary shall
8 pay to American Samoa amounts estimated by
9 the Secretary as being equal to the aggregate
10 benefits that would have been provided to resi-
11 dents of American Samoa by reason of the ap-
12 plication of this section for taxable years begin-
13 ning after 2019 if the provisions of this section
14 had been in effect in American Samoa.

15 “(B) DISTRIBUTION REQUIREMENT.—Sub-
16 paragraph (A) shall not apply unless American
17 Samoa has a plan, which has been approved by
18 the Secretary, under which American Samoa
19 will promptly distribute such payments to the
20 residents of American Samoa in a manner
21 which replicates to the greatest degree prac-
22 ticable the benefits that would have been so
23 provided to each such resident.

1 “(C) COORDINATION WITH CREDIT AL-
2 LOWED AGAINST UNITED STATES INCOME
3 TAXES.—

4 “(i) IN GENERAL.—In the case of a
5 taxable year with respect to which a plan
6 is approved under subparagraph (B), this
7 section (other than this subsection) shall
8 not apply to any individual eligible for a
9 distribution under such plan.

10 “(ii) APPLICATION OF SECTION IN
11 EVENT OF ABSENCE OF APPROVED
12 PLAN.—In the case of a taxable year with
13 respect to which a plan is not approved
14 under subparagraph (B), rules similar to
15 the rules of paragraph (2) shall apply with
16 respect to bona fide residents of American
17 Samoa (within the meaning of section
18 937(a)).

19 “(4) TREATMENT OF PAYMENTS.—The pay-
20 ments made under this subsection shall be treated in
21 the same manner for purposes of section 1324(b)(2)
22 of title 31, United States Code, as refunds due from
23 the credit allowed under this section.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2019.

4 **SEC. 223. INCREASED CHILD TAX CREDIT FOR CHILDREN**
5 **WHO HAVE NOT ATTAINED AGE 6.**

6 (a) IN GENERAL.—Section 24(h)(2) of the Internal
7 Revenue Code of 1986 is amended to read to as follows:

8 “(2) CREDIT AMOUNT.—Subsection (a) shall be
9 applied by substituting ‘\$2,000 (\$3,600 in the case
10 of a qualifying child who has not attained age 6 as
11 of the close of the calendar year in which the taxable
12 year of the taxpayer begins)’ for ‘\$1,000’ ”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to taxable years beginning after
15 December 31, 2019.

16 **Subtitle D—Dependent Care**
17 **Assistance**

18 **SEC. 231. REFUNDABILITY AND ENHANCEMENT OF CHILD**
19 **AND DEPENDENT CARE TAX CREDIT.**

20 (a) IN GENERAL.—Section 21 of the Internal Rev-
21 enue Code of 1986 is amended by adding at the end the
22 following new subsection:

23 “(g) SPECIAL RULES FOR 2020 AND 2021.—In the
24 case of any taxable year beginning in 2020 or 2021—

1 “(1) CREDIT MADE REFUNDABLE.—In the case
2 of an individual other than a nonresident alien, the
3 credit allowed under subsection (a) shall be treated
4 as a credit allowed under subpart C (and not allowed
5 under this subpart).

6 “(2) INCREASE IN APPLICABLE PERCENTAGE.—
7 Subsection (a)(2) shall be applied—

8 “(A) by substituting ‘50 percent’ for ‘35
9 percent ’, and

10 “(B) by substituting ‘\$120,000’ for
11 ‘\$15,000’.

12 “(3) INCREASE IN DOLLAR LIMIT ON AMOUNT
13 CREDITABLE.—Subsection (c) shall be applied—

14 “(A) by substituting ‘\$6,000’ for ‘\$3,000’
15 in paragraph (1) thereof, and

16 “(B) by substituting ‘twice the amount in
17 effect under paragraph (1)’ for ‘\$6,000’ in
18 paragraph (2) thereof.

19 “(4) INFLATION ADJUSTMENT OF DOLLAR
20 AMOUNTS.—In the case of any taxable year begin-
21 ning after 2020, the \$120,000 amount in paragraph
22 (2)(B) and the \$6,000 amount in paragraph (3)(A)
23 shall each be increased by an amount equal to—

24 “(A) such dollar amount, multiplied by

1 “(B) the cost-of-living adjustment deter-
2 mined under section 1(f)(3) for the calendar
3 year in which the taxable year begins, deter-
4 mined by substituting ‘2019’ for ‘2016’ in sub-
5 paragraph (A)(ii) thereof.

6 If any increase determined under this paragraph is
7 not a multiple of \$100, such increase shall be round-
8 ed to the next lowest multiple of \$100.

9 “(5) INCOME LIMITATION.—

10 “(A) IN GENERAL.—Paragraphs (1)
11 through (4) of this subsection shall not apply to
12 any taxpayer for any taxable year if the modi-
13 fied adjusted gross income of such taxpayer for
14 such taxable year exceeds \$1,000,000.

15 “(B) MODIFIED ADJUSTED GROSS IN-
16 COME.—For purposes of this paragraph, the
17 term ‘modified adjusted gross income’ means
18 adjusted gross income determined without re-
19 gard to sections 911, 931, and 933.”.

20 (b) CONFORMING AMENDMENT.—Section 1324(b)(2)
21 of title 31, United States Code, is amended by inserting
22 “21 (by reason of subsection (g) thereof),” before “25A”.

23 (c) COORDINATION WITH POSSESSION TAX SYS-
24 TEMS.—Section 21(g)(1) of the Internal Revenue Code of

1 1986 (as added by this section) shall not apply to any per-
2 son—

3 (1) to whom a credit is allowed against taxes
4 imposed by a possession with a mirror code tax sys-
5 tem by reason of the application of section 21 of
6 such Code in such possession for such taxable year,
7 or

8 (2) to whom a credit would be allowed against
9 taxes imposed by a possession which does not have
10 a mirror code tax system if the provisions of section
11 21 of such Code had been in effect in such posses-
12 sion for such taxable year.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 2019.

16 **SEC. 232. INCREASE IN EXCLUSION FOR EMPLOYER-PRO-**
17 **VIDED DEPENDENT CARE ASSISTANCE.**

18 (a) IN GENERAL.—Section 129(a)(2) of the Internal
19 Revenue Code of 1986 is amended by adding at the end
20 the following new subparagraph:

21 “(D) SPECIAL RULE FOR 2021 AND 2022.—
22 In the case of any taxable year beginning in
23 2021 or 2022—

24 “(i) IN GENERAL.—Subparagraph (A)
25 shall be applied be substituting ‘\$10,500

1 (half such dollar amount’ for ‘\$5,000
2 (\$2,500’.

3 “(ii) INFLATION ADJUSTMENT.—In
4 the case of any taxable year beginning
5 after 2021, the \$10,500 amount in clause
6 (i) shall be increased by an amount equal
7 to—

8 “(I) such dollar amount, multi-
9 plied by

10 “(II) the cost-of-living adjust-
11 ment determined under section 1(f)(3)
12 for the calendar year in which the tax-
13 able year begins, determined by sub-
14 stituting ‘2020’ for ‘2016’ in subpara-
15 graph (A)(ii) thereof.

16 Any increase determined under the pre-
17 ceding sentence which is not a multiple of
18 \$50, shall be rounded to the nearest mul-
19 tiple of \$50.”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to taxable years beginning after
22 December 31, 2020.

1 **Subtitle E—Net Operating Losses**

2 **SEC. 241. FIVE-YEAR CARRYBACK OF NET OPERATING** 3 **LOSSES AND TEMPORARY SUSPENSION OF** 4 **TAXABLE INCOME LIMITATION.**

5 (a) IN GENERAL.—Section 172 of the Internal Rev-
6 enue Code of 1986 is amended by redesignating subsection
7 (g) as subsection (h) and by inserting after subsection (f)
8 the following new subsection:

9 “(g) SPECIAL RULES FOR 2018, 2019, and 2020.—
10 For purposes of this section—

11 “(1) FIVE-YEAR CARRYBACK.—

12 “(A) IN GENERAL.—Any net operating loss
13 arising in a taxable year beginning after De-
14 cember 31, 2017, and before January 1,
15 2021—

16 “(i) shall be a net operating loss
17 carryback to each of the 5 taxable years
18 preceding the taxable year of such loss
19 (but not to any taxable year beginning be-
20 fore January 1, 2015), and

21 “(ii) subparagraphs (B) and (C)(i) of
22 subsection (b)(1) shall not apply.

23 “(B) ELECTION OUT.—A taxpayer may
24 elect not to have subparagraph (A) apply for
25 any taxable year. Such election shall be made in

1 such manner as may be prescribed by the Sec-
2 retary, and shall be made—

3 “(i) in the case of any election relat-
4 ing to a net operating loss arising in a tax-
5 able year beginning in 2018 or 2019, by
6 the due date (including extension of time)
7 for filing the return for the taxpayer’s first
8 taxable year ending after the date of the
9 enactment of this subparagraph.

10 “(ii) in the case of any election relat-
11 ing to a net operating loss arising in a tax-
12 able year beginning in 2020, by the due
13 date (including extensions of time) for
14 such taxable year.

15 Any such election, once made, shall be irrev-
16 ocable.

17 “(2) SUSPENSION OF NET OPERATING LOSS
18 LIMITATION.—For taxable years beginning after De-
19 cember 31, 2017, and before January 1, 2021, the
20 amount of the deduction allowed under subsection
21 (a) shall be the aggregate of the net operating loss
22 carryovers to such year, plus the net operating loss
23 carrybacks to such year.

24 “(3) DISQUALIFIED TAXPAYER.—Paragraphs
25 (1) and (2) shall not apply with respect to any tax-

1 able year in which the taxpayer is a disqualified tax-
2 payer. Any taxpayer who is a disqualified taxpayer
3 in the first taxable year ending after the date of the
4 enactment of this paragraph, shall be treated as a
5 disqualified taxpayer for taxable years beginning on
6 or after January 1, 2018.

7 “(4) DEFINITIONS.—For purposes of this sub-
8 section—

9 “(A) DISQUALIFIED TAXPAYER.—A tax-
10 payer is a disqualified taxpayer with respect to
11 a taxable year if—

12 “(i) in the case of a taxable year end-
13 ing after December 31, 2019, and begin-
14 ning before January 1, 2021, the taxpayer
15 (or any related person) is not allowed a de-
16 duction under this chapter for the taxable
17 year by reason of section 162(m) or section
18 280G, or

19 “(ii) the taxpayer (or any related per-
20 son) is a specified corporation for the tax-
21 able year.

22 “(B) SPECIFIED CORPORATION.—

23 “(i) IN GENERAL.—The term ‘speci-
24 fied corporation’ means, with respect to
25 any taxable year, a corporation the aggre-

1 gate distributions (including redemptions)
2 of which during any taxable year ending
3 after December 31, 2017, exceed the sum
4 of applicable stock issued of such corpora-
5 tion and 5 percent of the fair market value
6 of the stock of such corporation as of the
7 last day of the taxable year.

8 “(ii) APPLICABLE STOCK ISSUED.—
9 The term ‘applicable stock issued’ means,
10 with respect to any corporation, the aggre-
11 gate value of stock issued by the corpora-
12 tion during any taxable year ending after
13 December 31, 2017, in exchange for money
14 or property other than stock in such cor-
15 poration.

16 “(iii) CERTAIN PREFERRED STOCK
17 DISREGARDED.—For purposes of clause
18 (i), stock described in section 1504(a)(4),
19 and distributions (including redemptions)
20 with respect to such stock, shall be dis-
21 regarded.

22 “(C) RELATED PERSON.—A person is a re-
23 lated person to a taxpayer if the related person
24 bears a relationship to the taxpayer specified in
25 section 267(b) or section 707(b)(1).

1 “(5) SPECIAL RULE FOR LIFE INSURANCE COM-
2 PANIES.—In the case of a net operating loss of a life
3 insurance company which arises in a taxable year
4 beginning after December 31, 2017, and before Jan-
5 uary 1, 2021, and which is a net operating loss
6 carryback to a taxable year beginning before Janu-
7 ary 1, 2018, such net operating loss shall be treated
8 as an operations loss deduction under subchapter L
9 (as in effect before the enactment of Public Law
10 115–97) with respect to such taxable year in the
11 same manner as a loss arising in a taxable year be-
12 ginning before January 1, 2018.”.

13 (b) COORDINATION WITH TAXABLE YEAR FOR
14 WHICH DEFERRED FOREIGN INCOME TREATED AS SUB-
15 PART F INCOME.—Section 965(n) of such Code is amend-
16 ed by adding at the end the following new paragraph:

17 “(4) DEEMED ELECTION IN CASE OF CERTAIN
18 NET OPERATING LOSS CARRYBACKS.—In the case of
19 a net operating loss carryback to such taxable year
20 by reason of section 172(g)(1), the taxpayer shall be
21 treated as having elected the application of this sub-
22 section for such taxable year.”.

23 (c) CONFORMING AMENDMENT.—Section 172(b)(1)
24 of such Code is amended by inserting “and subsection (g)”
25 after “this paragraph”.

1 (d) REGULATORY AUTHORITY.—The Secretary of the
2 Treasury (or the Secretary’s delegate) shall prescribe such
3 regulations or other guidance as are necessary or appro-
4 priate to prevent the abuse of the purposes of the amend-
5 ments made by this section, including—

6 (1) anti-stuffing rules, anti-churning rules (in-
7 cluding rules relating to sale-leasebacks), and rules
8 similar to the rules under section 1091 of the Inter-
9 nal Revenue Code of 1986 relating to losses from
10 wash sales,

11 (2) rules applying this subsection to successor
12 corporations and in cases where a taxpayer becomes,
13 or ceases to be, a member of an affiliated group fil-
14 ing a consolidated return under section 1501 of such
15 Code,

16 (3) rules treating members of an affiliated
17 group filing a consolidated return under section
18 1501 of such Code as a single corporation, and

19 (4) rules to prevent the avoidance of this sec-
20 tion through related parties, pass-through entities,
21 and intermediaries.

22 (e) SPECIAL RULES.—Rules similar to the rules of
23 subparagraphs (B) and (D) of section 172(b)(1) of the
24 Internal Revenue Code of 1986, as in effect on the day
25 before the date of the enactment of Public Law 115–97,

1 shall apply to any net operating loss to which the amend-
2 ment made by this section applies. The Secretary of the
3 Treasury (or the Secretary's delegate) shall prescribe such
4 regulations or other guidance as are necessary or appro-
5 priate to effect the purposes of such subparagraphs with
6 respect to any such net operating losses.

7 (f) EFFECTIVE DATE.—

8 (1) NET OPERATING LOSS LIMITATION.—Ex-
9 cept as provided in paragraph (2), the amendments
10 made by subsections (a) shall apply to—

11 (A) taxable years beginning after Decem-
12 ber 31, 2017, and

13 (B) taxable years beginning on or before
14 December 31, 2017, to which net operating
15 losses arising in taxable years beginning after
16 December 31, 2017, are carried.

17 (2) CARRYBACKS.—In the case of the amend-
18 ments made by subsections (b) and (c), and so much
19 of subsection (a) as relates to the carryback of net
20 operating losses, such amendments shall apply to net
21 operating losses arising in taxable years ending after
22 December 31, 2017, and beginning before January
23 1, 2021.

1 **Subtitle F—Employee Retention**
2 **Credit**

3 **SEC. 251. PAYROLL CREDIT FOR CERTAIN EMPLOYERS AF-**
4 **FECTED BY COVID-19.**

5 (a) IN GENERAL.—In the case of an eligible em-
6 ployer, there shall be allowed as a credit against the tax
7 imposed by section 3111(a) or 3221(a) of the Internal
8 Revenue Code of 1986 for each calendar quarter an
9 amount equal to 80 percent of the qualified wages allo-
10 cable to the inoperable trade or business with respect to
11 each employee of such employer for such calendar quarter.

12 (b) LIMITATIONS AND REFUNDABILITY.—

13 (1) WAGES TAKEN INTO ACCOUNT.—The
14 amount of qualified wages with respect to any em-
15 ployee which may be taken into account under sub-
16 section (a) by the eligible employer for all calendar
17 quarters shall not exceed \$10,000.

18 (2) CREDIT LIMITED TO EMPLOYMENT
19 TAXES.—The credit allowed by subsection (a) with
20 respect to any calendar quarter shall not exceed the
21 tax imposed by section 3111(a) or 3221(a) of the
22 Internal Revenue Code of 1986 for such calendar
23 quarter (reduced by any credits allowed under sub-
24 sections (e) and (f) of section 3111 and sections
25 7001 and 7003 of the Families First Coronavirus

1 Response Act) on the wages paid with respect to the
2 employment of all the employees of the eligible em-
3 ployer.

4 (3) REFUNDABILITY OF EXCESS CREDIT.—

5 (A) IN GENERAL.—If the amount of the
6 credit under subsection (a) exceeds the limita-
7 tion of paragraph (2) for any calendar quarter,
8 such excess shall be treated as an overpayment
9 that shall be refunded under sections 6402(a)
10 and 6413(b) of such Code.

11 (B) TREATMENT OF PAYMENTS.—For pur-
12 poses of section 1324 of title 31, United States
13 Code, any amounts due to the employer under
14 this paragraph shall be treated in the same
15 manner as a refund due from a credit provision
16 referred to in subsection (b)(2) of such section.

17 (c) DEFINITIONS.—For purposes of this section—

18 (1) ELIGIBLE EMPLOYER.—The term “eligible
19 employer” means an employer—

20 (A) which conducted an active trade or
21 business on January 31, 2020,

22 (B) with respect to which such trade or
23 business is an inoperable trade or business after
24 January 31, 2020 during any calendar quarter,
25 and

1 (C) which had either—

2 (i) no more than 1,500 full-time
3 equivalent employees (as defined in section
4 45R(d)(2) of the Internal Revenue Code of
5 1986) for calendar year 2019, or

6 (ii) no more than \$41.5 million in
7 gross receipts in calendar year 2019.

8 (2) INOPERABLE TRADE OR BUSINESS.—The
9 term “inoperable trade or business” means any
10 trade or business of an eligible employer for which
11 gross receipts for the calendar quarter are less than
12 80 percent of gross receipts for the same calendar
13 quarter for the prior year.

14 (3) QUALIFIED WAGES.—The term “qualified
15 wages” means wages (as defined in section 3121(a)
16 of such Code) or compensation (as defined in section
17 3231(e) of such Code) paid or incurred by an eligi-
18 ble employer with respect to an employee on any day
19 after January 31, 2020 and before December 31,
20 2020 that falls during the designated period, except
21 that such term shall not include any wages taken
22 into account under section 7001 or section 7003 of
23 the Families First Coronavirus Response Act.

24 (4) DESIGNATED PERIOD.—The term “des-
25 ignated period” means the period—

1 (A) beginning in the calendar quarter in
2 which the trade or business became an inoper-
3 able trade or business, and

4 (B) ending in the calendar quarter for
5 which the gross receipts of the trade or busi-
6 ness of the eligible employer are greater than
7 90 percent of gross receipts for the same cal-
8 endar quarter for the prior year.

9 Such term shall include wages paid or incurred with-
10 out regard to whether the employee performs no
11 services, performs services at a different place of em-
12 ployment, or performs services during the period in
13 which the eligible employer is an inoperable trade or
14 business.

15 (d) AGGREGATION RULE.—All persons treated as a
16 single employer under subsection (a) or (b) of section 52
17 of such Code, or subsection (m) or (o) of section 414 of
18 such Code, shall be treated as one eligible employer for
19 purposes of this section.

20 (e) DENIAL OF DOUBLE BENEFIT.—For purposes of
21 chapter 1 of such Code, the gross income of the employer
22 for the taxable year which includes the last day of any
23 calendar quarter with respect to which a credit is allowed
24 under this section shall be increased by the amount of
25 such credit.

1 (f) SPECIAL RULE FOR THIRD PARTY PAYORS.—Any
2 credit allowed under this section shall be treated as a cred-
3 it described in section 3511(d)(2) of such Code.

4 (g) ELECTION NOT TO HAVE SECTION APPLY.—This
5 section shall not apply with respect to any eligible em-
6 ployer for any calendar quarter if such employer elects (at
7 such time and in such manner as the Secretary of the
8 Treasury (or the Secretary's delegate) may prescribe) not
9 to have this section apply.

10 (h) EMPLOYEE NOT TAKEN INTO ACCOUNT MORE
11 THAN ONCE.—An employee shall not be treated as an em-
12 ployee for purposes of this section for any period with re-
13 spect to any employer if such employer is allowed a credit
14 under section 51 of such Code with respect to such em-
15 ployee for such period.

16 (i) REGULATIONS.—The Secretary of the Treasury
17 (or the Secretary's delegate) shall prescribe such regula-
18 tions or other guidance as may be necessary to carry out
19 the purposes of this section, including—

20 (1) regulations or other guidance providing for
21 waiver of penalties for failure to deposit amounts in
22 anticipation of the allowance of the credit allowed
23 under this section,

1 (2) regulations or other guidance regarding the
2 form and manner for recapturing credits under this
3 section,

4 (3) regulations or other guidance to prevent the
5 avoidance of the purposes of this section,

6 (4) regulations or other guidance describing
7 proper calculation of gross receipts for purposes of
8 subsection (c) for eligible employers that did not op-
9 erate a trade or business in prior calendar quarters,
10 and

11 (5) regulations or other guidance regarding the
12 application of the credit under subsection (a) to
13 third party payors (including professional employer
14 organizations, certified professional employer organi-
15 zations, or agents under section 3504 of such Code),
16 including regulations or other guidance allowing
17 such payors to submit documentation necessary to
18 substantiate the eligible employer status of employ-
19 ers that use such payors.

20 (j) TRANSFERS TO FEDERAL OLD-AGE AND SUR-
21 VIVORS INSURANCE TRUST FUND.—There are hereby ap-
22 propriated to the Federal Old-Age and Survivors Insur-
23 ance Trust Fund and the Federal Disability Insurance
24 Trust Fund established under section 201 of the Social
25 Security Act (42 U.S.C. 401) and the Social Security

1 Equivalent Benefit Account established under section
2 15A(a) of the Railroad Retirement Act of 1974 (45 U.S.C.
3 14 231n–1(a)) amounts equal to the reduction in revenues
4 to the Treasury by reason of this section (without regard
5 to this subsection). Amounts appropriated by the pre-
6 ceding sentence shall be transferred from the general fund
7 at such times and in such manner as to replicate to the
8 extent possible the transfers which would have occurred
9 to such Trust Fund or Account had this section not been
10 enacted.

11 **Subtitle G—Credits for Paid Sick**
12 **and Family Leave**

13 **SEC. 261. EXTENSION OF CREDITS.**

14 Sections 7001(g), 7002(e), 7003(g), and 7004(e) of
15 Public Law 116–127 are each amended by striking
16 “2020” and inserting “2021”.

17 **SEC. 262. REPEAL OF REDUCED RATE OF CREDIT FOR CER-**
18 **TAIN LEAVE.**

19 (a) PAYROLL CREDIT.—Section 7001(b) of Public
20 Law 116–127 is amended by striking “\$200 (\$511 in the
21 case of any day any portion of which is paid sick time
22 described in paragraph (1), (2), or (3) of section 5102(a)
23 of the Emergency Paid Sick Leave Act)” and inserting
24 “\$511”.

25 (b) SELF-EMPLOYED CREDIT.—

1 (1) IN GENERAL.—Section 7002(c)(1)(B) of
2 Public Law 116–127 is amended to read as follows:

3 “(B) the lesser of—

4 “(i) \$511, or

5 “(ii) the average daily self-employ-
6 ment income of the individual for the tax-
7 able year.”.

8 (2) CONFORMING AMENDMENT.—Section
9 7002(d)(3) of Public Law 116–127 is amended by
10 striking “\$2,000 (\$5,110 in the case of any day any
11 portion of which is paid sick time described in para-
12 graph (1), (2), or (3) of section 5102(a) of the
13 Emergency Paid Sick Leave Act)” and inserting
14 “\$5,110”.

15 **SEC. 263. FEDERAL, STATE, AND LOCAL GOVERNMENTS AL-**
16 **LOWED TAX CREDITS FOR PAID SICK AND**
17 **PAID FAMILY AND MEDICAL LEAVE.**

18 (a) CREDIT FOR REQUIRED PAID SICK LEAVE.—Sec-
19 tion 7001(e) of Public Law 116–127 is amended by strik-
20 ing paragraph (4).

21 (b) CREDIT FOR REQUIRED PAID FAMILY LEAVE.—
22 Section 7003(e) of Public Law 116–127 is amended by
23 striking paragraph (4).

1 **SEC. 264. CREDITS NOT ALLOWED TO CERTAIN LARGE EM-**
2 **PLOYERS.**

3 (a) CREDIT FOR REQUIRED PAID SICK LEAVE.—

4 (1) IN GENERAL.—Section 7001(a) of Public
5 Law 116–127 is amended by striking “In the case
6 of an employer” and inserting “In the case of an eli-
7 gible employer”.

8 (2) ELIGIBLE EMPLOYER.—Section 7001(c) of
9 Public Law 116–127 is amended by striking “For
10 purposes of this section, the term” and all that pre-
11 cedes it and inserting the following:

12 “(c) DEFINITIONS.—For purposes of this section—

13 “(1) ELIGIBLE EMPLOYER.—The term ‘eligible
14 employer’ means any employer other an applicable
15 large employer (as defined in section 4980H(c)(2),
16 determined by substituting ‘500’ for ‘50’ each place
17 it appears in subparagraphs (A) and (B) thereof and
18 without regard to subparagraphs (D) and (F) there-
19 of). For purposes of the preceding sentence, the
20 Government of the United States, the government of
21 any State or political subdivision thereof, or any
22 agency or instrumentality of any of the foregoing,
23 shall not be treated as an applicable large employer.

24 “(2) QUALIFIED SICK LEAVE WAGES.—The
25 term”.

26 (b) CREDIT FOR REQUIRED PAID FAMILY LEAVE.—

1 (1) IN GENERAL.—Section 7003(a) of Public
2 Law 116–127 is amended by striking “In the case
3 of an employer” and inserting “In the case of an eli-
4 gible employer”.

5 (2) ELIGIBLE EMPLOYER.—Section 7003(c) of
6 Public Law 116–127 is amended by striking “For
7 purposes of this section, the term” and all that pre-
8 cedes it and inserting the following:

9 “(c) DEFINITIONS.—For purposes of this section—
10 “(1) ELIGIBLE EMPLOYER.—The term ‘eligible
11 employer’ means any employer other an applicable
12 large employer (as defined in section 4980H(c)(2),
13 determined by substituting ‘500’ for ‘50’ each place
14 it appears in subparagraphs (A) and (B) thereof and
15 without regard to subparagraphs (D) and (F) there-
16 of). For purposes of the preceding sentence, the
17 Government of the United States, the government of
18 any State or political subdivision thereof, or any
19 agency or instrumentality of any of the foregoing,
20 shall not be treated as an applicable large employer.

21 “(2) QUALIFIED FAMILY LEAVE WAGES.—The
22 term”.

1 **SEC. 265. EFFECTIVE DATE.**

2 The amendments made by this title shall take effect
3 as if included in the provisions of Public Law 116–127
4 to which they relate.

5 **TITLE III—ADMINISTRATIVE**

6 **SEC. 301. DELAY OF CERTAIN DEADLINES.**

7 (a) FILING DEADLINES FOR 2019.—In the case of
8 any return required to be filed for a taxable year ending
9 in 2019, including for purposes of section 6151(a) of the
10 Internal Revenue Code of 1986, section 6072(a) of such
11 Code shall be applied—

12 (1) by substituting “July” for “April”, and

13 (2) by substituting “the seventh month” for
14 “the fourth month”.

15 (b) ESTIMATED TAX PAYMENTS FOR INDIVID-
16 UALS.—

17 (1) IN GENERAL.—In the case of an individual,
18 the due date for any required installment under sec-
19 tion 6654 of the Internal Revenue Code of 1986
20 which (but for the application of this section) would
21 be due during the applicable period shall not be due
22 before October 15, 2020, and all such installments
23 shall be treated as one installment due on such date.
24 The Secretary of the Treasury (or the Secretary’s
25 delegate) shall prescribe such regulations or other

1 guidance as may be necessary to carry out the pur-
2 poses of this subsection.

3 (2) APPLICABLE PERIOD.—For purposes of this
4 subsection, the applicable period is the period begin-
5 ning on the date of the enactment of this Act and
6 ending before October 15, 2020.

7 **TITLE IV—RETIREMENT**
8 **PROVISIONS**

9 **SEC. 401. SPECIAL RULES FOR USE OF RETIREMENT**
10 **FUNDS.**

11 (a) TAX-FAVORED WITHDRAWALS FROM RETIRE-
12 MENT PLANS.—

13 (1) IN GENERAL.—Section 72(t) of the Internal
14 Revenue Code of 1986 shall not apply to any
15 coronavirus-related distribution.

16 (2) AGGREGATE DOLLAR LIMITATION.—

17 (A) IN GENERAL.—For purposes of this
18 subsection, the aggregate amount of distribu-
19 tions received by an individual which may be
20 treated as coronavirus-related distributions for
21 any taxable year shall not exceed \$100,000.

22 (B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would
23 (without regard to subparagraph (A)) be a
24 coronavirus-related distribution, a plan shall not
25

1 be treated as violating any requirement of the
2 Internal Revenue Code of 1986 merely because
3 the plan treats such distribution as a
4 coronavirus-related distribution, unless the ag-
5 gregate amount of such distributions from all
6 plans maintained by the employer (and any
7 member of any controlled group which includes
8 the employer) to such individual exceeds
9 \$100,000.

10 (C) CONTROLLED GROUP.—For purposes
11 of subparagraph (B), the term “controlled
12 group” means any group treated as a single
13 employer under subsection (b), (c), (m), or (o)
14 of section 414 of the Internal Revenue Code of
15 1986.

16 (3) AMOUNT DISTRIBUTED MAY BE REPAYED.—

17 (A) IN GENERAL.—Any individual who re-
18 ceives a coronavirus-related distribution may, at
19 any time during the 3-year period beginning on
20 the day after the date on which such distribu-
21 tion was received, make 1 or more contributions
22 in an aggregate amount not to exceed the
23 amount of such distribution to an eligible retire-
24 ment plan of which such individual is a bene-
25 ficiary and to which a rollover contribution of

1 such distribution could be made under section
2 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or
3 457(e)(16), of the Internal Revenue Code of
4 1986, as the case may be.

5 (B) TREATMENT OF REPAYMENTS OF DIS-
6 TRIBUTIONS FROM ELIGIBLE RETIREMENT
7 PLANS OTHER THAN IRAS.—For purposes of
8 the Internal Revenue Code of 1986, if a con-
9 tribution is made pursuant to subparagraph (A)
10 with respect to a coronavirus-related distribu-
11 tion from an eligible retirement plan other than
12 an individual retirement plan, then the taxpayer
13 shall, to the extent of the amount of the con-
14 tribution, be treated as having received the
15 coronavirus-related distribution in an eligible
16 rollover distribution (as defined in section
17 402(c)(4) of such Code) and as having trans-
18 ferred the amount to the eligible retirement
19 plan in a direct trustee to trustee transfer with-
20 in 60 days of the distribution.

21 (C) TREATMENT OF REPAYMENTS OF DIS-
22 TRIBUTIONS FROM IRAS.—For purposes of the
23 Internal Revenue Code of 1986, if a contribu-
24 tion is made pursuant to subparagraph (A)
25 with respect to a coronavirus-related distribu-

1 tion from an individual retirement plan (as de-
2 fined by section 7701(a)(37) of such Code),
3 then, to the extent of the amount of the con-
4 tribution, the coronavirus-related distribution
5 shall be treated as a distribution described in
6 section 408(d)(3) of such Code and as having
7 been transferred to the eligible retirement plan
8 in a direct trustee to trustee transfer within 60
9 days of the distribution.

10 (4) DEFINITIONS.—For purposes of this sub-
11 section—

12 (A) CORONAVIRUS-RELATED DISTRIBU-
13 TION.—Except as provided in paragraph (2),
14 the term “coronavirus-related distribution”
15 means any distribution from an eligible retire-
16 ment plan made—

17 (i) on or after January 1, 2020, and
18 before December 31, 2020,

19 (ii) to an individual—

20 (I) who is diagnosed with the
21 virus SARS-CoV-2 or with
22 coronavirus disease 2019 (COVID-
23 19) by a test approved by the Centers
24 for Disease Control and Prevention,

1 (II) whose spouse or dependent
2 (as defined in section 152 of the In-
3 ternal Revenue Code of 1986) is diag-
4 nosed with such virus or disease by
5 such a test, or

6 (III) who experiences adverse fi-
7 nancial consequences as a result of
8 being quarantined, being furloughed
9 or laid off or having work hours re-
10 duced due to such virus or disease,
11 being unable to work due to lack of
12 child care due to such virus or dis-
13 ease, closing or reducing hours of a
14 business owned or operated by the in-
15 dividual due to such virus or disease,
16 or other factors as determined by the
17 Secretary of the Treasury (or the Sec-
18 retary's delegate).

19 (B) EMPLOYEE CERTIFICATION.—The ad-
20 ministrator of an eligible retirement plan may
21 rely on an employee's certification that the em-
22 ployee satisfies the conditions of subparagraph
23 (A)(ii) in determining whether any distribution
24 is a coronavirus-related distribution.

1 (C) ELIGIBLE RETIREMENT PLAN.—The
2 term “eligible retirement plan” has the meaning
3 given such term by section 402(c)(8)(B) of the
4 Internal Revenue Code of 1986.

5 (5) INCOME INCLUSION SPREAD OVER 3-YEAR
6 PERIOD.—

7 (A) IN GENERAL.—In the case of any
8 coronavirus-related distribution, unless the tax-
9 payer elects not to have this paragraph apply
10 for any taxable year, any amount required to be
11 included in gross income for such taxable year
12 shall be so included ratably over the 3-taxable-
13 year period beginning with such taxable year.

14 (B) SPECIAL RULE.—For purposes of sub-
15 paragraph (A), rules similar to the rules of sub-
16 paragraph (E) of section 408A(d)(3) of the In-
17 ternal Revenue Code of 1986 shall apply.

18 (6) SPECIAL RULES.—

19 (A) EXEMPTION OF DISTRIBUTIONS FROM
20 TRUSTEE TO TRUSTEE TRANSFER AND WITH-
21 HOLDING RULES.—For purposes of sections
22 401(a)(31), 402(f), and 3405 of the Internal
23 Revenue Code of 1986, coronavirus-related dis-
24 tributions shall not be treated as eligible roll-
25 over distributions.

1 (B) CORONAVIRUS-RELATED DISTRIBU-
2 TIONS TREATED AS MEETING PLAN DISTRIBU-
3 TION REQUIREMENTS.—For purposes of the In-
4 ternal Revenue Code of 1986, a coronavirus-re-
5 lated distribution shall be treated as meeting
6 the requirements of sections 401(k)(2)(B)(i),
7 403(b)(7)(A)(i), 403(b)(11), and 457(d)(1)(A)
8 of such Code.

9 (b) LOANS FROM QUALIFIED PLANS.—

10 (1) INCREASE IN LIMIT ON LOANS NOT TREAT-
11 ED AS DISTRIBUTIONS.—In the case of any loan
12 from a qualified employer plan (as defined under
13 section 72(p)(4) of the Internal Revenue Code of
14 1986) to a qualified individual made during the 180-
15 day period beginning on the date of the enactment
16 of this Act—

17 (A) clause (i) of section 72(p)(2)(A) of
18 such Code shall be applied by substituting
19 “\$100,000” for “\$50,000”, and

20 (B) clause (ii) of such section shall be ap-
21 plied by substituting “the present value of the
22 nonforfeitable accrued benefit of the employee
23 under the plan” for “one-half of the present
24 value of the nonforfeitable accrued benefit of
25 the employee under the plan”.

1 (2) DELAY OF REPAYMENT.—In the case of a
2 qualified individual with an outstanding loan (on or
3 after the date of the enactment of this Act) from a
4 qualified employer plan (as defined in section
5 72(p)(4) of the Internal Revenue Code of 1986)—

6 (A) if the due date pursuant to subpara-
7 graph (B) or (C) of section 72(p)(2) of such
8 Code for any repayment with respect to such
9 loan occurs during the period beginning on the
10 date of the enactment of this Act and ending on
11 December 31, 2020, such due date shall be de-
12 layed for 1 year (or, if later, until the date
13 which is 180 days after the date of the enact-
14 ment of this Act),

15 (B) any subsequent repayments with re-
16 spect to any such loan shall be appropriately
17 adjusted to reflect the delay in the due date
18 under subparagraph (A) and any interest accru-
19 ing during such delay, and

20 (C) in determining the 5-year period and
21 the term of a loan under subparagraph (B) or
22 (C) of section 72(p)(2) of such Code, the period
23 described in subparagraph (A) of this para-
24 graph shall be disregarded.

1 (3) QUALIFIED INDIVIDUAL.—For purposes of
2 this subsection, the term “qualified individual”
3 means any individual who is described in subsection
4 (a)(4)(A)(ii).

5 (c) PROVISIONS RELATING TO PLAN AMEND-
6 MENTS.—

7 (1) IN GENERAL.—If this subsection applies to
8 any amendment to any plan or annuity contract,
9 such plan or contract shall be treated as being oper-
10 ated in accordance with the terms of the plan during
11 the period described in paragraph (2)(B)(i).

12 (2) AMENDMENTS TO WHICH SUBSECTION AP-
13 PLIES.—

14 (A) IN GENERAL.—This subsection shall
15 apply to any amendment to any plan or annuity
16 contract which is made—

17 (i) pursuant to any provision of this
18 section, or pursuant to any regulation
19 issued by the Secretary of the Treasury or
20 the Secretary of Labor (or the delegate of
21 either such Secretary) under any provision
22 of this section, and

23 (ii) on or before the last day of the
24 first plan year beginning on or after Janu-
25 ary 1, 2022, or such later date as the Sec-

1 retary of the Treasury (or the Secretary's
2 delegate) may prescribe.

3 In the case of a governmental plan (as defined
4 in section 414(d) of the Internal Revenue Code
5 of 1986), clause (ii) shall be applied by sub-
6 stituting the date which is 2 years after the
7 date otherwise applied under clause (ii).

8 (B) CONDITIONS.—This subsection shall
9 not apply to any amendment unless—

10 (i) during the period—

11 (I) beginning on the date that
12 this section or the regulation de-
13 scribed in subparagraph (A)(i) takes
14 effect (or in the case of a plan or con-
15 tract amendment not required by this
16 section or such regulation, the effec-
17 tive date specified by the plan), and

18 (II) ending on the date described
19 in subparagraph (A)(ii) (or, if earlier,
20 the date the plan or contract amend-
21 ment is adopted),

22 the plan or contract is operated as if such
23 plan or contract amendment were in effect,
24 and

1 (ii) such plan or contract amendment
2 applies retroactively for such period.

3 **SEC. 402. SINGLE-EMPLOYER PLAN FUNDING RULES.**

4 (a) DELAY IN PAYMENT OF MINIMUM REQUIRED
5 CONTRIBUTIONS.—In the case of any minimum required
6 contribution (as determined under section 430(a) of the
7 Internal Revenue Code of 1986 and section 303(a) of the
8 Employee Retirement Income Security Act of 1974 (29
9 U.S.C. 1083(a))) which (but for this section) would other-
10 wise be due under section 430(j) of such Code (including
11 quarterly contributions under paragraph (3) thereof) and
12 section 303(j) of such Act (29 U.S.C. 1083(j)) (including
13 quarterly contributions under paragraph (3) thereof) dur-
14 ing calendar year 2020—

15 (1) such contributions shall not be required to
16 be made until January 1, 2021, and

17 (2) the amount of each such minimum required
18 contribution shall be increased by interest accruing
19 for the period between the original due date (without
20 regard to this section) for the contribution and the
21 payment date, at the effective rate of interest for the
22 plan for the plan year which includes such payment
23 date.

24 (b) BENEFIT RESTRICTION STATUS.—For purposes
25 of section 436 of the Internal Revenue Code of 1986 and

1 section 206(g) of the Employee Retirement Income Secu-
2 rity Act of 1974 (29 U.S.C. 1056(g)), a plan sponsor may
3 elect to treat the plan’s adjusted funding target attain-
4 ment percentage for the last plan year ending before Janu-
5 ary 1, 2020, as the adjusted funding target attainment
6 percentage for plan years which include calendar year
7 2020.

8 **SEC. 403. TEMPORARY WAIVER OF REQUIRED MINIMUM**
9 **DISTRIBUTION RULES FOR CERTAIN RETIRE-**
10 **MENT PLANS AND ACCOUNTS.**

11 (a) IN GENERAL.—Section 401(a)(9) of the Internal
12 Revenue Code of 1986 is amended by adding at the end
13 the following new subparagraph:

14 “(I) TEMPORARY WAIVER OF MINIMUM RE-
15 QUIRED DISTRIBUTION.—

16 “(i) IN GENERAL.—The requirements
17 of this paragraph shall not apply for cal-
18 endar year 2020 to—

19 “(I) a defined contribution plan
20 which is described in this subsection
21 or in section 403(a) or 403(b),

22 “(II) a defined contribution plan
23 which is an eligible deferred com-
24 pensation plan described in section
25 457(b) but only if such plan is main-

1 tained by an employer described in
2 section 457(e)(1)(A), or

3 “(III) an individual retirement
4 plan.

5 “(ii) SPECIAL RULE FOR REQUIRED
6 BEGINNING DATES IN 2020.—Clause (i)
7 shall apply to any distribution which is re-
8 quired to be made in calendar year 2020
9 by reason of—

10 “(I) a required beginning date
11 occurring in such calendar year, and

12 “(II) such distribution not having
13 been made before January 1, 2020.

14 “(iii) SPECIAL RULES REGARDING
15 WAIVER PERIOD.—For purposes of this
16 paragraph—

17 “(I) the required beginning date
18 with respect to any individual shall be
19 determined without regard to this
20 subparagraph for purposes of applying
21 this paragraph for calendar years
22 after 2020,

23 “(II) if clause (ii) of subpara-
24 graph (B) applies, the 5-year period
25 described in such clause shall be de-

1 terminated without regard to calendar
2 year 2020,

3 “(III) if clause (iii) of subpara-
4 graph (E) applies, the 10-year period
5 described in such clause shall be de-
6 termined without regard to calendar
7 year 2020, and

8 “(IV) if clause (i) of subpara-
9 graph (H) applies, the 10-year period
10 described in such clause shall be de-
11 termined without regard to calendar
12 year 2020.”.

13 (b) ELIGIBLE ROLLOVER DISTRIBUTIONS.—Section
14 402(c)(4) of the Internal Revenue Code of 1986 is amend-
15 ed by striking “2009” each place it appears in the last
16 sentence and inserting “2020”.

17 (c) EFFECTIVE DATES.—

18 (1) IN GENERAL.—The amendments made by
19 this section shall apply for calendar years beginning
20 after December 31, 2019.

21 (2) PROVISIONS RELATING TO PLAN OR CON-
22 TRACT AMENDMENTS.—

23 (A) IN GENERAL.—If this paragraph ap-
24 plies to any pension plan or contract amend-
25 ment, such pension plan or contract shall not

1 fail to be treated as being operated in accord-
2 ance with the terms of the plan during the pe-
3 riod described in subparagraph (B)(ii) solely be-
4 cause the plan operates in accordance with this
5 section.

6 (B) AMENDMENTS TO WHICH PARAGRAPH
7 APPLIES.—

8 (i) IN GENERAL.—This paragraph
9 shall apply to any amendment to any pen-
10 sion plan or annuity contract which—

11 (I) is made pursuant to the
12 amendments made by this section,
13 and

14 (II) is made on or before the last
15 day of the first plan year beginning
16 on or after January 1, 2022.

17 In the case of a governmental plan, sub-
18 clause (II) shall be applied by substituting
19 “2024” for “2022”.

20 (ii) CONDITIONS.—This paragraph
21 shall not apply to any amendment unless
22 during the period beginning on the effec-
23 tive date of the amendment and ending on
24 December 31, 2020, the plan or contract is

1 operated as if such plan or contract
2 amendment were in effect.

3 **SEC. 404. MODIFICATION OF SPECIAL RULES FOR MINIMUM**
4 **FUNDING STANDARDS FOR COMMUNITY**
5 **NEWSPAPER PLANS.**

6 (a) AMENDMENT TO INTERNAL REVENUE CODE OF
7 1986.—Subsection (m) of section 430 of the Internal Rev-
8 enue Code of 1986, as added by the Setting Every Com-
9 munity Up for Retirement Enhancement Act of 2019, is
10 amended to read as follows:

11 “(m) SPECIAL RULES FOR COMMUNITY NEWSPAPER
12 PLANS.—

13 “(1) IN GENERAL.—An eligible newspaper plan
14 sponsor of a plan under which no participant has
15 had the participant’s accrued benefit increased
16 (whether because of service or compensation) after
17 April 2, 2019, may elect to have the alternative
18 standards described in paragraph (4) apply to such
19 plan.

20 “(2) ELIGIBLE NEWSPAPER PLAN SPONSOR.—
21 The term ‘eligible newspaper plan sponsor’ means
22 the plan sponsor of—

23 “(A) any community newspaper plan, or

24 “(B) any other plan sponsored, as of April
25 2, 2019, by a member of the same controlled

1 group of a plan sponsor of a community news-
2 paper plan if such member is in the trade or
3 business of publishing 1 or more newspapers.

4 “(3) ELECTION.—An election under paragraph
5 (1) shall be made at such time and in such manner
6 as prescribed by the Secretary. Such election, once
7 made with respect to a plan year, shall apply to all
8 subsequent plan years unless revoked with the con-
9 sent of the Secretary.

10 “(4) ALTERNATIVE MINIMUM FUNDING STAND-
11 ARDS.—The alternative standards described in this
12 paragraph are the following:

13 “(A) INTEREST RATES.—

14 “(i) IN GENERAL.—Notwithstanding
15 subsection (h)(2)(C) and except as pro-
16 vided in clause (ii), the first, second, and
17 third segment rates in effect for any
18 month for purposes of this section shall be
19 8 percent.

20 “(ii) NEW BENEFIT ACCRUALS.—Not-
21 withstanding subsection (h)(2), for pur-
22 poses of determining the funding target
23 and normal cost of a plan for any plan
24 year, the present value of any benefits ac-
25 crued or earned under the plan for a plan

1 year with respect to which an election
2 under paragraph (1) is in effect shall be
3 determined on the basis of the United
4 States Treasury obligation yield curve for
5 the day that is the valuation date of such
6 plan for such plan year.

7 “(iii) UNITED STATES TREASURY OB-
8 LIGATION YIELD CURVE.—For purposes of
9 this subsection, the term ‘United States
10 Treasury obligation yield curve’ means,
11 with respect to any day, a yield curve
12 which shall be prescribed by the Secretary
13 for such day on interest-bearing obligations
14 of the United States.

15 “(B) SHORTFALL AMORTIZATION BASE.—

16 “(i) PREVIOUS SHORTFALL AMORTIZA-
17 TION BASES.—The shortfall amortization
18 bases determined under subsection (c)(3)
19 for all plan years preceding the first plan
20 year to which the election under paragraph
21 (1) applies (and all shortfall amortization
22 installments determined with respect to
23 such bases) shall be reduced to zero under
24 rules similar to the rules of subsection
25 (c)(6).

1 “(ii) NEW SHORTFALL AMORTIZATION
2 BASE.—Notwithstanding subsection (c)(3),
3 the shortfall amortization base for the first
4 plan year to which the election under para-
5 graph (1) applies shall be the funding
6 shortfall of such plan for such plan year
7 (determined using the interest rates as
8 modified under subparagraph (A)).

9 “(C) DETERMINATION OF SHORTFALL AM-
10 ORTIZATION INSTALLMENTS.—

11 “(i) 30-YEAR PERIOD.—Subpara-
12 graphs (A) and (B) of subsection (c)(2)
13 shall be applied by substituting ‘30-plan-
14 year’ for ‘7-plan-year’ each place it ap-
15 pears.

16 “(ii) NO SPECIAL ELECTION.—The
17 election under subparagraph (D) of sub-
18 section (c)(2) shall not apply to any plan
19 year to which the election under paragraph
20 (1) applies.

21 “(D) EXEMPTION FROM AT-RISK TREAT-
22 MENT.—Subsection (i) shall not apply.

23 “(5) COMMUNITY NEWSPAPER PLAN.—For pur-
24 poses of this subsection—

1 “(A) IN GENERAL.—The term ‘community
2 newspaper plan’ means any plan to which this
3 section applies maintained as of December 31,
4 2018, by an employer which—

5 “(i) maintains the plan on behalf of
6 participants and beneficiaries with respect
7 to employment in the trade or business of
8 publishing 1 or more newspapers which
9 were published by the employer at any
10 time during the 11-year period ending on
11 the date of the enactment of this sub-
12 section,

13 “(ii)(I) is not a company the stock of
14 which is publicly traded (on a stock ex-
15 change or in an over-the-counter market),
16 and is not controlled, directly or indirectly,
17 by such a company, or

18 “(II) is controlled, directly or indi-
19 rectly, during the entire 30-year period
20 ending on the date of the enactment of this
21 subsection by individuals who are members
22 of the same family, and does not publish or
23 distribute a daily newspaper that is car-
24 rier-distributed in printed form in more
25 than 5 States, and

1 “(iii) is controlled, directly or indi-
2 rectly—

3 “(I) by 1 or more persons resid-
4 ing primarily in a State in which the
5 community newspaper has been pub-
6 lished on newsprint or carrier-distrib-
7 uted,

8 “(II) during the entire 30-year
9 period ending on the date of the en-
10 actment of this subsection by individ-
11 uals who are members of the same
12 family,

13 “(III) by 1 or more trusts, the
14 sole trustees of which are persons de-
15 scribed in subclause (I) or (II), or

16 “(IV) by a combination of per-
17 sons described in subclause (I), (II),
18 or (III).

19 “(B) NEWSPAPER.—The term ‘newspaper’
20 does not include any newspaper (determined
21 without regard to this subparagraph) to which
22 any of the following apply:

23 “(i) Is not in general circulation.

1 “(ii) Is published (on newsprint or
2 electronically) less frequently than 3 times
3 per week.

4 “(iii) Has not ever been regularly
5 published on newsprint.

6 “(iv) Does not have a bona fide list of
7 paid subscribers.

8 “(C) CONTROL.—A person shall be treated
9 as controlled by another person if such other
10 person possesses, directly or indirectly, the
11 power to direct or cause the direction and man-
12 agement of such person (including the power to
13 elect a majority of the members of the board of
14 directors of such person) through the ownership
15 of voting securities.

16 “(6) CONTROLLED GROUP.—For purposes of
17 this subsection, the term ‘controlled group’ means all
18 persons treated as a single employer under sub-
19 section (b), (c), (m), or (o) of section 414 as of the
20 date of the enactment of this subsection.”.

21 (b) AMENDMENT TO EMPLOYEE RETIREMENT IN-
22 COME SECURITY ACT OF 1974.—Subsection (m) of section
23 303 of the Employee Retirement Income Security Act of
24 1974 (29 U.S.C. 1083(m)), as added by the Setting Every

1 Community Up for Retirement Enhancement Act of 2019,
2 is amended to read as follows:

3 “(m) SPECIAL RULES FOR COMMUNITY NEWSPAPER
4 PLANS.—

5 “(1) IN GENERAL.—An eligible newspaper plan
6 sponsor of a plan under which no participant has
7 had the participant’s accrued benefit increased
8 (whether because of service or compensation) after
9 April 2, 2019, may elect to have the alternative
10 standards described in paragraph (4) apply to such
11 plan.

12 “(2) ELIGIBLE NEWSPAPER PLAN SPONSOR.—
13 The term ‘eligible newspaper plan sponsor’ means
14 the plan sponsor of—

15 “(A) any community newspaper plan, or

16 “(B) any other plan sponsored, as of April
17 2, 2019, by a member of the same controlled
18 group of a plan sponsor of a community news-
19 paper plan if such member is in the trade or
20 business of publishing 1 or more newspapers.

21 “(3) ELECTION.—An election under paragraph
22 (1) shall be made at such time and in such manner
23 as prescribed by the Secretary of the Treasury. Such
24 election, once made with respect to a plan year, shall

1 apply to all subsequent plan years unless revoked
2 with the consent of the Secretary of the Treasury.

3 “(4) ALTERNATIVE MINIMUM FUNDING STAND-
4 ARDS.—The alternative standards described in this
5 paragraph are the following:

6 “(A) INTEREST RATES.—

7 “(i) IN GENERAL.—Notwithstanding
8 subsection (h)(2)(C) and except as pro-
9 vided in clause (ii), the first, second, and
10 third segment rates in effect for any
11 month for purposes of this section shall be
12 8 percent.

13 “(ii) NEW BENEFIT ACCRUALS.—Not-
14 withstanding subsection (h)(2), for pur-
15 poses of determining the funding target
16 and normal cost of a plan for any plan
17 year, the present value of any benefits ac-
18 crued or earned under the plan for a plan
19 year with respect to which an election
20 under paragraph (1) is in effect shall be
21 determined on the basis of the United
22 States Treasury obligation yield curve for
23 the day that is the valuation date of such
24 plan for such plan year.

1 “(iii) UNITED STATES TREASURY OB-
2 LIGATION YIELD CURVE.—For purposes of
3 this subsection, the term ‘United States
4 Treasury obligation yield curve’ means,
5 with respect to any day, a yield curve
6 which shall be prescribed by the Secretary
7 of the Treasury for such day on interest-
8 bearing obligations of the United States.

9 “(B) SHORTFALL AMORTIZATION BASE.—

10 “(i) PREVIOUS SHORTFALL AMORTIZA-
11 TION BASES.—The shortfall amortization
12 bases determined under subsection (c)(3)
13 for all plan years preceding the first plan
14 year to which the election under paragraph
15 (1) applies (and all shortfall amortization
16 installments determined with respect to
17 such bases) shall be reduced to zero under
18 rules similar to the rules of subsection
19 (c)(6).

20 “(ii) NEW SHORTFALL AMORTIZATION
21 BASE.—Notwithstanding subsection (c)(3),
22 the shortfall amortization base for the first
23 plan year to which the election under para-
24 graph (1) applies shall be the funding
25 shortfall of such plan for such plan year

1 (determined using the interest rates as
2 modified under subparagraph (A)).

3 “(C) DETERMINATION OF SHORTFALL AM-
4 ORTIZATION INSTALLMENTS.—

5 “(i) 30-YEAR PERIOD.—Subpara-
6 graphs (A) and (B) of subsection (c)(2)
7 shall be applied by substituting ‘30-plan-
8 year’ for ‘7-plan-year’ each place it ap-
9 pears.

10 “(ii) NO SPECIAL ELECTION.—The
11 election under subparagraph (D) of sub-
12 section (c)(2) shall not apply to any plan
13 year to which the election under paragraph
14 (1) applies.

15 “(D) EXEMPTION FROM AT-RISK TREAT-
16 MENT.—Subsection (i) shall not apply.

17 “(5) COMMUNITY NEWSPAPER PLAN.—For pur-
18 poses of this subsection—

19 “(A) IN GENERAL.—The term ‘community
20 newspaper plan’ means a plan to which this sec-
21 tion applies maintained as of December 31,
22 2018, by an employer which—

23 “(i) maintains the plan on behalf of
24 participants and beneficiaries with respect
25 to employment in the trade or business of

1 publishing 1 or more newspapers which
2 were published by the employer at any
3 time during the 11-year period ending on
4 the date of the enactment of this sub-
5 section,

6 “(ii)(I) is not a company the stock of
7 which is publicly traded (on a stock ex-
8 change or in an over-the-counter market),
9 and is not controlled, directly or indirectly,
10 by such a company, or

11 “(II) is controlled, directly, or indi-
12 rectly, during the entire 30-year period
13 ending on the date of the enactment of this
14 subsection by individuals who are members
15 of the same family, and does not publish or
16 distribute a daily newspaper that is car-
17 rier-distributed in printed form in more
18 than 5 States, and

19 “(iii) is controlled, directly, or indi-
20 rectly—

21 “(I) by 1 or more persons resid-
22 ing primarily in a State in which the
23 community newspaper has been pub-
24 lished on newsprint or carrier-distrib-
25 uted,

1 “(II) during the entire 30-year
2 period ending on the date of the en-
3 actment of this subsection by individ-
4 uals who are members of the same
5 family,

6 “(III) by 1 or more trusts, the
7 sole trustees of which are persons de-
8 scribed in subclause (I) or (II), or

9 “(IV) by a combination of per-
10 sons described in subclause (I), (II),
11 or (III).

12 “(B) NEWSPAPER.—The term ‘newspaper’
13 does not include any newspaper (determined
14 without regard to this subparagraph) to which
15 any of the following apply:

16 “(i) Is not in general circulation.

17 “(ii) Is published (on newsprint or
18 electronically) less frequently than 3 times
19 per week.

20 “(iii) Has not ever been regularly
21 published on newsprint.

22 “(iv) Does not have a bona fide list of
23 paid subscribers.

24 “(C) CONTROL.—A person shall be treated
25 as controlled by another person if such other

1 person possesses, directly or indirectly, the
2 power to direct or cause the direction and man-
3 agement of such person (including the power to
4 elect a majority of the members of the board of
5 directors of such person) through the ownership
6 of voting securities.

7 “(6) CONTROLLED GROUP.—For purposes of
8 this subsection, the term ‘controlled group’ means all
9 persons treated as a single employer under sub-
10 section (b), (c), (m), or (o) of section 414 of the In-
11 ternal Revenue Code of 1986 as of the date of the
12 enactment of this subsection.

13 “(7) EFFECT ON PREMIUM RATE CALCULA-
14 TION.—Notwithstanding any other provision of law
15 or any regulation issued by the Pension Benefit
16 Guaranty Corporation, in the case of a plan for
17 which an election is made to apply the alternative
18 standards described in paragraph (3), the additional
19 premium under section 4006(a)(3)(E) shall be deter-
20 mined as if such election had not been made.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to plan years ending after Decem-
23 ber 31, 2017.

1 **SEC. 405. APPLICATION OF COOPERATIVE AND SMALL EM-**
2 **PLOYER CHARITY PENSION PLAN RULES TO**
3 **CERTAIN CHARITABLE EMPLOYERS WHOSE**
4 **PRIMARY EXEMPT PURPOSE IS PROVIDING**
5 **SERVICES WITH RESPECT TO MOTHERS AND**
6 **CHILDREN.**

7 (a) EMPLOYEE RETIREMENT INCOME SECURITY ACT
8 OF 1974.—Section 210(f)(1) of the Employee Retirement
9 Income Security Act of 1974 (29 U.S.C. 1060(f)(1)) is
10 amended—

11 (1) by striking “or” at the end of subparagraph
12 (B);

13 (2) by striking the period at the end of sub-
14 paragraph (C)(iv) and inserting “; or”; and

15 (3) by inserting after subparagraph (C) the fol-
16 lowing new subparagraph:

17 “(D) that, as of January 1, 2000, was
18 maintained by an employer—

19 “(i) described in section 501(c)(3) of
20 the Internal Revenue Code of 1986,

21 “(ii) who has been in existence since
22 at least 1938,

23 “(iii) who conducts medical research
24 directly or indirectly through grant mak-
25 ing, and

1 “(iv) whose primary exempt purpose
2 is to provide services with respect to moth-
3 ers and children.”.

4 (b) INTERNAL REVENUE CODE OF 1986.—Section
5 414(y)(1) of the Internal Revenue Code of 1986 is amend-
6 ed—

7 (1) by striking “or” at the end of subparagraph
8 (B);

9 (2) by striking the period at the end of sub-
10 paragraph (C)(iv) and inserting “; or”; and

11 (3) by inserting after subparagraph (C) the fol-
12 lowing new subparagraph:

13 “(D) that, as of January 1, 2000, was
14 maintained by an employer—

15 “(i) described in section 501(c)(3),

16 “(ii) who has been in existence since
17 at least 1938,

18 “(iii) who conducts medical research
19 directly or indirectly through grant mak-
20 ing, and

21 “(iv) whose primary exempt purpose
22 is to provide services with respect to moth-
23 ers and children.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to plan years beginning after De-
3 cember 31, 2018.

4 **SEC. 406. EXTENDED AMORTIZATION FOR SINGLE EM-**
5 **PLOYER PLANS.**

6 (a) 15-YEAR AMORTIZATION UNDER THE INTERNAL
7 REVENUE CODE OF 1986.—Section 430(c) of the Internal
8 Revenue Code of 1986 is amended by adding at the end
9 the following new paragraph:

10 “(8) 15-YEAR AMORTIZATION.—With respect to
11 plan years beginning after December 31, 2019—

12 “(A) the shortfall amortization bases for
13 all plan years preceding the first plan year be-
14 ginning after December 31, 2019 (and all
15 shortfall amortization installments determined
16 with respect to such bases) shall be reduced to
17 zero, and

18 “(B) subparagraphs (A) and (B) of para-
19 graph (2) shall each be applied by substituting
20 ‘15-plan-year period’ for ‘7-plan-year period’.”.

21 (b) 15-YEAR AMORTIZATION UNDER THE EMPLOYEE
22 RETIREMENT INCOME SECURITY ACT OF 1974.—Section
23 303(c) of the Employee Retirement Income Security Act
24 of 1974 (29 U.S.C. 1083(c)) is amended by adding at the
25 end the following new paragraph:

1 “(8) 15-YEAR AMORTIZATION.—With respect to
2 plan years beginning after December 31, 2019—

3 “(A) the shortfall amortization bases for
4 all plan years preceding the first plan year be-
5 ginning after December 31, 2019 (and all
6 shortfall amortization installments determined
7 with respect to such bases) shall be reduced to
8 zero, and

9 “(B) subparagraphs (A) and (B) of para-
10 graph (2) shall each be applied by substituting
11 ‘15-plan-year period’ for ‘7-plan-year period’.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to plan years beginning after De-
14 cember 31, 2019.

15 **SEC. 407. EXTENSION OF PENSION FUNDING STABILIZA-**
16 **TION PERCENTAGES FOR SINGLE EMPLOYER**
17 **PLANS.**

18 (a) AMENDMENTS TO INTERNAL REVENUE CODE OF
19 1986.—

20 (1) IN GENERAL.—The table contained in sub-
21 clause (II) of section 430(h)(2)(C)(iv) of the Inter-
22 nal Revenue Code of 1986 is amended to read as fol-
23 lows:

“If the calendar year is:	The applica- ble min- imum per- centage is:	The applica- ble max- imum per- centage is:
Any year in the period starting in 2012 and ending in 2019	90%	110%
Any year in the period starting in 2020 and ending in 2025	95%	105%
2026	90%	110%
2027	85%	115%
2028	80%	120%
2029	75%	125%
After 2029	70%	130%.”.

1 (2) FLOOR ON 25-YEAR AVERAGES.—Subclause
2 (I) of section 430(h)(2)(C)(iv) of such Code is
3 amended by adding at the end the following: “Not-
4 withstanding anything in this subclause, if the aver-
5 age of the first, second, or third segment rate for
6 any 25-year period is less than 5 percent, such aver-
7 age shall be deemed to be 5 percent.”.

8 (b) AMENDMENTS TO EMPLOYEE RETIREMENT IN-
9 COME SECURITY ACT OF 1974.—

10 (1) IN GENERAL.—The table contained in sub-
11 clause (II) of section 303(h)(2)(C)(iv) of the Em-
12 ployee Retirement Income Security Act of 1974 (29
13 U.S.C. 1083(h)(2)(C)(iv)(II)) is amended to read as
14 follows:

“If the calendar year is:	The applica- ble min- imum per- centage is:	The applica- ble max- imum per- centage is:
Any year in the period starting in 2012 and ending in 2019	90%	110%
Any year in the period starting in 2020 and ending in 2025	95%	105%

“If the calendar year is:	The applica- ble min- imum per- centage is:	The applica- ble max- imum per- centage is:
2026	90%	110%
2027	85%	115%
2028	80%	120%
2029	75%	125%
After 2029	70%	130%.”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) IN GENERAL.—Section 101(f)(2)(D) of
3 such Act (29 U.S.C. 1021(f)(2)(D)) is amend-
4 ed—

5 (i) in clause (i) by striking “and the
6 Bipartisan Budget Act of 2015” both
7 places it appears and inserting “, the Bi-
8 partisan Budget Act of 2015, and the
9 Emergency Pension Plan Relief Act of
10 2020”, and

11 (ii) in clause (ii) by striking “2023”
12 and inserting “2029”.

13 (B) STATEMENTS.—The Secretary of
14 Labor shall modify the statements required
15 under subclauses (I) and (II) of section
16 101(f)(2)(D)(i) of such Act to conform to the
17 amendments made by this section.

18 (3) FLOOR ON 25-YEAR AVERAGES.—Subclause
19 (I) of section 303(h)(2)(C)(iv) of such Act (29
20 U.S.C. 1083(h)(2)(C)(iv)(II)) is amended by adding

1 at the end the following: “Notwithstanding anything
2 in this subclause, if the average of the first, second,
3 or third segment rate for any 25-year period is less
4 than 5 percent, such average shall be deemed to be
5 5 percent.”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply with respect to plan years begin-
8 ning after December 31, 2019.

9 **TITLE V—REHABILITATION FOR** 10 **MULTIEMPLOYER PENSIONS**

11 **SEC. 501. SHORT TITLE.**

12 This title may be cited as the “Rehabilitation for
13 Multiemployer Pensions Act of 2020”.

14 **SEC. 502. PENSION REHABILITATION ADMINISTRATION; ES-** 15 **TABLISHMENT; POWERS.**

16 (a) ESTABLISHMENT.—There is established in the
17 Department of the Treasury an agency to be known as
18 the “Pension Rehabilitation Administration”.

19 (b) DIRECTOR.—

20 (1) ESTABLISHMENT OF POSITION.—There
21 shall be at the head of the Pension Rehabilitation
22 Administration a Director, who shall be appointed
23 by the President.

24 (2) TERM.—

1 (A) IN GENERAL.—The term of office of
2 the Director shall be 5 years.

3 (B) SERVICE UNTIL APPOINTMENT OF
4 SUCCESSOR.—An individual serving as Director
5 at the expiration of a term may continue to
6 serve until a successor is appointed.

7 (3) POWERS.—

8 (A) APPOINTMENT OF DEPUTY DIREC-
9 TORS, OFFICERS, AND EMPLOYEES.—The Di-
10 rector may appoint Deputy Directors, officers,
11 and employees, including attorneys, in accord-
12 ance with chapter 51 and subchapter III of
13 chapter 53 of title 5, United States Code.

14 (B) CONTRACTING.—

15 (i) IN GENERAL.—The Director may
16 contract for financial and administrative
17 services (including those related to budget
18 and accounting, financial reporting, per-
19 sonnel, and procurement) with the General
20 Services Administration, or such other
21 Federal agency as the Director determines
22 appropriate, for which payment shall be
23 made in advance, or by reimbursement,
24 from funds of the Pension Rehabilitation
25 Administration in such amounts as may be

1 agreed upon by the Director and the head
2 of the Federal agency providing the serv-
3 ices.

4 (ii) SUBJECT TO APPROPRIATIONS.—
5 Contract authority under clause (i) shall be
6 effective for any fiscal year only to the ex-
7 tent that appropriations are available for
8 that purpose.

9 **SEC. 503. PENSION REHABILITATION TRUST FUND.**

10 (a) IN GENERAL.—Subchapter A of chapter 98 of the
11 Internal Revenue Code of 1986 is amended by adding at
12 the end the following new section:

13 **“SEC. 9512. PENSION REHABILITATION TRUST FUND.**

14 “(a) CREATION OF TRUST FUND.—There is estab-
15 lished in the Treasury of the United States a trust fund
16 to be known as the ‘Pension Rehabilitation Trust Fund’
17 (hereafter in this section referred to as the ‘Fund’), con-
18 sisting of such amounts as may be appropriated or cred-
19 ited to the Fund as provided in this section and section
20 9602(b).

21 “(b) TRANSFERS TO FUND.—

22 “(1) AMOUNTS ATTRIBUTABLE TO TREASURY
23 BONDS.—There shall be credited to the Fund the
24 amounts transferred under section 506 of the Reha-
25 bilitation for Multiemployer Pensions Act of 2020.

1 “(2) LOAN INTEREST AND PRINCIPAL.—

2 “(A) IN GENERAL.—The Director of the
3 Pension Rehabilitation Administration estab-
4 lished under section 502 of the Rehabilitation
5 for Multiemployer Pensions Act of 2020 shall
6 deposit in the Fund any amounts received from
7 a plan as payment of interest or principal on a
8 loan under section 4 of such Act.

9 “(B) INTEREST.—For purposes of sub-
10 paragraph (A), the term ‘interest’ includes
11 points and other similar amounts.

12 “(3) AVAILABILITY OF FUNDS.—Amounts cred-
13 ited to or deposited in the Fund shall remain avail-
14 able until expended.

15 “(c) EXPENDITURES FROM FUND.—Amounts in the
16 Fund are available without further appropriation to the
17 Pension Rehabilitation Administration—

18 “(1) for the purpose of making the loans de-
19 scribed in section 504 of the Rehabilitation for Mul-
20 tiemployer Pensions Act of 2020,

21 “(2) for the payment of principal and interest
22 on obligations issued under section 6 of such Act,
23 and

24 “(3) for administrative and operating expenses
25 of such Administration.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for subchapter A of chapter 98 of the Internal Revenue
3 Code of 1986 is amended by adding at the end the fol-
4 lowing new item:

“Sec. 9512. Pension Rehabilitation Trust Fund.”.

5 **SEC. 504. LOAN PROGRAM FOR MULTIEMPLOYER DEFINED**
6 **BENEFIT PLANS.**

7 (a) LOAN AUTHORITY.—

8 (1) IN GENERAL.—The Pension Rehabilitation
9 Administration established under section 2 is au-
10 thorized—

11 (A) to make loans to multiemployer plans
12 (as defined in section 414(f) of the Internal
13 Revenue Code of 1986) which are defined ben-
14 efit plans (as defined in section 414(j) of such
15 Code) and—

16 (i)(I) which are in critical and declin-
17 ing status (within the meaning of section
18 432(b)(6) of such Code and section
19 305(b)(6) of the Employee Retirement and
20 Income Security Act) as of the date of the
21 enactment of this section, or during the 2-
22 year period beginning on such date, or

23 (II) with respect to which a suspen-
24 sion of benefits has been approved under
25 section 432(e)(9) of such Code and section

1 305(e)(9) of such Act as of such date or
2 during such period;

3 (ii) which as of such date of enact-
4 ment, or during such period, are in critical
5 status (within the meaning of section
6 432(b)(2) of such Code and section
7 305(b)(2) of such Act), have a modified
8 funded percentage of less than 40 percent,
9 and have a ratio of active to inactive par-
10 ticipants which is less than 2 to 5; or

11 (iii) which are insolvent for purposes
12 of section 418E of such Code as of such
13 date of enactment, or during such period,
14 if they became insolvent after December
15 16, 2014, and have not been terminated;
16 and

17 (B) subject to subsection (b), to establish
18 appropriate terms for such loans.

19 For purposes of subparagraph (A)(ii), the term
20 “modified funded percentage” means the percentage
21 equal to a fraction the numerator of which is current
22 value of plan assets (as defined in section 3(26) of
23 such Act) and the denominator of which is current
24 liabilities (as defined in section 431(c)(6)(D) of such
25 Code and section 304(c)(6)(D) of such Act).

1 (2) CONSULTATION.—The Director of the Pen-
2 sion Rehabilitation Administration shall consult with
3 the Secretary of the Treasury, the Secretary of
4 Labor, and the Director of the Pension Benefit
5 Guaranty Corporation before making any loan under
6 paragraph (1), and shall share with such persons the
7 application and plan information with respect to
8 each such loan.

9 (3) ESTABLISHMENT OF LOAN PROGRAM.—

10 (A) IN GENERAL.—A program to make the
11 loans authorized under this section shall be es-
12 tablished not later than May 31, 2020, with
13 guidance regarding such program to be promul-
14 gated by the Director of the Pension Rehabilita-
15 tion Administration, in consultation with the
16 Director of the Pension Benefit Guaranty Cor-
17 poration, the Secretary of the Treasury, and
18 the Secretary of Labor, not later than August
19 31, 2020.

20 (B) LOANS AUTHORIZED BEFORE PRO-
21 GRAM DATE.—Without regard to whether the
22 program under subparagraph (A) has been es-
23 tablished, a plan may apply for a loan under
24 this section before either date described in such
25 subparagraph, and the Pension Rehabilitation

1 Administration shall approve the application
2 and make the loan before establishment of the
3 program if necessary to avoid any suspension of
4 the accrued benefits of participants.

5 (b) LOAN TERMS.—

6 (1) IN GENERAL.—The terms of any loan made
7 under subsection (a) shall state that—

8 (A) the plan shall make payments of inter-
9 est on the loan for a period of 29 years begin-
10 ning on the date of the loan (or 19 years in the
11 case of a plan making the election under sub-
12 section (c)(5));

13 (B) final payment of interest and principal
14 shall be due in the 30th year after the date of
15 the loan (except as provided in an election
16 under subsection (c)(5)); and

17 (C) as a condition of the loan, the plan
18 sponsor stipulates that—

19 (i) except as provided in clause (ii),
20 the plan will not increase benefits, allow
21 any employer participating in the plan to
22 reduce its contributions, or accept any col-
23 lective bargaining agreement which pro-
24 vides for reduced contribution rates, dur-

1 ing the 30-year period described in sub-
2 paragraphs (A) and (B);

3 (ii) in the case of a plan with respect
4 to which a suspension of benefits has been
5 approved under section 432(e)(9) of the
6 Internal Revenue Code of 1986 and section
7 305(e)(9) of the Employee Retirement In-
8 come Security Act of 1974, or under sec-
9 tion 418E of such Code, before the loan,
10 the plan will reinstate the suspended bene-
11 fits (or will not carry out any suspension
12 which has been approved but not yet im-
13 plemented);

14 (iii) the plan sponsor will comply with
15 the requirements of section 6059A of the
16 Internal Revenue Code of 1986;

17 (iv) the plan will continue to pay all
18 premiums due under section 4007 of the
19 Employee Retirement Income Security Act
20 of 1974; and

21 (v) the plan and plan administrator
22 will meet such other requirements as the
23 Director of the Pension Rehabilitation Ad-
24 ministration provides in the loan terms.

1 The terms of the loan shall not make reference
2 to whether the plan is receiving financial assist-
3 ance under section 4261(d) of the Employee
4 Retirement Income Security Act of 1974 (29
5 U.S.C. 1431(d)) or to any adjustment of the
6 loan amount under subsection (d)(2)(A)(ii).

7 (2) INTEREST RATE.—Except as provided in
8 the second sentence of this paragraph and sub-
9 section (c)(5), loans made under subsection (a) shall
10 have as low an interest rate as is feasible. Such rate
11 shall be determined by the Pension Rehabilitation
12 Administration and shall—

13 (A) not be lower than the rate of interest
14 on 30-year Treasury securities on the first day
15 of the calendar year in which the loan is issued;
16 and

17 (B) not exceed the greater of—

18 (i) a rate 0.2 percentage points higher
19 than such rate of interest on such date; or
20 (ii) the rate necessary to collect reve-
21 nues sufficient to administer the program
22 under this section.

23 (c) LOAN APPLICATION.—

24 (1) IN GENERAL.—In applying for a loan under
25 subsection (a), the plan sponsor shall—

1 (A) demonstrate that, except as provided
2 in subparagraph (C)—

3 (i) the loan will enable the plan to
4 avoid insolvency for at least the 30-year
5 period described in subparagraphs (A) and
6 (B) of subsection (b)(1) or, in the case of
7 a plan which is already insolvent, to
8 emerge from insolvency within and avoid
9 insolvency for the remainder of such pe-
10 riod; and

11 (ii) the plan is reasonably expected to
12 be able to pay benefits and the interest on
13 the loan during such period and to accu-
14 mulate sufficient funds to repay the prin-
15 cipal when due;

16 (B) provide the plan's most recently filed
17 Form 5500 as of the date of application and
18 any other information necessary to determine
19 the loan amount under subsection (d);

20 (C) stipulate whether the plan is also ap-
21 plying for financial assistance under section
22 4261(d) of the Employee Retirement Income
23 Security Act of 1974 (29 U.S.C. 1431(d)) in
24 combination with the loan to enable the plan to
25 avoid insolvency and to pay benefits, or is al-

1 ready receiving such financial assistance as a
2 result of a previous application;

3 (D) state in what manner the loan pro-
4 ceeds will be invested pursuant to subsection
5 (d), the person from whom any annuity con-
6 tracts under such subsection will be purchased,
7 and the person who will be the investment man-
8 ager for any portfolio implemented under such
9 subsection; and

10 (E) include such other information and
11 certifications as the Director of the Pension Re-
12 habilitation Administration shall require.

13 (2) STANDARD FOR ACCEPTING ACTUARIAL AND
14 PLAN SPONSOR DETERMINATIONS AND DEMONSTRA-
15 TIONS IN THE APPLICATION.—In evaluating the plan
16 sponsor’s application, the Director of the Pension
17 Rehabilitation Administration shall accept the deter-
18 minations and demonstrations in the application un-
19 less the Director, in consultation with the Director
20 of the Pension Benefit Guaranty Corporation, the
21 Secretary of the Treasury, and the Secretary of
22 Labor, concludes that any such determinations or
23 demonstrations in the application (or any underlying
24 assumptions) are clearly erroneous or are incon-

1 sistent with any rules issued by the Director pursu-
2 ant to subsection (g).

3 (3) REQUIRED ACTIONS; DEEMED APPROVAL.—

4 The Director of the Pension Rehabilitation Adminis-
5 tration shall approve any application under this sub-
6 section within 90 days after the submission of such
7 application unless such application is incomplete or
8 the Director makes a conclusion described in para-
9 graph (2) with respect to the application. An appli-
10 cation shall be deemed approved unless, within such
11 90 days, the Director notifies the plan sponsor of
12 the denial of such application and the reasons for
13 such denial. Any approval or denial of an application
14 by the Director of the Pension Rehabilitation Ad-
15 ministration shall be treated as a final agency action
16 for purposes of section 704 of title 5, United States
17 Code. The Pension Rehabilitation Administration
18 shall make the loan pursuant to any application
19 promptly after the approval of such application.

20 (4) CERTAIN PLANS REQUIRED TO APPLY.—

21 The plan sponsor of any plan with respect to which
22 a suspension of benefits has been approved under
23 section 432(e)(9) of the Internal Revenue Code of
24 1986 and section 305(e)(9) of the Employee Retire-
25 ment Income Security Act of 1974 or under section

1 418E of such Code, before the date of the enactment
2 of this Act shall apply for a loan under this section.
3 The Director of the Pension Rehabilitation Adminis-
4 tration shall provide for such plan sponsors to use
5 the simplified application under subsection
6 (d)(2)(B).

7 (5) INCENTIVE FOR EARLY REPAYMENT.—The
8 plan sponsor may elect at the time of the application
9 to repay the loan principal, along with the remaining
10 interest, at least as rapidly as equal installments
11 over the 10-year period beginning with the 21st year
12 after the date of the loan. In the case of a plan mak-
13 ing this election, the interest on the loan shall be re-
14 duced by 0.5 percentage points.

15 (d) LOAN AMOUNT AND USE.—

16 (1) AMOUNT OF LOAN.—

17 (A) IN GENERAL.—Except as provided in
18 subparagraph (B) and paragraph (2), the
19 amount of any loan under subsection (a) shall
20 be, as demonstrated by the plan sponsor on the
21 application under subsection (c), the amount
22 needed to purchase annuity contracts or to im-
23 plement a portfolio described in paragraph
24 (3)(C) (or a combination of the two) sufficient
25 to provide benefits of participants and bene-

1 ficiaries of the plan in pay status, and termi-
2 nated vested benefits, at the time the loan is
3 made.

4 (B) PLANS WITH SUSPENDED BENE-
5 FITS.—In the case of a plan with respect to
6 which a suspension of benefits has been ap-
7 proved under section 432(e)(9) of the Internal
8 Revenue Code of 1986 and section 305(e)(9) of
9 the Employee Retirement Income Security Act
10 of 1974 (29 U.S.C. 1085(e)(9)) or under sec-
11 tion 418E of such Code—

12 (i) the suspension of benefits shall not
13 be taken into account in applying subpara-
14 graph (A); and

15 (ii) the loan amount shall be the
16 amount sufficient to provide benefits of
17 participants and beneficiaries of the plan
18 in pay status and terminated vested bene-
19 fits at the time the loan is made, deter-
20 mined without regard to the suspension,
21 including retroactive payment of benefits
22 which would otherwise have been payable
23 during the period of the suspension.

24 (2) COORDINATION WITH PBGC FINANCIAL AS-
25 SISTANCE.—

1 (A) IN GENERAL.—In the case of a plan
2 which is also applying for financial assistance
3 under section 4261(d) of the Employee Retirement
4 Income Security Act of 1974 (29 U.S.C.
5 1431(d))—

6 (i) the plan sponsor shall submit the
7 loan application and the application for fi-
8 nancial assistance jointly to the Pension
9 Rehabilitation Administration and the Pen-
10 sion Benefit Guaranty Corporation with
11 the information necessary to determine the
12 eligibility for and amount of the loan under
13 this section and the financial assistance
14 under section 4261(d) of such Act; and

15 (ii) if such financial assistance is
16 granted, the amount of the loan under sub-
17 section (a) shall not exceed an amount
18 equal to the excess of—

19 (I) the amount determined under
20 paragraph (1)(A) or (1)(B)(ii) (which-
21 ever is applicable); over

22 (II) the amount of such financial
23 assistance.

24 (B) PLANS ALREADY RECEIVING PBGC AS-
25 SISTANCE.—The Director of the Pension Reha-

1 bilitation Administration shall provide for a
2 simplified application for the loan under this
3 section which may be used by an insolvent plan
4 which has not been terminated and which is al-
5 ready receiving financial assistance (other than
6 under section 4261(d) of such Act) from the
7 Pension Benefit Guaranty Corporation at the
8 time of the application for the loan under this
9 section.

10 (3) USE OF LOAN FUNDS.—

11 (A) IN GENERAL.—Notwithstanding sec-
12 tion 432(f)(2)(A)(ii) of the Internal Revenue
13 Code of 1986 and section 305(f)(2)(A)(ii) of
14 such Act, the loan received under subsection (a)
15 shall only be used to purchase annuity contracts
16 which meet the requirements of subparagraph
17 (B) or to implement a portfolio described in
18 subparagraph (C) (or a combination of the two)
19 to provide the benefits described in paragraph
20 (1).

21 (B) ANNUITY CONTRACT REQUIRE-
22 MENTS.—The annuity contracts purchased
23 under subparagraph (A) shall be issued by an
24 insurance company which is licensed to do busi-
25 ness under the laws of any State and which is

1 rated A or better by a nationally recognized sta-
2 tistical rating organization, and the purchase of
3 such contracts shall meet all applicable fidu-
4 ciary standards under the Employee Retirement
5 Income Security Act of 1974.

6 (C) PORTFOLIO.—

7 (i) IN GENERAL.—A portfolio de-
8 scribed in this subparagraph is—

9 (I) a cash matching portfolio or
10 duration matching portfolio consisting
11 of investment grade (as rated by a na-
12 tionally recognized statistical rating
13 organization) fixed income invest-
14 ments, including United States dollar-
15 denominated public or private debt
16 obligations issued or guaranteed by
17 the United States or a foreign issuer,
18 which are tradeable in United States
19 currency and are issued at fixed or
20 zero coupon rates; or

21 (II) any other portfolio pre-
22 scribed by the Secretary of the Treas-
23 ury in regulations which has a similar
24 risk profile to the portfolios described
25 in subclause (I) and is equally protec-

1 tive of the interests of participants
2 and beneficiaries.

3 Once implemented, such a portfolio shall
4 be maintained until all liabilities to partici-
5 pants and beneficiaries in pay status, and
6 terminated vested participants, at the time
7 of the loan are satisfied.

8 (ii) FIDUCIARY DUTY.—Any invest-
9 ment manager of a portfolio under this
10 subparagraph shall acknowledge in writing
11 that such person is a fiduciary under the
12 Employee Retirement Income Security Act
13 of 1974 with respect to the plan.

14 (iii) TREATMENT OF PARTICIPANTS
15 AND BENEFICIARIES.—Participants and
16 beneficiaries covered by a portfolio under
17 this subparagraph shall continue to be
18 treated as participants and beneficiaries of
19 the plan, including for purposes of title IV
20 of the Employee Retirement Income Secu-
21 rity Act of 1974.

22 (D) ACCOUNTING.—

23 (i) IN GENERAL.—Annuity contracts
24 purchased and portfolios implemented
25 under this paragraph shall be used solely

1 to provide the benefits described in para-
2 graph (1) until all such benefits have been
3 paid and shall be accounted for separately
4 from the other assets of the plan.

5 (ii) OVERSIGHT OF NON-ANNUITY IN-
6 VESTMENTS.—

7 (I) IN GENERAL.—Any portfolio
8 implemented under this paragraph
9 shall be subject to oversight by the
10 Pension Rehabilitation Administra-
11 tion, including a mandatory triennial
12 review of the adequacy of the portfolio
13 to provide the benefits described in
14 paragraph (1) and approval (to be
15 provided within a reasonable period of
16 time) of any decision by the plan
17 sponsor to change the investment
18 manager of the portfolio.

19 (II) REMEDIAL ACTION.—If the
20 oversight under subclause (I) deter-
21 mines an inadequacy, the plan spon-
22 sor shall take remedial action to en-
23 sure that the inadequacy will be cured
24 within 2 years of such determination.

1 (E) OMBUDSPERSON.—The Participant
2 and Plan Sponsor Advocate established under
3 section 4004 of the Employee Retirement In-
4 come Security Act of 1974 shall act as
5 ombudsperson for participants and beneficiaries
6 on behalf of whom annuity contracts are pur-
7 chased or who are covered by a portfolio under
8 this paragraph.

9 (e) COLLECTION OF REPAYMENT.—Except as pro-
10 vided in subsection (f), the Pension Rehabilitation Admin-
11 istration shall make every effort to collect repayment of
12 loans under this section in accordance with section 3711
13 of title 31, United States Code.

14 (f) LOAN DEFAULT.—If a plan is unable to make any
15 payment on a loan under this section when due, the Pen-
16 sion Rehabilitation Administration shall negotiate with the
17 plan sponsor revised terms for repayment (including in-
18 stallment payments over a reasonable period or forgive-
19 ness of a portion of the loan principal), but only to the
20 extent necessary to avoid insolvency in the subsequent 18
21 months.

22 (g) AUTHORITY TO ISSUE RULES, ETC.—The Direc-
23 tor of the Pension Rehabilitation Administration, in con-
24 sultation with the Director of the Pension Benefit Guar-
25 anty Corporation, the Secretary of the Treasury, and the

1 Secretary of Labor, is authorized to issue rules regarding
2 the form, content, and process of applications for loans
3 under this section, actuarial standards and assumptions
4 to be used in making estimates and projections for pur-
5 poses of such applications, and assumptions regarding in-
6 terest rates, mortality, and distributions with respect to
7 a portfolio described in subsection (d)(3)(C).

8 (h) REPORT TO CONGRESS ON STATUS OF CERTAIN
9 PLANS WITH LOANS.—Not later than 1 year after the
10 first loan is made under this section, and annually there-
11 after, the Director of the Pension Rehabilitation Adminis-
12 tration shall submit to the Committee on Ways and Means
13 and the Committee on Education and Labor of the House
14 of Representatives, and the Committee on Finance and the
15 Committee on Health, Education, Labor and Pensions of
16 the Senate, a report identifying any plan that—

17 (1) has failed to make any scheduled payment
18 on a loan under this section;

19 (2) has negotiated revised terms for repayment
20 of such loan (including any installment payments or
21 forgiveness of a portion of the loan principal); or

22 (3) the Director has determined is no longer
23 reasonably expected to be able to—

24 (A) pay benefits and the interest on the
25 loan; or

1 (B) accumulate sufficient funds to repay
2 the principal when due.

3 Such report shall include the details of any such failure,
4 revised terms, or determination, as the case may be.

5 (i) COORDINATION WITH TAXATION OF UNRELATED
6 BUSINESS INCOME.—Subparagraph (A) of section
7 514(c)(6) of the Internal Revenue Code of 1986 is amend-
8 ed—

9 (1) by striking “or” at the end of clause (i);

10 (2) by striking the period at the end of clause

11 (ii)(II) and inserting “, or”; and

12 (3) by adding at the end the following new
13 clause:

14 “(iii) indebtedness with respect to a
15 multiemployer plan under a loan made by
16 the Pension Rehabilitation Administration
17 pursuant to section 504 of the Rehabilita-
18 tion for Multiemployer Pensions Act of
19 2020.”.

20 **SEC. 505. COORDINATION WITH WITHDRAWAL LIABILITY**
21 **AND FUNDING RULES.**

22 (a) AMENDMENT TO INTERNAL REVENUE CODE OF
23 1986.—Section 432 of the Internal Revenue Code of 1986
24 is amended by adding at the end the following new sub-
25 section:

1 “(k) SPECIAL RULES FOR PLANS RECEIVING PEN-
2 SION REHABILITATION LOANS.—

3 “(1) DETERMINATION OF WITHDRAWAL LIABIL-
4 ITY.—

5 “(A) IN GENERAL.—If any employer par-
6 ticipating in a plan at the time the plan receives
7 a loan under section 504(a) of the Rehabilita-
8 tion for Multiemployer Pensions Act of 2020
9 withdraws from the plan before the end of the
10 30-year period beginning on the date of the
11 loan, the withdrawal liability of such employer
12 shall be determined under the Employee Retirement
13 Income Security Act of 1974—

14 “(i) by applying section 4219(c)(1)(D)
15 of the Employee Retirement Income Secu-
16 rity Act of 1974 as if the plan were termi-
17 nating by the withdrawal of every employer
18 from the plan, and

19 “(ii) by determining the value of non-
20 forfeitable benefits under the plan at the
21 time of the deemed termination by using
22 the interest assumptions prescribed for
23 purposes of section 4044 of the Employee
24 Retirement Income Security Act of 1974,
25 as prescribed in the regulations under sec-

1 tion 4281 of the Employee Retirement In-
2 come Security Act of 1974 in the case of
3 such a mass withdrawal.

4 “(B) ANNUITY CONTRACTS AND INVEST-
5 MENT PORTFOLIOS PURCHASED WITH LOAN
6 FUNDS.—Annuity contracts purchased and
7 portfolios implemented under section 504(d)(3)
8 of the Rehabilitation for Multiemployer Pen-
9 sions Act of 2020 shall not be taken into ac-
10 count as plan assets in determining the with-
11 drawal liability of any employer under subpara-
12 graph (A), but the amount equal to the greater
13 of—

14 “(i) the benefits provided under such
15 contracts or portfolios to participants and
16 beneficiaries, or

17 “(ii) the remaining payments due on
18 the loan under section 4(a) of such Act,
19 shall be taken into account as unfunded vested
20 benefits in determining such withdrawal liabil-
21 ity.

22 “(2) COORDINATION WITH FUNDING REQUIRE-
23 MENTS.—In the case of a plan which receives a loan
24 under section 504(a) of the Rehabilitation for Multi-
25 employer Pensions Act of 2020—

1 “(A) annuity contracts purchased and
2 portfolios implemented under section 4(d)(3) of
3 such Act, and the benefits provided to partici-
4 pants and beneficiaries under such contracts or
5 portfolios, shall not be taken into account in de-
6 termining minimum required contributions
7 under section 412,

8 “(B) payments on the interest and prin-
9 cipal under the loan, and any benefits owed in
10 excess of those provided under such contracts
11 or portfolios, shall be taken into account as li-
12 abilities for purposes of such section, and

13 “(C) if such a portfolio is projected due to
14 unfavorable investment or actuarial experience
15 to be unable to fully satisfy the liabilities which
16 it covers, the amount of the liabilities projected
17 to be unsatisfied shall be taken into account as
18 liabilities for purposes of such section.”.

19 (b) AMENDMENT TO EMPLOYEE RETIREMENT IN-
20 COME SECURITY ACT OF 1974.—Section 305 of the Em-
21 ployee Retirement Income Security Act of 1974 (29
22 U.S.C. 1085) is amended by adding at the end the fol-
23 lowing new subsection:

24 “(k) SPECIAL RULES FOR PLANS RECEIVING PEN-
25 SION REHABILITATION LOANS.—

1 “(1) DETERMINATION OF WITHDRAWAL LIABIL-
2 ITY.—

3 “(A) IN GENERAL.—If any employer par-
4 ticipating in a plan at the time the plan receives
5 a loan under section 504(a) of the Rehabilita-
6 tion for Multiemployer Pensions Act of 2020
7 withdraws from the plan before the end of the
8 30-year period beginning on the date of the
9 loan, the withdrawal liability of such employer
10 shall be determined—

11 “(i) by applying section 4219(c)(1)(D)
12 as if the plan were terminating by the
13 withdrawal of every employer from the
14 plan, and

15 “(ii) by determining the value of non-
16 forfeitable benefits under the plan at the
17 time of the deemed termination by using
18 the interest assumptions prescribed for
19 purposes of section 4044, as prescribed in
20 the regulations under section 4281 in the
21 case of such a mass withdrawal.

22 “(B) ANNUITY CONTRACTS AND INVEST-
23 MENT PORTFOLIOS PURCHASED WITH LOAN
24 FUNDS.—Annuity contracts purchased and
25 portfolios implemented under section 504(d)(3)

1 of the Rehabilitation for Multiemployer Pen-
2 sions Act of 2020 shall not be taken into ac-
3 count in determining the withdrawal liability of
4 any employer under subparagraph (A), but the
5 amount equal to the greater of—

6 “(i) the benefits provided under such
7 contracts or portfolios to participants and
8 beneficiaries, or

9 “(ii) the remaining payments due on
10 the loan under section 4(a) of such Act,
11 shall be taken into account as unfunded vested
12 benefits in determining such withdrawal liabil-
13 ity.

14 “(2) COORDINATION WITH FUNDING REQUIRE-
15 MENTS.—In the case of a plan which receives a loan
16 under section 504(a) of the Rehabilitation for Multi-
17 employer Pensions Act of 2020—

18 “(A) annuity contracts purchased and
19 portfolios implemented under section 4(d)(3) of
20 such Act, and the benefits provided to partici-
21 pants and beneficiaries under such contracts or
22 portfolios, shall not be taken into account in de-
23 termining minimum required contributions
24 under section 302,

1 “(B) payments on the interest and prin-
2 cipal under the loan, and any benefits owed in
3 excess of those provided under such contracts
4 or portfolios, shall be taken into account as li-
5 abilities for purposes of such section, and

6 “(C) if such a portfolio is projected due to
7 unfavorable investment or actuarial experience
8 to be unable to fully satisfy the liabilities which
9 it covers, the amount of the liabilities projected
10 to be unsatisfied shall be taken into account as
11 liabilities for purposes of such section.”.

12 **SEC. 506. ISSUANCE OF TREASURY BONDS.**

13 The Secretary of the Treasury shall from time to time
14 transfer from the general fund of the Treasury to the Pen-
15 sion Rehabilitation Trust Fund established under section
16 9512 of the Internal Revenue Code of 1986 such amounts
17 as are necessary to fund the loan program under section
18 504 of this Act, including from proceeds from the Sec-
19 retary’s issuance of obligations under chapter 31 of title
20 31, United States Code.

21 **SEC. 507. REPORTS OF PLANS RECEIVING PENSION REHA-**
22 **BILITATION LOANS.**

23 (a) IN GENERAL.—Subpart E of part III of sub-
24 chapter A of chapter 61 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
2 section:

3 **“SEC. 6059A. REPORTS OF PLANS RECEIVING PENSION RE-**
4 **HABILITATION LOANS.**

5 “(a) IN GENERAL.—In the case of a plan receiving
6 a loan under section 504(a) of the Rehabilitation for Mul-
7 tiemployer Pensions Act of 2020, with respect to the first
8 plan year beginning after the date of the loan and each
9 of the 29 succeeding plan years, not later than the 90th
10 day of each such plan year the plan sponsor shall file with
11 the Secretary a report (including appropriate documenta-
12 tion and actuarial certifications from the plan actuary, as
13 required by the Secretary) that contains—

14 “(1) the funded percentage (as defined in sec-
15 tion 432(j)(2)) as of the first day of such plan year,
16 and the underlying actuarial value of assets (deter-
17 mined with regard, and without regard, to annuity
18 contracts purchased and portfolios implemented with
19 proceeds of such loan) and liabilities (including any
20 amounts due with respect to such loan) taken into
21 account in determining such percentage,

22 “(2) the market value of the assets of the plan
23 (determined as provided in paragraph (1)) as of the
24 last day of the plan year preceding such plan year,

1 “(3) the total value of all contributions made by
2 employers and employees during the plan year pre-
3 ceding such plan year,

4 “(4) the total value of all benefits paid during
5 the plan year preceding such plan year,

6 “(5) cash flow projections for such plan year
7 and the 9 succeeding plan years, and the assump-
8 tions used in making such projections,

9 “(6) funding standard account projections for
10 such plan year and the 9 succeeding plan years, and
11 the assumptions relied upon in making such projec-
12 tions,

13 “(7) the total value of all investment gains or
14 losses during the plan year preceding such plan year,

15 “(8) any significant reduction in the number of
16 active participants during the plan year preceding
17 such plan year, and the reason for such reduction,

18 “(9) a list of employers that withdrew from the
19 plan in the plan year preceding such plan year, and
20 the resulting reduction in contributions,

21 “(10) a list of employers that paid withdrawal
22 liability to the plan during the plan year preceding
23 such plan year and, for each employer, a total as-
24 sessment of the withdrawal liability paid, the annual
25 payment amount, and the number of years remain-

1 ing in the payment schedule with respect to such
2 withdrawal liability,

3 “(11) any material changes to benefits, accrual
4 rates, or contribution rates during the plan year pre-
5 ceding such plan year, and whether such changes re-
6 late to the terms of the loan,

7 “(12) details regarding any funding improve-
8 ment plan or rehabilitation plan and updates to such
9 plan,

10 “(13) the number of participants during the
11 plan year preceding such plan year who are active
12 participants, the number of participants and bene-
13 ficiaries in pay status, and the number of terminated
14 vested participants and beneficiaries,

15 “(14) the amount of any financial assistance re-
16 ceived under section 4261 of the Employee Retirement
17 Income Security Act of 1974 to pay benefits
18 during the preceding plan year, and the total
19 amount of such financial assistance received for all
20 preceding years,

21 “(15) the information contained on the most re-
22 cent annual funding notice submitted by the plan
23 under section 101(f) of the Employee Retirement In-
24 come Security Act of 1974,

1 “(16) the information contained on the most re-
2 cent annual return under section 6058 and actuarial
3 report under section 6059 of the plan, and

4 “(17) copies of the plan document and amend-
5 ments, other retirement benefit or ancillary benefit
6 plans relating to the plan and contribution obliga-
7 tions under such plans, a breakdown of administra-
8 tive expenses of the plan, participant census data
9 and distribution of benefits, the most recent actu-
10 arial valuation report as of the plan year, copies of
11 collective bargaining agreements, and financial re-
12 ports, and such other information as the Secretary,
13 in consultation with the Director of the Pension Re-
14 habilitation Administration, may require.

15 “(b) ELECTRONIC SUBMISSION.—The report re-
16 quired under subsection (a) shall be submitted electroni-
17 cally.

18 “(c) INFORMATION SHARING.—The Secretary shall
19 share the information in the report under subsection (a)
20 with the Secretary of Labor and the Director of the Pen-
21 sion Benefit Guaranty Corporation.

22 “(d) REPORT TO PARTICIPANTS, BENEFICIARIES,
23 AND EMPLOYERS.—Each plan sponsor required to file a
24 report under subsection (a) shall, before the expiration of
25 the time prescribed for the filing of such report, also pro-

1 vide a summary (written in a manner so as to be under-
2 stood by the average plan participant) of the information
3 in such report to participants and beneficiaries in the plan
4 and to each employer with an obligation to contribute to
5 the plan.”.

6 (b) PENALTY.—Subsection (e) of section 6652 of the
7 Internal Revenue Code of 1986 is amended—

8 (1) by inserting “, 6059A (relating to reports of
9 plans receiving pension rehabilitation loans)” after
10 “deferred compensation”;

11 (2) by inserting “(\$100 in the case of failures
12 under section 6059A)” after “\$25”; and

13 (3) by adding at the end the following: “In the
14 case of a failure with respect to section 6059A, the
15 amount imposed under this subsection shall not be
16 paid from the assets of the plan.”.

17 (c) CLERICAL AMENDMENT.—The table of sections
18 for subpart E of part III of subchapter A of chapter 61
19 of the Internal Revenue Code of 1986 is amended by add-
20 ing at the end the following new item:

“Sec. 6059A. Reports of plans receiving pension rehabilitation loans.”.

21 **SEC. 508. PBGC FINANCIAL ASSISTANCE.**

22 (a) IN GENERAL.—Section 4261 of the Employee Re-
23 tirement Income Security Act of 1974 (29 U.S.C. 1431)
24 is amended by adding at the end the following new sub-
25 section:

1 “(d)(1) The plan sponsor of a multiemployer plan—

2 “(A) which is in critical and declining status
3 (within the meaning of section 305(b)(6)) as of the
4 date of the enactment of this subsection or during
5 the 2-year period beginning on such date, or with re-
6 spect to which a suspension of benefits has been ap-
7 proved under section 305(e)(9) as of such date;

8 “(B) which, as of such date of enactment or
9 during such period, is in critical status (within the
10 meaning of section 305(b)(2)), has a modified fund-
11 ed percentage of less than 40 percent (as defined in
12 section 504(a)(1) of the Rehabilitation for Multiem-
13 ployer Pensions Act of 2020), and has a ratio of ac-
14 tive to inactive participants which is less than 2 to
15 5; or

16 “(C) which is insolvent for purposes of section
17 418E of the Internal Revenue Code of 1986 as of
18 such date of enactment or during such period, if the
19 plan became insolvent after December 16, 2014, and
20 has not been terminated;

21 and which is applying for a loan under section 504(a) of
22 the Rehabilitation for Multiemployer Pensions Act of 2020
23 may also apply to the corporation for financial assistance
24 under this subsection, by jointly submitting such applica-
25 tions in accordance with section 4(d)(2) of such Act. The

1 application for financial assistance under this subsection
2 shall demonstrate, based on projections by the plan actu-
3 ary, that after the receipt of the anticipated loan amount
4 under section 4(a) of such Act, the plan will still become
5 (or remain) insolvent within the 30-year period beginning
6 on the date of the loan.

7 “(2) In reviewing an application under paragraph
8 (1), the corporation shall review the determinations and
9 demonstrations submitted with the loan application under
10 section 504(c) of the Rehabilitation for Multiemployer
11 Pensions Act of 2020 and provide guidance regarding such
12 determinations and demonstrations prior to approving any
13 application for financial assistance under this subsection.
14 The corporation may deny any application if any such de-
15 terminations or demonstrations (or any underlying as-
16 sumptions) are clearly erroneous, or inconsistent with
17 rules issued by the corporation, and the plan and the cor-
18 poration are unable to reach agreement on such deter-
19 minations or demonstrations. The corporation shall pre-
20 scribe any such rules or guidance not later than August
21 31, 2020.

22 “(3) In the case of a plan described in paragraph
23 (1)(A) or (1)(B), the total financial assistance provided
24 under this subsection shall be an amount equal to the
25 smallest portion of the loan amount with respect to the

1 plan under paragraph (1)(A) or (1)(B)(ii) of section
2 504(d) of the Rehabilitation for Multiemployer Pensions
3 Act of 2020 (determined without regard to paragraph (2)
4 thereof) that, if provided as financial assistance under this
5 subsection instead of a loan, would allow the plan to avoid
6 the projected insolvency.

7 “(4) In the case of a plan described in paragraph
8 (1)(C), the financial assistance provided pursuant to such
9 application under this subsection shall be the present value
10 of the amount (determined by the plan actuary and sub-
11 mitted on the application) that, if such amount were paid
12 by the corporation in combination with the loan and any
13 other assistance being provided to the plan by the corpora-
14 tion at the time of the application, would enable the plan
15 to emerge from insolvency and avoid any other insolvency
16 projected under paragraph (1).

17 “(5)(A)(i) Except as provided in subparagraph (B),
18 if the corporation determines at the time of approval, or
19 at the beginning of any plan year beginning thereafter,
20 that the plan’s 5-year expenditure projection (determined
21 without regard to loan payments described in clause
22 (iii)(III)) exceeds the fair market value of the plan’s as-
23 sets, the corporation shall (subject to the total amount of
24 financial assistance approved under this subsection) pro-
25 vide such assistance in an amount equal to the lesser of—

1 “(I) the amount by which the plan’s 5-year
2 expenditure projection exceeds such fair market
3 value; or

4 “(II) the plan’s expected expenditures for
5 the plan year.

6 “(ii) For purposes of this subparagraph, the term ‘5-
7 year expenditure projection’ means, with respect to any
8 plan for a plan year, an amount equal to 500 percent of
9 the plan’s expected expenditures for the plan year.

10 “(iii) For purposes of this subparagraph, the term
11 ‘expected expenditures’ means, with respect to any plan
12 for a plan year, an amount equal to the sum of—

13 “(I) expected benefit payments for the plan
14 year;

15 “(II) expected administrative expense payments
16 for the plan year; plus

17 “(III) payments on the loan scheduled during
18 the plan year pursuant to the terms of the loan
19 under section 504(b) of the Rehabilitation for Multi-
20 employer Pensions Act of 2020.

21 “(iv) For purposes of this subparagraph, in the case
22 of any plan year during which a plan is approved for a
23 loan under section 4 of such Act, but has not yet received
24 the proceeds, such proceeds shall be included in deter-
25 mining the fair market value of the plan’s assets for the

1 plan year. The preceding sentence shall not apply in the
2 case of any plan that for the plan year beginning in 2015
3 was certified pursuant to section 305(b)(3) as being in
4 critical and declining status, and had more than 300,000
5 participants.

6 “(B) The financial assistance under this subsection
7 shall be provided in a lump sum if the plan sponsor dem-
8 onstrates in the application, and the corporation deter-
9 mines, that such a lump sum payment is necessary for
10 the plan to avoid the insolvency to which the application
11 relates. In the case of a plan described in paragraph
12 (1)(C), such lump sum shall be provided not later than
13 December 31, 2020.

14 “(6) Subsections (b) and (c) shall apply to financial
15 assistance under this subsection as if it were provided
16 under subsection (a), except that the terms for repayment
17 under subsection (b)(2) shall not require the financial as-
18 sistance to be repaid before the date on which the loan
19 under section 504(a) of the Rehabilitation for Multiem-
20 ployer Pensions Act of 2020 is repaid in full.

21 “(7) The corporation may forgo repayment of the fi-
22 nancial assistance provided under this subsection if nec-
23 essary to avoid any suspension of the accrued benefits of
24 participants.”.

1 (b) APPROPRIATIONS.—There is appropriated to the
2 Director of the Pension Benefit Guaranty Corporation
3 such sums as may be necessary for each fiscal year to pro-
4 vide the financial assistance described in section 4261(d)
5 of the Employee Retirement Income Security Act of 1974
6 (29 U.S.C. 1431(d)) (as added by this section) (including
7 necessary administrative and operating expenses relating
8 to such assistance).

9 **DIVISION U—TELECOMMUNI-**
10 **CATIONS PROVISIONS**
11 **TITLE I—COVID-19 PRICE**
12 **GOUGING PREVENTION**

13 **SEC. 101. SHORT TITLE.**

14 This title may be cited as the “COVID-19 Price
15 Gouging Prevention Act”.

16 **SEC. 102. PREVENTION OF PRICE GOUGING.**

17 (a) IN GENERAL.—For the duration of a public
18 health emergency declared pursuant to section 319 of the
19 Public Health Service Act (42 U.S.C. 247d) as a result
20 of confirmed cases of 2019 novel coronavirus (COVID-
21 19), including any renewal thereof, it shall be unlawful
22 for any person to sell or offer for sale a good or service
23 at a price that—

24 (1) is unconscionably excessive; and

1 (2) indicates the seller is using the cir-
2 cumstances related to such public health emergency
3 to increase prices unreasonably.

4 (b) FACTORS FOR CONSIDERATION.—In determining
5 whether a person has violated subsection (a), there shall
6 be taken into account, with respect to the price at which
7 such person sold or offered for sale the good or service,
8 factors that include the following:

9 (1) Whether such price grossly exceeds the av-
10 erage price at which the same or a similar good or
11 service was sold or offered for sale by such person—

12 (A) during the 90-day period immediately
13 preceding January 31, 2020; or

14 (B) during the same 90-day period of the
15 previous year.

16 (2) Whether such price grossly exceeds the av-
17 erage price at which the same or a similar good or
18 service was readily obtainable from other similarly
19 situated competing sellers before January 31, 2020.

20 (3) Whether such price reasonably reflects addi-
21 tional costs, not within the control of such person,
22 that were paid, incurred, or reasonably anticipated
23 by such person, or reasonably reflects the profit-
24 ability of forgone sales or additional risks taken by

1 such person, to produce, distribute, obtain, or sell
2 such good or service under the circumstances.

3 (c) ENFORCEMENT.—

4 (1) ENFORCEMENT BY FEDERAL TRADE COM-
5 MISSION.—

6 (A) UNFAIR OR DECEPTIVE ACTS OR PRAC-
7 TICES.—A violation of subsection (a) shall be
8 treated as a violation of a regulation under sec-
9 tion 18(a)(1)(B) of the Federal Trade Commis-
10 sion Act (15 U.S.C. 57a(a)(1)(B)) regarding
11 unfair or deceptive acts or practices.

12 (B) POWERS OF COMMISSION.—The Com-
13 mission shall enforce subsection (a) in the same
14 manner, by the same means, and with the same
15 jurisdiction, powers, and duties as though all
16 applicable terms and provisions of the Federal
17 Trade Commission Act (15 U.S.C. 41 et seq.)
18 were incorporated into and made a part of this
19 section. Any person who violates such sub-
20 section shall be subject to the penalties and en-
21 titled to the privileges and immunities provided
22 in the Federal Trade Commission Act.

23 (2) EFFECT ON OTHER LAWS.—Nothing in this
24 section shall be construed in any way to limit the

1 authority of the Commission under any other provi-
2 sion of law.

3 (3) ENFORCEMENT BY STATE ATTORNEYS GEN-
4 ERAL.—

5 (A) IN GENERAL.—If the chief law en-
6 forcement officer of a State, or an official or
7 agency designated by a State, has reason to be-
8 lieve that any person has violated or is violating
9 subsection (a), the attorney general, official, or
10 agency of the State, in addition to any author-
11 ity it may have to bring an action in State
12 court under its consumer protection law, may
13 bring a civil action in any appropriate United
14 States district court or in any other court of
15 competent jurisdiction, including a State court,
16 to—

17 (i) enjoin further such violation by
18 such person;

19 (ii) enforce compliance with such sub-
20 section;

21 (iii) obtain civil penalties; and

22 (iv) obtain damages, restitution, or
23 other compensation on behalf of residents
24 of the State.

1 (B) NOTICE AND INTERVENTION BY THE
2 FTC.—The attorney general of a State shall
3 provide prior written notice of any action under
4 subparagraph (A) to the Commission and pro-
5 vide the Commission with a copy of the com-
6 plaint in the action, except in any case in which
7 such prior notice is not feasible, in which case
8 the attorney general shall serve such notice im-
9 mediately upon instituting such action. The
10 Commission shall have the right—

- 11 (i) to intervene in the action;
12 (ii) upon so intervening, to be heard
13 on all matters arising therein; and
14 (iii) to file petitions for appeal.

15 (C) LIMITATION ON STATE ACTION WHILE
16 FEDERAL ACTION IS PENDING.—If the Commis-
17 sion has instituted a civil action for violation of
18 this section, no State attorney general, or offi-
19 cial or agency of a State, may bring an action
20 under this paragraph during the pendency of
21 that action against any defendant named in the
22 complaint of the Commission for any violation
23 of this section alleged in the complaint.

24 (D) RELATIONSHIP WITH STATE-LAW
25 CLAIMS.—If the attorney general of a State has

1 authority to bring an action under State law di-
2 rected at acts or practices that also violate this
3 section, the attorney general may assert the
4 State-law claim and a claim under this section
5 in the same civil action.

6 (4) SAVINGS CLAUSE.—Nothing in this section
7 shall preempt or otherwise affect any State or local
8 law.

9 (d) DEFINITIONS.—In this section:

10 (1) COMMISSION.—The term “Commission”
11 means the Federal Trade Commission.

12 (2) GOOD OR SERVICE.—The term “good or
13 service” means a good or service offered in com-
14 merce, including—

15 (A) food, beverages, water, ice, a chemical,
16 or a personal hygiene product;

17 (B) any personal protective equipment for
18 protection from or prevention of contagious dis-
19 eases, filtering facepiece respirators, medical
20 supplies (including medical testing supplies),
21 cleaning supplies, disinfectants, sanitizers; or

22 (C) any healthcare service, cleaning serv-
23 ice, or delivery service.

24 (3) STATE.—The term “State” means each of
25 the several States, the District of Columbia, each

1 commonwealth, territory, or possession of the United
2 States, and each federally recognized Indian Tribe.

3 **TITLE II—E-RATE SUPPORT FOR**
4 **WI-FI HOTSPOTS AND CON-**
5 **NECTED DEVICES**

6 **SEC. 201. E-RATE SUPPORT FOR WI-FI HOTSPOTS AND CON-**
7 **NECTED DEVICES DURING EMERGENCY PERI-**
8 **ODS RELATING TO COVID-19.**

9 (a) REGULATIONS REQUIRED.—Not later than 7
10 days after the date of the enactment of this Act, the Com-
11 mission shall promulgate regulations providing for the
12 provision, during an emergency period described in sub-
13 section (b) and from amounts made available from the
14 Emergency Connectivity Fund established under sub-
15 section (i)(1), of universal service support under section
16 254(h)(1)(B) of the Communications Act of 1934 (47
17 U.S.C. 254(h)(1)(B)) to an elementary school, secondary
18 school, or library eligible for support under such section,
19 as well as a tribal elementary school, tribal secondary
20 school, or tribal library designated as eligible to receive
21 support under such regulations by an Indian tribe that
22 is eligible for support under section 261 of the Library
23 Services and Technology Act (20 U.S.C. 9161), for—

24 (1) providing Wi-Fi hotspots to—

1 (A) in the case of a school, students and
2 staff of such school for use at locations that in-
3 clude locations other than such school; and

4 (B) in the case of a library, patrons of
5 such library for use at locations that include lo-
6 cations other than such library;

7 (2) providing connected devices to students and
8 staff or patrons (as the case may be) for use as de-
9 scribed in subparagraph (A) or (B) of paragraph
10 (1); and

11 (3) providing mobile broadband internet access
12 service through such Wi-Fi hotspots or connected
13 devices.

14 (b) EMERGENCY PERIODS DESCRIBED.—An emer-
15 gency period described in this subsection is the duration
16 of a public health emergency declared pursuant to section
17 319 of the Public Health Service Act (42 U.S.C. 247d)
18 as a result of COVID–19, including any renewal thereof.

19 (c) SERVICE REQUIREMENT FOR CONNECTED DE-
20 VICES.—If a school or library provides a connected device
21 to a student, staff member, or patron using universal serv-
22 ice support under the regulations required by subsection
23 (a) and such connected device is only capable of con-
24 necting to broadband internet access service through the
25 use of Wi-Fi, such school or library shall also provide to

1 such student, staff member, or patron a Wi-Fi hotspot and
2 mobile broadband internet access service through such Wi-
3 Fi hotspot.

4 (d) TREATMENT OF WI-FI HOTSPOTS AND CON-
5 NECTED DEVICES AFTER EMERGENCY PERIOD.—The
6 Commission shall provide in the regulations required by
7 subsection (a) that, in the case of a school or library that
8 purchases Wi-Fi hotspots or connected devices using sup-
9 port received under such regulations, such school or li-
10 brary—

11 (1) may, after the emergency period with re-
12 spect to which such support is received, use such
13 Wi-Fi hotspots or connected devices for such pur-
14 poses as such school or library considers appro-
15 priate, subject to any restrictions provided in such
16 regulations (or any successor regulation); and

17 (2) may not sell or otherwise transfer in ex-
18 change for any thing of value such Wi-Fi hotspots
19 or connected devices.

20 (e) PRIORITIZATION OF SUPPORT.—The Commission
21 shall provide in the regulations required by subsection (a)
22 that a school or library shall prioritize the provision of
23 Wi-Fi hotspots or connected devices and associated mobile
24 broadband internet access service for which support is re-
25 ceived under such regulations to students and staff or pa-

1 trons (as the case may be) that the school or library be-
2 lieves do not otherwise have access to broadband internet
3 access service at the residences of such students and staff
4 or patrons.

5 (f) CERTIFICATION REQUIREMENTS.—The Commis-
6 sion shall provide in the regulations required by subsection
7 (a) that—

8 (1) Wi-Fi hotspots and connected devices for
9 which support is received under such regulations
10 shall be treated as computers for purposes of the
11 certification requirements of paragraphs (5) and (6)
12 of section 254(h) of the Communications Act of
13 1934 (47 U.S.C. 254(h)); and

14 (2) notwithstanding the requirements of such
15 paragraphs relating to the timing of certifications,
16 the certifications required by such paragraphs shall
17 be made with respect to such Wi-Fi hotspots and
18 connected devices as a condition of receiving such
19 support.

20 (g) RULE OF CONSTRUCTION.—Nothing in this sec-
21 tion shall be construed to affect any authority the Com-
22 mission may have under section 254(h)(1)(B) of the Com-
23 munications Act of 1934 (47 U.S.C. 254(h)(1)(B)) to
24 allow universal service support under such section to be

1 used for the purposes described in subsection (a) other
2 than as required by such subsection.

3 (h) EXEMPTIONS.—

4 (1) NOTICE AND COMMENT RULEMAKING RE-
5 QUIREMENTS.—Section 553 of title 5, United States
6 Code, shall not apply to a regulation promulgated
7 under subsection (a) or a rulemaking to promulgate
8 such a regulation.

9 (2) PAPERWORK REDUCTION ACT REQUIRE-
10 MENTS.—A collection of information conducted or
11 sponsored under the regulations required by sub-
12 section (a), or under section 254 of the Communica-
13 tions Act of 1934 (47 U.S.C. 254) in connection
14 with universal service support provided under such
15 regulations, shall not constitute a collection of infor-
16 mation for the purposes of subchapter I of chapter
17 35 of title 44, United States Code (commonly re-
18 ferred to as the Paperwork Reduction Act).

19 (i) EMERGENCY CONNECTIVITY FUND.—

20 (1) ESTABLISHMENT.—There is established in
21 the Treasury of the United States a fund to be
22 known as the Emergency Connectivity Fund.

23 (2) AUTHORIZATION OF APPROPRIATIONS.—
24 There is authorized to be appropriated to the Emer-
25 gency Connectivity Fund, out of any money in the

1 Treasury not otherwise appropriated,
2 \$2,000,000,000 for fiscal year 2020, to remain
3 available through fiscal year 2021.

4 (3) USE OF FUNDS.—Amounts in the Emer-
5 gency Connectivity Fund shall be available to the
6 Commission to provide universal service support
7 under the regulations required by subsection (a).

8 (4) RELATIONSHIP TO UNIVERSAL SERVICE
9 CONTRIBUTIONS.—Universal service support pro-
10 vided under the regulations required by subsection
11 (a) shall be provided from amounts made available
12 under paragraph (3) and not from contributions
13 under section 254(d) of the Communications Act of
14 1934 (47 U.S.C. 254(d)).

15 (j) EXCEPTION TO GIFT RESTRICTIONS.—Not later
16 than 7 days after the date of the enactment of this Act,
17 the Commission shall amend section 54.503(d) of title 47,
18 Code of Federal Regulations, so as to provide that such
19 section does not apply in the case of a gift or other thing
20 of value that is solicited, accepted, offered, or provided
21 during an emergency period described in subsection (b)
22 for the purpose of responding to needs arising from the
23 emergency.

24 (k) DEFINITIONS.—In this section:

1 (1) BROADBAND INTERNET ACCESS SERVICE.—

2 The term “broadband internet access service” has
3 the meaning given such term in section 8.1(b) of
4 title 47, Code of Federal Regulations (or any suc-
5 cessor regulation).

6 (2) COMMISSION.—The term “Commission”
7 means the Federal Communications Commission.

8 (3) CONNECTED DEVICE.—The term “con-
9 nected device” means a laptop computer, tablet com-
10 puter, or similar device that is capable of connecting
11 to mobile broadband internet access service, either
12 by receiving such service directly or through the use
13 of Wi-Fi.

14 (4) WI-FI.—The term “Wi-Fi” means a wire-
15 less networking protocol based on Institute of Elec-
16 trical and Electronics Engineers standard 802.11
17 (or any successor standard).

18 (5) WI-FI HOTSPOT.—The term “Wi-Fi
19 hotspot” means a device that is capable of—

20 (A) receiving mobile broadband internet
21 access service; and

22 (B) sharing such service with another de-
23 vice through the use of Wi-Fi.

1 **TITLE III—EMERGENCY LIFE-**
2 **LINE BENEFIT FOR**
3 **BROADBAND SERVICE**

4 **SEC. 301. EMERGENCY LIFELINE BENEFIT FOR**
5 **BROADBAND SERVICE DURING EMERGENCY**
6 **PERIODS RELATING TO COVID-19.**

7 (a) PROMULGATION OF REGULATIONS REQUIRED.—

8 Not later than 7 days after the date of the enactment of
9 this Act, the Commission shall promulgate regulations for
10 the provision of an emergency lifeline broadband benefit
11 described and in accordance with the requirements of this
12 section.

13 (b) REQUIREMENTS.—The regulations promulgated
14 pursuant to subsection (a) shall establish the following:

15 (1) Regardless of whether a household or any
16 consumer in the household receives support under
17 subpart E of part 54 of title 47, Code of Federal
18 Regulations, a household is eligible for the provision
19 of Tier I service or Tier II service, supported by the
20 emergency lifeline broadband benefit, during an
21 emergency period if—

22 (A) the household includes at least one
23 qualifying low-income consumer who meets the
24 qualifications in paragraphs (a) and (b) of sec-

1 tion 54.409 of title 47, Code of Federal Regula-
2 tions, or any successor regulation; or

3 (B) the household receives benefits from
4 the National School Lunch Program's free or
5 reduced cost lunch program.

6 (2) A provider of broadband internet access
7 service shall apply to the Commission for the reim-
8 bursement described in paragraph (6) for each eligi-
9 ble household that requests the emergency lifeline
10 broadband benefit and receives Tier I or Tier II
11 service from the provider.

12 (3) Within five business days of receiving a re-
13 quest from a broadband internet service provider,
14 the Commission shall determine and issue a decision
15 whether it is in the public interest—

16 (A) to allow such provider to provide Tier
17 I or Tier II service supported by the emergency
18 lifeline broadband benefit, and

19 (B) to allow the provider to use its own
20 verification processes to determine whether a
21 household is eligible to receive the emergency
22 lifeline broadband benefit according to the eligi-
23 bility criteria in paragraph (1), if such proc-
24 esses are reasonable and sufficient to avoid
25 waste, fraud, and abuse.

1 (4) The Commission shall adopt reasonable rec-
2 ordkeeping and retention requirements for recipients
3 of reimbursements from the funds made available in
4 subsection (f), which requirements shall be in lieu of
5 any reporting, record keeping, retention and compli-
6 ance requirements as set forth in subpart E of part
7 54 of title 47, Code of Federal Regulations.

8 (5) The emergency period may be extended
9 within a State or any portion thereof if the Governor
10 of the State provides written, public notice to the
11 Commission stipulating that an extension is nec-
12 essary in furtherance of the recovery related to
13 COVID–19. The Commission shall, within 24 hours
14 after receiving such notice, post the notice on the
15 Commission’s public website.

16 (6) The Commission shall reimburse providers
17 of broadband internet access service from funds
18 made available in subsection (f) in the following
19 amounts:

20 (A) The broadband internet access service
21 provider shall receive \$50.00 per month, or an
22 amount equal to the monthly charge for service
23 and equipment if such charge is less than
24 \$50.00 per month, for each eligible household

1 that requests the emergency lifeline broadband
2 benefit and receives the Tier I service.

3 (B) The broadband internet access service
4 provider shall receive \$30.00 per month, or an
5 amount equal to the monthly charge for service
6 and equipment if such charge is less than
7 \$30.00 per month, for each eligible household
8 that requests the emergency lifeline broadband
9 benefit and receives Tier II service.

10 (7) To receive a reimbursement under para-
11 graph (6), a broadband internet access service pro-
12 vider shall certify to the Commission—

13 (A) the number of eligible households that
14 requested the emergency lifeline broadband ben-
15 efit and received Tier I service—

16 (i) monthly for the duration of the
17 emergency period; or

18 (ii) for each month of the emergency
19 period, collectively, after the expiration of
20 the emergency period under paragraph (5);

21 (B) the number of eligible households that
22 requested the emergency lifeline broadband ben-
23 efit and received Tier II service—

24 (i) monthly for the duration of the
25 emergency period; or

1 (ii) for each month of the emergency
2 period, collectively, after the expiration of
3 the emergency period under paragraph (5);

4 (C) that the reimbursement sought for pro-
5 viding Tier I service or Tier II service to an eli-
6 gible household did not exceed the provider's
7 rate for that offering, or similar offerings, for
8 households that are not eligible households sub-
9 scribing to the same or substantially similar
10 service;

11 (D) that eligible households for which the
12 provider is seeking reimbursement for providing
13 Tier I or Tier II service using the emergency
14 lifeline broadband benefit—

15 (i) were not charged for the Tier I
16 service or Tier II service; and

17 (ii) were not disqualified from receiv-
18 ing the emergency lifeline broadband serv-
19 ice based on past or present arrearages;
20 and

21 (E) that the eligibility of eligible house-
22 holds is verified in accordance with the require-
23 ments adopted by the Commission pursuant to
24 paragraph (3).

1 (c) ELIGIBLE PROVIDERS.—The Commission may
2 provide a reimbursement to a broadband internet access
3 service provider under this section without requiring such
4 provider to be designated as an eligible telecommuni-
5 cations carrier under section 214(e) of the Communica-
6 tions Act of 1934 (47 U.S.C. 214(e)) and notwithstanding
7 section 254(e) of the Communications Act of 1934 (47
8 U.S.C. 254(e)).

9 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
10 tion shall affect the collection, distribution, or administra-
11 tion of the Lifeline Assistance Program governed by the
12 rules set forth in subpart E of part 54 of title 47, Code
13 of Federal Regulations.

14 (e) EXEMPTIONS.—

15 (1) NOTICE AND COMMENT RULEMAKING RE-
16 QUIREMENTS.—Section 553 of title 5, United States
17 Code, shall not apply to a regulation promulgated
18 under subsection (a) or a rulemaking to promulgate
19 such a regulation.

20 (2) PAPERWORK REDUCTION ACT REQUIRE-
21 MENTS.—A collection of information conducted or
22 sponsored under the regulations required by sub-
23 section (a), or under section 254 of the Communica-
24 tions Act of 1934 (47 U.S.C. 254) in connection
25 with universal service support provided under such

1 regulations, shall not constitute a collection of infor-
2 mation for the purposes of subchapter I of chapter
3 35 of title 44, United States Code (commonly re-
4 ferred to as the Paperwork Reduction Act).

5 (f) EMERGENCY BROADBAND CONNECTIVITY
6 FUND.—

7 (1) ESTABLISHMENT.—There is established in
8 the Treasury of the United States a fund to be
9 known as the Emergency Broadband Connectivity
10 Fund.

11 (2) AUTHORIZATION OF APPROPRIATIONS.—
12 There is authorized to be appropriated to the Emer-
13 gency Broadband Connectivity Fund, out of any
14 money in the Treasury not otherwise appropriated,
15 \$1,000,000,000 for fiscal year 2020, to remain
16 available through fiscal year 2021.

17 (3) USE OF FUNDS.—Amounts in the Emer-
18 gency Broadband Connectivity Fund shall be avail-
19 able to the Commission to provide reimbursements
20 for Tier I service or Tier II service provided to eligi-
21 ble households under the regulations required pursu-
22 ant to subsection (a).

23 (4) RELATIONSHIP TO UNIVERSAL SERVICE
24 CONTRIBUTIONS.—Reimbursements provided under
25 the regulations required by subsection (a) shall be

1 provided from amounts made available under para-
2 graph (3) and not from contributions under section
3 254(d) of the Communications Act of 1934 (47
4 U.S.C. 254(d)).

5 (g) DEFINITIONS.—In this section:

6 (1) BROADBAND INTERNET ACCESS SERVICE.—

7 The term “broadband internet access service” has
8 the meaning given such term in section 8.1(b) of
9 title 47, Code of Federal Regulations (or any suc-
10 cessor regulation).

11 (2) COMMISSION.—The term “Commission”
12 means the Federal Communications Commission.

13 (3) ELIGIBLE HOUSEHOLD.—The term “eligible
14 household” means a household that meets the re-
15 quirements described in subsection (b)(1).

16 (4) EMERGENCY PERIOD.—The term “emer-
17 gency period” means the duration of a public health
18 emergency declared pursuant to section 319 of the
19 Public Health Service Act (42 U.S.C. 247d) as a re-
20 sult of COVID–19, including any renewal thereof.

21 (5) TIER I SERVICE.—The term “Tier I serv-
22 ice” means broadband internet access service that,
23 at a minimum, provides a download speed of 100
24 megabits per second, an upload speed of 10 mega-
25 bits per second, and latency that is sufficiently low

1 to allow real-time, interactive applications, with no
2 data caps or additional fees for the provision of such
3 service, except taxes and other governmental fees.

4 (6) TIER II SERVICE.—The term “Tier II serv-
5 ice” means broadband internet access service that,
6 at a minimum, provides a download speed of 25
7 megabits per second, an upload speed of 3 megabits
8 per second, and latency that is sufficiently low to
9 allow real-time, interactive applications, with no data
10 caps or additional fees for the provision of such serv-
11 ice, except taxes and other governmental fees.

12 **TITLE IV—CONTINUED** 13 **CONNECTIVITY**

14 **SEC. 401. CONTINUED CONNECTIVITY DURING EMERGENCY** 15 **PERIODS RELATING TO COVID-19.**

16 Title VII of the Communications Act of 1934 (47
17 U.S.C. 601 et seq.) is amended by adding at the end the
18 following:

19 **“SEC. 723. CONTINUED CONNECTIVITY DURING EMER-** 20 **GENCY PERIODS RELATING TO COVID-19.**

21 “(a) IN GENERAL.—During an emergency period de-
22 scribed in subsection (b), it shall be unlawful—

23 “(1) for a provider of advanced telecommuni-
24 cations service or voice service to—

1 “(A) terminate, reduce, or change such
2 service provided to any individual customer or
3 small business because of the inability of the in-
4 dividual customer or small business to pay for
5 such service if the individual customer or small
6 business certifies to such provider that such in-
7 ability to pay is a result of disruptions caused
8 by the public health emergency to which such
9 emergency period relates; or

10 “(B) impose late fees on any individual
11 customer or small business because of the in-
12 ability of the individual customer or small busi-
13 ness to pay for such service if the individual
14 customer or small business certifies to such pro-
15 vider that such inability to pay is a result of
16 disruptions caused by the public health emer-
17 gency to which such emergency period relates;

18 “(2) for a provider of advanced telecommuni-
19 cations service to, during such emergency period—

20 “(A) employ a limit on the amount of data
21 allotted to an individual customer or small busi-
22 ness during such emergency period, except that
23 such provider may engage in reasonable net-
24 work management; or

1 “(B) charge an individual customer or
2 small business an additional fee for exceeding
3 the limit on the data allotted to an individual
4 customer or small business; or

5 “(3) for a provider of advanced telecommuni-
6 cations service that had functioning Wi-Fi hotspots
7 available to subscribers in public places on the day
8 before the beginning of such emergency period to
9 fail to make service provided by such Wi-Fi hotspots
10 available to the public at no cost during such emer-
11 gency period.

12 “(b) WAIVER.—Upon a petition by a provider ad-
13 vanced telecommunications service or voice service, the
14 provisions in subsection (a) may be suspended or waived
15 by the Commission at any time, in whole or in part, for
16 good cause shown.

17 “(c) EMERGENCY PERIODS DESCRIBED.—An emer-
18 gency period described in this subsection is any portion
19 beginning on or after the date of the enactment of this
20 section of the duration of a public health emergency de-
21 clared pursuant to section 319 of the Public Health Serv-
22 ice Act (42 U.S.C. 247d) as a result of COVID–19, includ-
23 ing any renewal thereof.

24 “(d) DEFINITIONS.—In this section:

1 “(1) ADVANCED TELECOMMUNICATIONS SERV-
2 ICE.—The term ‘advanced telecommunications serv-
3 ice’ means a service that provides advanced tele-
4 communications capability (as defined in section 706
5 of the Telecommunications Act of 1996 (47 U.S.C.
6 1302)).

7 “(2) BROADBAND INTERNET ACCESS SERV-
8 ICE.—The term ‘broadband internet access service’
9 has the meaning given such term in section 8.1(b)
10 of title 47, Code of Federal Regulations (or any suc-
11 cessor regulation).

12 “(3) INDIVIDUAL CUSTOMER.—The term ‘indi-
13 vidual customer’ means an individual who contracts
14 with a mass-market retail provider of advanced tele-
15 communications service or voice service to provide
16 service to such individual.

17 “(4) REASONABLE NETWORK MANAGEMENT.—
18 The term ‘reasonable network management’—

19 “(A) means the use of a practice that—

20 “(i) has a primarily technical network
21 management justification; and

22 “(ii) is primarily used for and tailored
23 to achieving a legitimate network manage-
24 ment purpose, taking into account the par-

1 ticular network architecture and tech-
2 nology of the service; and

3 “(B) does not include other business prac-
4 tices.

5 “(5) SMALL BUSINESS.—The term ‘small busi-
6 ness’ has the meaning given such term under section
7 601(3) of title 5, United States Code.

8 “(6) VOICE SERVICE.—The term ‘voice service’
9 has the meaning given such term under section
10 227(e)(8) of the Communications Act of 1934 (47
11 U.S.C. 227(e)(8)).

12 “(7) WI-FI.—The term ‘Wi-Fi’ means a wire-
13 less networking protocol based on Institute of Elec-
14 trical and Electronics Engineers standard 802.11
15 (or any successor standard).

16 “(8) WI-FI HOTSPOT.—The term ‘Wi-Fi
17 hotspot’ means a device that is capable of—

18 “(A) receiving mobile broadband internet
19 access service; and

20 “(B) sharing such service with another de-
21 vice through the use of Wi-Fi.”.

1 **TITLE V—DON’T BREAK UP THE**
2 **T-BAND**

3 **SEC. 501. REPEAL OF REQUIREMENT TO REALLOCATE AND**
4 **AUCTION T-BAND SPECTRUM.**

5 (a) REPEAL.—Section 6103 of the Middle Class Tax
6 Relief and Job Creation Act of 2012 (47 U.S.C. 1413)
7 is repealed.

8 (b) CLERICAL AMENDMENT.—The table of contents
9 in section 1(b) of such Act is amended by striking the
10 item relating to section 6103.

11 **SEC. 502. CLARIFYING ACCEPTABLE 9-1-1 OBLIGATIONS OR**
12 **EXPENDITURES.**

13 Section 6 of the Wireless Communications and Public
14 Safety Act of 1999 (47 U.S.C. 615a–1) is amended—

15 (1) in subsection (f)—

16 (A) in paragraph (1), by striking “as spec-
17 ified in the provision of State or local law
18 adopting the fee or charge” and inserting “con-
19 sistent with the purposes and functions des-
20 ignated in the final rules issued under para-
21 graph (3) as purposes and functions for which
22 the obligation or expenditure of such a fee or
23 charge is acceptable”;

24 (B) in paragraph (2), by striking “any
25 purpose other than the purpose for which any

1 such fees or charges are specified” and insert-
2 ing “any purpose or function other than the
3 purposes and functions designated in the final
4 rules issued under paragraph (3) as purposes
5 and functions for which the obligation or ex-
6 penditure of any such fees or charges is accept-
7 able”; and

8 (C) by adding at the end the following:

9 “(3) ACCEPTABLE OBLIGATIONS OR EXPENDI-
10 TURES.—

11 “(A) RULES REQUIRED.—In order to pre-
12 vent diversion of 9–1–1 fees or charges, the
13 Commission shall, not later than 180 days after
14 the date of the enactment of this paragraph,
15 issue final rules designating purposes and func-
16 tions for which the obligation or expenditure of
17 9–1–1 fees or charges, by any State or taxing
18 jurisdiction authorized to impose such a fee or
19 charge, is acceptable.

20 “(B) PURPOSES AND FUNCTIONS.—The
21 purposes and functions designated under sub-
22 paragraph (A) shall be limited to the support
23 and implementation of 9–1–1 services provided
24 by or in the State or taxing jurisdiction impos-
25 ing the fee or charge and operational expenses

1 of public safety answering points within such
2 State or taxing jurisdiction. In designating such
3 purposes and functions, the Commission shall
4 consider the purposes and functions that States
5 and taxing jurisdictions specify as the intended
6 purposes and functions for the 9–1–1 fees or
7 charges of such States and taxing jurisdictions,
8 and determine whether such purposes and func-
9 tions directly support providing 9–1–1 services.

10 “(C) CONSULTATION REQUIRED.—The
11 Commission shall consult with public safety or-
12 ganizations and States and taxing jurisdictions
13 as part of any proceeding under this paragraph.

14 “(D) DEFINITIONS.—In this paragraph:

15 “(i) 9–1–1 FEE OR CHARGE.—The
16 term ‘9–1–1 fee or charge’ means a fee or
17 charge applicable to commercial mobile
18 services or IP-enabled voice services spe-
19 cifically designated by a State or taxing ju-
20 risdiction for the support or implementa-
21 tion of 9–1–1 services.

22 “(ii) 9–1–1 SERVICES.—The term ‘9–
23 1–1 services’ has the meaning given such
24 term in section 158(e) of the National
25 Telecommunications and Information Ad-

1 ministration Organization Act (47 U.S.C.
2 942(e)).

3 “(iii) STATE OR TAXING JURISDIC-
4 TION.—The term ‘State or taxing jurisdic-
5 tion’ means a State, political subdivision
6 thereof, Indian Tribe, or village or regional
7 corporation serving a region established
8 pursuant to the Alaska Native Claims Set-
9 tlement Act (43 U.S.C. 1601 et seq.).

10 “(4) PARTICIPATION.—If a State or taxing ju-
11 risdiction (as defined in paragraph (3)(D)) receives
12 a grant under section 158 of the National Tele-
13 communications and Information Administration Or-
14 ganization Act (47 U.S.C. 942) after the date of the
15 enactment of this paragraph, such State or taxing
16 jurisdiction shall, as a condition of receiving such
17 grant, provide the information requested by the
18 Commission to prepare the report required by para-
19 graph (2).

20 “(5) PETITION REGARDING ADDITIONAL PUR-
21 POSES AND FUNCTIONS.—

22 “(A) IN GENERAL.—A State or taxing ju-
23 risdiction (as defined in paragraph (3)(D)) may
24 submit to the Commission a petition for a de-
25 termination that an obligation or expenditure of

1 a 9–1–1 fee or charge (as defined in such para-
2 graph) by such State or taxing jurisdiction for
3 a purpose or function other than a purpose or
4 function designated under paragraph (3)(A)
5 should be treated as such a purpose or function.
6 If the Commission finds that the State or tax-
7 ing jurisdiction has provided sufficient docu-
8 mentation to make the demonstration described
9 in subparagraph (B), the Commission shall
10 grant such petition.

11 “(B) DEMONSTRATION DESCRIBED.—The
12 demonstration described in this subparagraph is
13 a demonstration that the purpose or function—

14 “(i) supports public safety answering
15 point functions or operations; or

16 “(ii) has a direct impact on the ability
17 of a public safety answering point to—

18 “(I) receive or respond to 9–1–1
19 calls; or

20 “(II) dispatch emergency re-
21 sponders.”; and

22 (2) by adding at the end the following:

23 “(j) SEVERABILITY CLAUSE.—If any provision of this
24 section or the application thereof to any person or cir-
25 cumstance is held invalid, the remainder of this section

1 and the application of such provision to other persons or
2 circumstances shall not be affected thereby.”.

3 **SEC. 503. PROHIBITION ON 9–1–1 FEE OR CHARGE DIVER-**
4 **SION.**

5 (a) IN GENERAL.—If the Commission obtains evi-
6 dence that suggests the diversion by a State or taxing ju-
7 risdiction of 9–1–1 fees or charges, the Commission shall
8 submit such information, including any information re-
9 garding the impact of any underfunding of 9–1–1 services
10 in the State or taxing jurisdiction, to the interagency
11 strike force established under subsection (c).

12 (b) REPORT TO CONGRESS.—Beginning with the first
13 report under section 6(f)(2) of the Wireless Communica-
14 tions and Public Safety Act of 1999 (47 U.S.C. 615a–
15 1(f)(2)) that is required to be submitted after the date
16 that is 1 year after the date of the enactment of this Act,
17 the Commission shall include in each report required
18 under such section all evidence that suggests the diversion
19 by a State or taxing jurisdiction of 9–1–1 fees or charges,
20 including any information regarding the impact of any
21 underfunding of 9–1–1 services in the State or taxing ju-
22 risdiction.

23 (c) INTERAGENCY STRIKE FORCE TO END 9–1–1
24 FEE OR CHARGE DIVERSION.—

1 (1) ESTABLISHMENT.—Not later than 180 days
2 after the date of the enactment of this Act, the
3 Commission shall establish an interagency strike
4 force to study how the Federal Government can
5 most expeditiously end diversion by a State or taxing
6 jurisdiction of 9–1–1 fees or charges. Such inter-
7 agency strike force shall be known as the “Ending
8 9–1–1 Fee Diversion Now Strike Force” (in this
9 section referred to as the “Strike Force”).

10 (2) DUTIES.—In carrying out the study under
11 paragraph (1), the Strike Force shall—

12 (A) determine the effectiveness of any Fed-
13 eral laws, including regulations, policies, and
14 practices, or budgetary or jurisdictional con-
15 straints regarding how the Federal Government
16 can most expeditiously end diversion by a State
17 or taxing jurisdiction of 9–1–1 fees or charges;

18 (B) consider whether criminal penalties
19 would further prevent diversion by a State or
20 taxing jurisdiction of 9–1–1 fees or charges;
21 and

22 (C) determine the impacts of diversion by
23 a State or taxing jurisdiction of 9–1–1 fees or
24 charges.

1 (3) MEMBERS.—The Strike Force shall be com-
2 posed of such representatives of Federal depart-
3 ments and agencies as the Commission considers ap-
4 propriate, in addition to—

5 (A) State attorneys general;

6 (B) States or taxing jurisdictions found
7 not to be engaging in diversion of 9–1–1 fees
8 or charges;

9 (C) States or taxing jurisdictions trying to
10 stop the diversion of 9–1–1 fees or charges;

11 (D) State 9–1–1 administrators;

12 (E) public safety organizations;

13 (F) groups representing the public and
14 consumers; and

15 (G) groups representing public safety an-
16 swering point professionals.

17 (4) REPORT TO CONGRESS.—Not later than
18 270 days after the date of the enactment of this Act,
19 the Strike Force shall publish on the website of the
20 Commission and submit to the Committee on En-
21 ergy and Commerce of the House of Representatives
22 and the Committee on Commerce, Science, and
23 Transportation of the Senate a report on the find-
24 ings of the study under this subsection, including—

1 (A) any recommendations regarding how to
2 most expeditiously end the diversion by a State
3 or taxing jurisdiction of 9–1–1 fees or charges,
4 including actions that can be taken by Federal
5 departments and agencies and appropriate
6 changes to law or regulations; and

7 (B) a description of what progress, if any,
8 relevant Federal departments and agencies have
9 made in implementing the recommendations
10 under subparagraph (A).

11 (d) FAILURE TO COMPLY.—Notwithstanding any
12 other provision of law, any State or taxing jurisdiction
13 identified by the Commission in the report required under
14 section 6(f)(2) of the Wireless Communications and Public
15 Safety Act of 1999 (47 U.S.C. 615a–1(f)(2)) as engaging
16 in diversion of 9–1–1 fees or charges shall be ineligible
17 to participate or send a representative to serve on any
18 committee, panel, or council established under section
19 6205(a) of the Middle Class Tax Relief and Job Creation
20 Act of 2012 (47 U.S.C. 1425(a)) or any advisory com-
21 mittee established by the Commission.

22 **SEC. 504. RULE OF CONSTRUCTION.**

23 Nothing in this title, the Wireless Communications
24 and Public Safety Act of 1999 (Public Law 106–81), or
25 the Communications Act of 1934 (47 U.S.C. 151 et seq.)

1 shall be construed to prevent a State or taxing jurisdiction
2 from requiring an annual audit of the books and records
3 of a provider of 9–1–1 services concerning the collection
4 and remittance of a 9–1–1 fee or charge.

5 **SEC. 505. DEFINITIONS.**

6 In this title:

7 (1) 9–1–1 FEE OR CHARGE.—The term “9–1–
8 1 fee or charge” has the meaning given such term
9 in subparagraph (D) of paragraph (3) of section 6(f)
10 of the Wireless Communications and Public Safety
11 Act of 1999, as added by this title.

12 (2) 9–1–1 SERVICES.—The term “9–1–1 serv-
13 ices” has the meaning given such term in section
14 158(e) of the National Telecommunications and In-
15 formation Administration Organization Act (47
16 U.S.C. 942(e)).

17 (3) COMMISSION.—The term “Commission”
18 means the Federal Communications Commission.

19 (4) DIVERSION.—The term “diversion” means,
20 with respect to a 9–1–1 fee or charge, the obligation
21 or expenditure of such fee or charge for a purpose
22 or function other than the purposes and functions
23 designated in the final rules issued under paragraph
24 (3) of section 6(f) of the Wireless Communications
25 and Public Safety Act of 1999, as added by this

1 title, as purposes and functions for which the obliga-
2 tion or expenditure of such a fee or charge is accept-
3 able.

4 (5) STATE OR TAXING JURISDICTION.—The
5 term “State or taxing jurisdiction” has the meaning
6 given such term in subparagraph (D) of paragraph
7 (3) of section 6(f) of the Wireless Communications
8 and Public Safety Act of 1999, as added by this
9 title.

10 **DIVISION V—GROW ACT**

11 **SEC. 101. SHORT TITLE.**

12 This division may be cited as the “Giving Retirement
13 Options to Workers Act of 2020” or the “GROW Act”.

14 **SEC. 102. COMPOSITE PLANS.**

15 (a) AMENDMENT TO THE EMPLOYEE RETIREMENT
16 INCOME SECURITY ACT OF 1974.—

17 (1) IN GENERAL.—Title I of the Employee Re-
18 tirement Income Security Act of 1974 (29 U.S.C.
19 1001 et seq.) is amended by adding at the end the
20 following:

21 **“PART 8—COMPOSITE PLANS AND LEGACY** 22 **PLANS**

23 **“SEC. 801. COMPOSITE PLAN DEFINED.**

24 “(a) IN GENERAL.—For purposes of this Act, the
25 term ‘composite plan’ means a pension plan—

1 “(1) which is a multiemployer plan that is nei-
2 ther a defined benefit plan nor a defined contribu-
3 tion plan;

4 “(2) the terms of which provide that the plan
5 is a composite plan for purposes of this title with re-
6 spect to which not more than one multiemployer de-
7 fined benefit plan is treated as a legacy plan within
8 the meaning of section 805, unless there is more
9 than one legacy plan following a merger of composite
10 plans under section 806;

11 “(3) which provides systematically for the pay-
12 ment of benefits—

13 “(A) objectively calculated pursuant to a
14 formula enumerated in the plan document with
15 respect to plan participants after retirement,
16 for life; and

17 “(B) in the form of life annuities, except
18 for benefits which under section 203(e) may be
19 immediately distributed without the consent of
20 the participant;

21 “(4) for which the plan contributions for the
22 first plan year are at least 120 percent of the nor-
23 mal cost for the plan year;

24 “(5) which requires—

1 “(A) an annual valuation of the liability of
2 the plan as of a date within the plan year to
3 which the valuation refers or within one month
4 prior to the beginning of such year;

5 “(B) an annual actuarial determination of
6 the plan’s current funded ratio and projected
7 funded ratio under section 802(a);

8 “(C) corrective action through a realign-
9 ment program pursuant to section 803 when-
10 ever the plan’s projected funded ratio is below
11 120 percent for the plan year; and

12 “(D) an annual notification to each partici-
13 pant describing the participant’s benefits under
14 the plan and explaining that such benefits may
15 be subject to reduction under a realignment
16 program pursuant to section 803 based on the
17 plan’s funded status in future plan years; and

18 “(6) the board of trustees of which includes at
19 least one retiree or beneficiary in pay status during
20 each plan year following the first plan year in which
21 at least 5 percent of the participants in the plan are
22 retirees or beneficiaries in pay status.

23 “(b) TRANSITION FROM A MULTIEMPLOYER DE-
24 FINED BENEFIT PLAN.—

1 “(1) IN GENERAL.—The plan sponsor of a de-
2 fined benefit plan that is a multiemployer plan may,
3 subject to paragraph (2), amend the plan to incor-
4 porate the features of a composite plan as a compo-
5 nent of the multiemployer plan separate from the
6 defined benefit plan component, except in the case of
7 a defined benefit plan for which the plan actuary has
8 certified under section 305(b)(3) that the plan is or
9 will be in critical status for the plan year in which
10 such amendment would become effective or for any
11 of the succeeding 5 plan years.

12 “(2) REQUIREMENTS.—Any amendment pursu-
13 ant to paragraph (1) to incorporate the features of
14 a composite plan as a component of a multiemployer
15 plan shall—

16 “(A) apply with respect to all collective
17 bargaining agreements providing for contribu-
18 tions to the multiemployer plan on or after the
19 effective date of the amendment;

20 “(B) apply with respect to all participants
21 in the multiemployer plan for whom contribu-
22 tions are made to the multiemployer plan on or
23 after the effective date of the amendment;

24 “(C) specify that the effective date of the
25 amendment is—

1 “(i) the first day of a specified plan
2 year following the date of the adoption of
3 the amendment, except that the plan spon-
4 sor may alternatively provide for a sepa-
5 rate effective date with respect to each col-
6 lective bargaining agreement under which
7 contributions to the multiemployer plan
8 are required, which shall occur on the first
9 day of the first plan year beginning after
10 the termination, or if earlier, the re-open-
11 ing, of each such agreement, or such ear-
12 lier date as the parties to the agreement
13 and the plan sponsor of the multiemployer
14 plan shall agree to; and

15 “(ii) not later than the first day of the
16 fifth plan year beginning on or after the
17 date of the adoption of the amendment;

18 “(D) specify that, as of the amendment’s
19 effective date, no further benefits shall accrue
20 under the defined benefit component of the
21 multiemployer plan; and

22 “(E) specify that, as of the amendment’s
23 effective date, the plan sponsor of the multiem-
24 ployer plan shall be the plan sponsor of both

1 the composite plan component and the defined
2 benefit plan component of the plan.

3 “(3) SPECIAL RULES.—If a multiemployer plan
4 is amended pursuant to paragraph (1)—

5 “(A) the requirements of this title and title
6 IV shall be applied to the composite plan com-
7 ponent and the defined benefit plan component
8 of the multiemployer plan as if each such com-
9 ponent were maintained as a separate plan; and

10 “(B) the assets of the composite plan com-
11 ponent and the defined benefit plan component
12 of the plan shall be held in a single trust form-
13 ing part of the plan under which the trust in-
14 strument expressly provides—

15 “(i) for separate accounts (and appro-
16 priate records) to be maintained to reflect
17 the interest which each of the plan compo-
18 nents has in the trust, including separate
19 accounting for additions to the trust for
20 the benefit of each plan component, dis-
21 bursements made from each plan compo-
22 nent’s account in the trust, investment ex-
23 perience of the trust allocable to that ac-
24 count, and administrative expenses (wheth-
25 er direct expenses or shared expenses allo-

1 cated proportionally), and permits, but
2 does not require, the pooling of some or all
3 of the assets of the two plan components
4 for investment purposes; and

5 “(ii) that the assets of each of the two
6 plan components shall be held, invested,
7 reinvested, managed, administered and dis-
8 tributed for the exclusive benefit of the
9 participants and beneficiaries of each such
10 plan component, and in no event shall the
11 assets of one of the plan components be
12 available to pay benefits due under the
13 other plan component.

14 “(4) NOT A TERMINATION EVENT.—Notwith-
15 standing section 4041A, an amendment pursuant to
16 paragraph (1) to incorporate the features of a com-
17 posite plan as a component of a multiemployer plan
18 does not constitute termination of the multiemployer
19 plan.

20 “(5) NOTICE TO THE SECRETARY.—

21 “(A) NOTICE.—The plan sponsor of a
22 composite plan shall provide notice to the Sec-
23 retary of the intent to establish the composite
24 plan (or, in the case of a composite plan incor-
25 porated as a component of a multiemployer

1 plan as described in paragraph (1), the intent
2 to amend the multiemployer plan to incorporate
3 such composite plan) at least 30 days prior to
4 the effective date of such establishment or
5 amendment.

6 “(B) CERTIFICATION.—In the case of a
7 composite plan incorporated as a component of
8 a multiemployer plan as described in paragraph
9 (1), such notice shall include a certification by
10 the plan actuary under section 305(b)(3) that
11 the effective date of the amendment occurs in
12 a plan year for which the multiemployer plan is
13 not in critical status for that plan year and any
14 of the succeeding 5 plan years.

15 “(6) REFERENCES TO COMPOSITE PLAN COM-
16 PONENT.—As used in this part, the term ‘composite
17 plan’ includes a composite plan component added to
18 a defined benefit plan pursuant to paragraph (1).

19 “(7) RULE OF CONSTRUCTION.—Paragraph
20 (2)(A) shall not be construed as preventing the plan
21 sponsor of a multiemployer plan from adopting an
22 amendment pursuant to paragraph (1) because some
23 collective bargaining agreements are amended to
24 cease any covered employer’s obligation to contribute
25 to the multiemployer plan before or after the plan

1 amendment is effective. Paragraph (2)(B) shall not
2 be construed as preventing the plan sponsor of a
3 multiemployer plan from adopting an amendment
4 pursuant to paragraph (1) because some partici-
5 pants cease to have contributions made to the multi-
6 employer plan on their behalf before or after the
7 plan amendment is effective.

8 “(c) COORDINATION WITH FUNDING RULES.—Ex-
9 cept as otherwise provided in this title, sections 302, 304,
10 and 305 shall not apply to a composite plan.

11 “(d) TREATMENT OF A COMPOSITE PLAN.—For pur-
12 poses of this Act (other than sections 302 and 4245), a
13 composite plan shall be treated as if it were a defined ben-
14 efit plan unless a different treatment is provided for under
15 applicable law.

16 **“SEC. 802. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.**

17 “(a) CERTIFICATION OF FUNDED RATIOS.—

18 “(1) IN GENERAL.—Not later than the one-
19 hundred twentieth day of each plan year of a com-
20 posite plan, the plan actuary of the composite plan
21 shall certify to the Secretary, the Secretary of the
22 Treasury, and the plan sponsor the plan’s current
23 funded ratio and projected funded ratio for the plan
24 year.

1 “(2) DETERMINATION OF CURRENT FUNDED
2 RATIO AND PROJECTED FUNDED RATIO.—For pur-
3 poses of this section:

4 “(A) CURRENT FUNDED RATIO.—The cur-
5 rent funded ratio is the ratio (expressed as a
6 percentage) of—

7 “(i) the value of the plan’s assets as
8 of the first day of the plan year; to

9 “(ii) the plan actuary’s best estimate
10 of the present value of the plan liabilities
11 as of the first day of the plan year.

12 “(B) PROJECTED FUNDED RATIO.—The
13 projected funded ratio is the current funded
14 ratio projected to the first day of the fifteenth
15 plan year following the plan year for which the
16 determination is being made.

17 “(3) CONSIDERATION OF CONTRIBUTION RATE
18 INCREASES.—For purposes of projections under this
19 subsection, the plan sponsor may anticipate con-
20 tribution rate increases beyond the term of the cur-
21 rent collective bargaining agreement and any agreed-
22 to supplements, up to a maximum of 2.5 percent per
23 year, compounded annually, unless it would be un-
24 reasonable under the circumstances to assume that
25 contributions would increase by that amount.

1 “(b) ACTUARIAL ASSUMPTIONS AND METHODS.—

2 For purposes of this part:

3 “(1) IN GENERAL.—All costs, liabilities, rates
4 of interest and other factors under the plan shall be
5 determined for a plan year on the basis of actuarial
6 assumptions and methods—

7 “(A) each of which is reasonable (taking
8 into account the experience of the plan and rea-
9 sonable expectations);

10 “(B) which, in combination, offer the actu-
11 ary’s best estimate of anticipated experience
12 under the plan; and

13 “(C) with respect to which any change
14 from the actuarial assumptions and methods
15 used in the previous plan year shall be certified
16 by the plan actuary and the actuarial rationale
17 for such change provided in the annual report
18 required by section 103.

19 “(2) FAIR MARKET VALUE OF ASSETS.—The
20 value of the plan’s assets shall be taken into account
21 on the basis of their fair market value.

22 “(3) DETERMINATION OF NORMAL COST AND
23 PLAN LIABILITIES.—A plan’s normal cost and liabil-
24 ities shall be based on the most recent actuarial

1 valuation required under section 801(a)(5)(A) and
2 the unit credit funding method.

3 “(4) TIME WHEN CERTAIN CONTRIBUTIONS
4 DEEMED MADE.—Any contributions for a plan year
5 made by an employer after the last day of such plan
6 year, but not later than two and one-half months
7 after such day, shall be deemed to have been made
8 on such last day. For purposes of this paragraph,
9 such two and one-half month period may be ex-
10 tended for not more than six months under regula-
11 tions prescribed by the Secretary of the Treasury.

12 “(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—
13 Except where otherwise provided in this part, the
14 provisions of section 305(b)(3)(B) shall apply to any
15 determination or projection under this part.

16 **“SEC. 803. REALIGNMENT PROGRAM.**

17 “(a) REALIGNMENT PROGRAM.—

18 “(1) ADOPTION.—In any case in which the plan
19 actuary certifies under section 802(a) that the plan’s
20 projected funded ratio is below 120 percent for the
21 plan year, the plan sponsor shall adopt a realign-
22 ment program under paragraph (2) not later than
23 210 days after the due date of the certification re-
24 quired under such section 802(a). The plan sponsor
25 shall adopt an updated realignment program for

1 each succeeding plan year for which a certification
2 described in the preceding sentence is made.

3 “(2) CONTENT OF REALIGNMENT PROGRAM.—

4 “(A) IN GENERAL.—A realignment pro-
5 gram adopted under this paragraph is a written
6 program which consists of all reasonable meas-
7 ures, including options or a range of options to
8 be undertaken by the plan sponsor or proposed
9 to the bargaining parties, formulated, based on
10 reasonably anticipated experience and reason-
11 able actuarial assumptions, to enable the plan
12 to achieve a projected funded ratio of at least
13 120 percent for the following plan year.

14 “(B) INITIAL PROGRAM ELEMENTS.—Rea-
15 sonable measures under a realignment program
16 described in subparagraph (A) may include any
17 of the following:

18 “(i) Proposed contribution increases.

19 “(ii) A reduction in the rate of future
20 benefit accruals, so long as the resulting
21 rate is not less than 1 percent of the con-
22 tributions on which benefits are based as
23 of the start of the plan year (or the equiva-
24 lent standard accrual rate as described in
25 section 305(e)(6)).

1 “(iii) A modification or elimination of
2 adjustable benefits of participants that are
3 not in pay status before the date of the no-
4 tice required under subsection (b)(1).

5 “(iv) Any other lawfully available
6 measures not specifically described in this
7 subparagraph or subparagraph (C) or (D)
8 that the plan sponsor determines are rea-
9 sonable.

10 “(C) ADDITIONAL PROGRAM ELEMENTS.—
11 If the plan sponsor has determined that all rea-
12 sonable measures available under subparagraph
13 (B) will not enable the plan to achieve a pro-
14 jected funded ratio of at least 120 percent for
15 the following plan year, such reasonable meas-
16 ures may also include—

17 “(i) a reduction of accrued benefits
18 that are not in pay status by the date of
19 the notice required under subsection
20 (b)(1); or

21 “(ii) a reduction of any benefits of
22 participants that are in pay status before
23 the date of the notice required under sub-
24 section (b)(1) other than core benefits as
25 defined in paragraph (4).

1 “(D) ADDITIONAL REDUCTIONS.—In the
2 case of a composite plan for which the plan
3 sponsor has determined that all reasonable
4 measures available under subparagraphs (B)
5 and (C) will not enable the plan to achieve a
6 projected funded ratio of at least 120 percent
7 for the following plan year, such reasonable
8 measures may also include—

9 “(i) a further reduction in the rate of
10 future benefit accruals without regard to
11 the limitation applicable under subpara-
12 graph (B)(ii); or

13 “(ii) a reduction of core benefits;
14 provided that such reductions shall be equitably
15 distributed across the participant and bene-
16 ficiary population, taking into account factors,
17 with respect to participants and beneficiaries
18 and their benefits, that may include one or
19 more of the factors listed in subclauses (I)
20 through (X) of section 305(e)(9)(D)(vi), to the
21 extent necessary to enable the plan to achieve
22 a projected funded ratio of at least 120 percent
23 for the following plan year, or at the election of
24 the plan sponsor, a projected funded ratio of at
25 least 100 percent for the following plan year

1 and a current funded ratio of at least 90 per-
2 cent.

3 “(3) ADJUSTABLE BENEFIT DEFINED.—For
4 purposes of this part, the term ‘adjustable benefit’
5 means—

6 “(A) benefits, rights, and features under
7 the plan, including post-retirement death bene-
8 fits, 60-month guarantees, disability benefits
9 not yet in pay status, and similar benefits;

10 “(B) any early retirement benefit or retire-
11 ment-type subsidy (within the meaning of sec-
12 tion 204(g)(2)(A)) and any benefit payment op-
13 tion (other than the qualified joint and survivor
14 annuity); and

15 “(C) benefit increases that were adopted
16 (or, if later, took effect) less than 60 months
17 before the first day such realignment program
18 took effect.

19 “(4) CORE BENEFIT DEFINED.—For purposes
20 of this part, the term ‘core benefit’ means a partici-
21 pant’s accrued benefit payable in the normal form of
22 an annuity commencing at normal retirement age,
23 determined without regard to—

24 “(A) any early retirement benefits, retire-
25 ment-type subsidies, or other benefits, rights, or

1 features that may be associated with that ben-
2 efit; and

3 “(B) any cost-of-living adjustments or ben-
4 efit increases effective after the date of retire-
5 ment.

6 “(5) COORDINATION WITH CONTRIBUTION IN-
7 CREASES.—

8 “(A) IN GENERAL.—A realignment pro-
9 gram may provide that some or all of the ben-
10 efit modifications described in the program will
11 only take effect if the bargaining parties fail to
12 agree to specified levels of increases in contribu-
13 tions to the plan, effective as of specified dates.

14 “(B) INDEPENDENT BENEFIT MODIFICA-
15 TIONS.—If a realignment program adopts any
16 changes to the benefit formula that are inde-
17 pendent of potential contribution increases,
18 such changes shall take effect not later than
19 180 days after the first day of the first plan
20 year that begins following the adoption of the
21 realignment program.

22 “(C) CONDITIONAL BENEFIT MODIFICA-
23 TIONS.—If a realignment program adopts any
24 changes to the benefit formula that take effect
25 only if the bargaining parties fail to agree to

1 contribution increases, such changes shall take
2 effect not later than the first day of the first
3 plan year beginning after the third anniversary
4 of the date of adoption of the realignment pro-
5 gram.

6 “(D) REVOCATION OF CERTAIN BENEFIT
7 MODIFICATIONS.—Benefit modifications de-
8 scribed in subparagraph (C) may be revoked, in
9 whole or in part, and retroactively or prospec-
10 tively, when contributions to the plan are in-
11 creased, as specified in the realignment pro-
12 gram, including any amendments thereto. The
13 preceding sentence shall not apply unless the
14 contribution increases are to be effective not
15 later than the fifth anniversary of the first day
16 of the first plan year that begins after the
17 adoption of the realignment program.

18 “(b) NOTICE.—

19 “(1) IN GENERAL.—In any case in which it is
20 certified under section 802(a) that the projected
21 funded ratio is less than 120 percent, the plan spon-
22 sor shall, not later than 30 days after the date of
23 the certification, provide notification of the current
24 and projected funded ratios to the participants and

1 beneficiaries, the bargaining parties, and the Sec-
2 retary. Such notice shall include—

3 “(A) an explanation that contribution rate
4 increases or benefit reductions may be nec-
5 essary;

6 “(B) a description of the types of benefits
7 that might be reduced; and

8 “(C) an estimate of the contribution in-
9 creases and benefit reductions that may be nec-
10 essary to achieve a projected funded ratio of
11 120 percent.

12 “(2) NOTICE OF BENEFIT MODIFICATIONS.—

13 “(A) IN GENERAL.—No modifications may
14 be made that reduce the rate of future benefit
15 accrual or that reduce core benefits or adjust-
16 able benefits unless notice of such reduction has
17 been given at least 180 days before the general
18 effective date of such reduction for all partici-
19 pants and beneficiaries to—

20 “(i) plan participants and bene-
21 ficiaries;

22 “(ii) each employer who has an obliga-
23 tion to contribute to the composite plan;
24 and

1 “(iii) each employee organization
2 which, for purposes of collective bar-
3 gaining, represents plan participants em-
4 ployed by such employers.

5 “(B) CONTENT OF NOTICE.—The notice
6 under subparagraph (A) shall contain—

7 “(i) sufficient information to enable
8 participants and beneficiaries to under-
9 stand the effect of any reduction on their
10 benefits, including an illustration of any
11 affected benefit or subsidy, on an annual
12 or monthly basis that a participant or ben-
13 eficiary would otherwise have been eligible
14 for as of the general effective date de-
15 scribed in subparagraph (A); and

16 “(ii) information as to the rights and
17 remedies of plan participants and bene-
18 ficiaries as well as how to contact the De-
19 partment of Labor for further information
20 and assistance, where appropriate.

21 “(C) FORM AND MANNER.—Any notice
22 under subparagraph (A)—

23 “(i) shall be provided in a form and
24 manner prescribed in regulations of the
25 Secretary of Labor;

1 “(ii) shall be written in a manner so
2 as to be understood by the average plan
3 participant.

4 “(3) MODEL NOTICES.—The Secretary shall—

5 “(A) prescribe model notices that the plan
6 sponsor of a composite plan may use to satisfy
7 the notice requirements under this subsection;
8 and

9 “(B) by regulation enumerate any details
10 related to the elements listed in paragraph (1)
11 that any notice under this subsection must in-
12 clude.

13 “(4) DELIVERY METHOD.—Any notice under
14 this part shall be provided in writing and may also
15 be provided in electronic form to the extent that the
16 form is reasonably accessible to persons to whom the
17 notice is provided.

18 **“SEC. 804. LIMITATION ON INCREASING BENEFITS.**

19 “(a) LEVEL OF CURRENT FUNDED RATIOS.—Except
20 as provided in subsections (c), (d), and (e), no plan
21 amendment increasing benefits or establishing new bene-
22 fits under a composite plan may be adopted for a plan
23 year unless—

1 “(1) the plan’s current funded ratio is at least
2 110 percent (without regard to the benefit increase
3 or new benefits);

4 “(2) taking the benefit increase or new benefits
5 into account, the current funded ratio is at least 100
6 percent and the projected funded ratio for the cur-
7 rent plan year is at least 120 percent;

8 “(3) in any case in which, after taking the ben-
9 efit increase or new benefits into account, the cur-
10 rent funded ratio is less than 140 percent and the
11 projected funded ratio is less than 140 percent, the
12 benefit increase or new benefits are projected by the
13 plan actuary to increase the present value of the
14 plan’s liabilities for the plan year by not more than
15 3 percent; and

16 “(4) expected contributions for the current plan
17 year are at least 120 percent of normal cost for the
18 plan year, determined using the unit credit funding
19 method and treating the benefit increase or new ben-
20 efits as in effect for the entire plan year.

21 “(b) ADDITIONAL REQUIREMENTS WHERE CORE
22 BENEFITS REDUCED.—If a plan has been amended to re-
23 duce core benefits pursuant to a realignment program
24 under section 803(a)(2)(D), such plan may not be subse-

1 quently amended to increase core benefits unless the
2 amendment—

3 “(1) increases the level of future benefit pay-
4 ments only; and

5 “(2) provides for an equitable distribution of
6 benefit increases across the participant and bene-
7 ficiary population, taking into account the extent to
8 which the benefits of participants were previously re-
9 duced pursuant to such realignment program.

10 “(c) EXCEPTION TO COMPLY WITH APPLICABLE
11 LAW.—Subsection (a) shall not apply in connection with
12 a plan amendment if the amendment is required as a con-
13 dition of qualification under part I of subchapter D of
14 chapter 1 of the Internal Revenue Code of 1986 or to com-
15 ply with other applicable law.

16 “(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE
17 LIMIT APPLIES.—Subsection (a) shall not apply in con-
18 nection with a plan amendment if and to the extent that
19 contributions to the composite plan would not be deduct-
20 ible for the plan year under section 404(a)(1)(E) of the
21 Internal Revenue Code of 1986 if the plan amendment is
22 not adopted.

23 “(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICA-
24 TIONS.—Subsection (a) shall not apply in connection with

1 a plan amendment under section 803(a)(5)(C), regarding
2 conditional benefit modifications.

3 “(f) TREATMENT OF PLAN AMENDMENTS.—For pur-
4 poses of this section—

5 “(1) if two or more plan amendments increas-
6 ing benefits or establishing new benefits are adopted
7 in a plan year, such amendments shall be treated as
8 a single amendment adopted on the last day of the
9 plan year;

10 “(2) all benefit increases and new benefits
11 adopted in a single amendment are treated as a sin-
12 gle benefit increase, irrespective of whether the in-
13 creases and new benefits take effect in more than
14 one plan year; and

15 “(3) increases in contributions or decreases in
16 plan liabilities which are scheduled to take effect in
17 future plan years may be taken into account in con-
18 nection with a plan amendment if they have been
19 agreed to in writing or otherwise formalized by the
20 date the plan amendment is adopted.

21 **“SEC. 805. COMPOSITE PLAN RESTRICTIONS TO PRESERVE**
22 **LEGACY PLAN FUNDING.**

23 “(a) TREATMENT AS A LEGACY PLAN.—

24 “(1) IN GENERAL.—For purposes of this part
25 and parts 2 and 3, a defined benefit plan shall be

1 treated as a legacy plan with respect to the com-
2 posite plan under which the employees who were eli-
3 gible to accrue a benefit under the defined benefit
4 plan become eligible to accrue a benefit under such
5 composite plan.

6 “(2) COMPONENT PLANS.—In any case in
7 which a defined benefit plan is amended to add a
8 composite plan component pursuant to section
9 801(b), paragraph (1) shall be applied by sub-
10 stituting ‘defined benefit component’ for ‘defined
11 benefit plan’ and ‘composite plan component’ for
12 ‘composite plan’.

13 “(3) ELIGIBLE TO ACCRUE A BENEFIT.—For
14 purposes of paragraph (1), an employee is consid-
15 ered eligible to accrue a benefit under a composite
16 plan as of the first day in which the employee com-
17 pletes an hour of service under a collective bar-
18 gaining agreement that provides for contributions to
19 and accruals under the composite plan in lieu of ac-
20 cruals under the legacy plan.

21 “(4) COLLECTIVE BARGAINING AGREEMENT.—
22 As used in this part, the term ‘collective bargaining
23 agreement’ includes any agreement under which an
24 employer has an obligation to contribute to a plan.

1 “(5) OTHER TERMS.—Any term used in this
2 part which is not defined in this part and which is
3 also used in section 305 shall have the same mean-
4 ing provided such term in such section.

5 “(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE
6 PLAN OF AGREEMENTS AND CONTRIBUTIONS.—

7 “(1) IN GENERAL.—The plan sponsor of a com-
8 posite plan shall not accept or recognize a collective
9 bargaining agreement (or any modification to such
10 agreement), and no contributions may be accepted
11 and no benefits may be accrued or otherwise earned
12 under the agreement—

13 “(A) in any case in which the plan actuary
14 of any defined benefit plan that would be treat-
15 ed as a legacy plan with respect to such com-
16 posite plan has certified under section
17 305(b)(3) that such defined benefit plan is or
18 will be in critical status for the plan year in
19 which such agreement would take effect or for
20 any of the succeeding 5 plan years; and

21 “(B) unless the agreement requires each
22 employer who is a party to such agreement, in-
23 cluding employers whose employees are not par-
24 ticipants in the legacy plan, to provide contribu-
25 tions to the legacy plan with respect to such

1 composite plan in a manner that satisfies the
2 transition contribution requirements of sub-
3 section (d).

4 “(2) NOTICE.—Not later than 30 days after a
5 determination by a plan sponsor of a composite plan
6 that an agreement fails to satisfy the requirements
7 described in paragraph (1), the plan sponsor shall
8 provide notification of such failure and the reasons
9 for such determination—

10 “(A) to the parties to the agreement;

11 “(B) to active participants of the com-
12 posite plan who have ceased to accrue or other-
13 wise earn benefits with respect to service with
14 an employer pursuant to paragraph (1); and

15 “(C) to the Secretary, the Secretary of the
16 Treasury, and the Pension Benefit Guaranty
17 Corporation.

18 “(3) LIMITATION ON RETROACTIVE EFFECT.—
19 This subsection shall not apply to benefits accrued
20 before the date on which notice is provided under
21 paragraph (2).

22 “(c) RESTRICTION ON ACCRUAL OF BENEFITS
23 UNDER A COMPOSITE PLAN.—

24 “(1) IN GENERAL.—In any case in which an
25 employer, under a collective bargaining agreement

1 entered into after the date of enactment of the Giv-
2 ing Retirement Options to Workers Act of 2020,
3 ceases to have an obligation to contribute to a multi-
4 employer defined benefit plan, no employees em-
5 ployed by the employer may accrue or otherwise earn
6 benefits under any composite plan, with respect to
7 service with that employer, for a 60-month period
8 beginning on the date on which the employer entered
9 into such collective bargaining agreement.

10 “(2) NOTICE OF CESSATION OF OBLIGATION.—
11 Within 30 days of determining that an employer has
12 ceased to have an obligation to contribute to a leg-
13 acy plan with respect to employees employed by an
14 employer that is or will be contributing to a com-
15 posite plan with respect to service of such employees,
16 the plan sponsor of the legacy plan shall notify the
17 plan sponsor of the composite plan of that cessation.

18 “(3) NOTICE OF CESSATION OF ACCRUALS.—
19 Not later than 30 days after determining that an
20 employer has ceased to have an obligation to con-
21 tribute to a legacy plan, the plan sponsor of the
22 composite plan shall notify the bargaining parties,
23 the active participants affected by the cessation of
24 accruals, the Secretary, the Secretary of the Treas-
25 ury, and the Pension Benefit Guaranty Corporation

1 of the cessation of accruals, the period during which
2 such cessation is in effect, and the reasons therefor.

3 “(4) LIMITATION ON RETROACTIVE EFFECT.—

4 This subsection shall not apply to benefits accrued
5 before the date on which notice is provided under
6 paragraph (3).

7 “(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

8 “(1) IN GENERAL.—A collective bargaining
9 agreement satisfies the transition contribution re-
10 quirements of this subsection if the agreement—

11 “(A) authorizes payment of contributions
12 to a legacy plan at a rate or rates equal to or
13 greater than the transition contribution rate es-
14 tablished by the legacy plan under paragraph
15 (2); and

16 “(B) does not provide for—

17 “(i) a suspension of contributions to
18 the legacy plan with respect to any period
19 of service; or

20 “(ii) any new direct or indirect exclu-
21 sion of younger or newly hired employees
22 of the employer from being taken into ac-
23 count in determining contributions owed to
24 the legacy plan.

25 “(2) TRANSITION CONTRIBUTION RATE.—

1 “(A) IN GENERAL.—The transition con-
2 tribution rate for a plan year is the contribution
3 rate that, as certified by the actuary of the leg-
4 acy plan in accordance with the principles in
5 section 305(b)(3)(B), is reasonably expected to
6 be adequate—

7 “(i) to fund the normal cost for the
8 plan year;

9 “(ii) to amortize the plan’s unfunded
10 liabilities in level annual installments over
11 25 years, beginning with the plan year in
12 which the transition contribution rate is
13 first established; and

14 “(iii) to amortize any subsequent
15 changes in the legacy plan’s unfunded li-
16 ability due to experience gains or losses
17 (including investment gains or losses, gains
18 or losses due to contributions greater or
19 less than the contributions made under the
20 prior transition contribution rate, and
21 other actuarial gains or losses), changes in
22 actuarial assumptions, changes to the leg-
23 acy plan’s benefits, or changes in funding
24 method over a period of 15 plan years be-

1 ginning with the plan year in which such
2 change in unfunded liability is incurred.

3 The transition contribution rate for any plan
4 year may not be less than the transition con-
5 tribution rate for the plan year in which such
6 rate is first established.

7 “(B) MULTIPLE RATES.—If different rates
8 of contribution are payable to the legacy plan
9 by different employers or for different classes of
10 employees, the certification shall specify a tran-
11 sition contribution rate for each such employer.

12 “(C) RATE APPLICABLE TO EMPLOYER.—

13 “(i) IN GENERAL.—Except as pro-
14 vided by clause (ii), the transition con-
15 tribution rate applicable to an employer for
16 a plan year is the rate in effect for the
17 plan year of the legacy plan that com-
18 mences on or after 180 days before the
19 earlier of—

20 “(I) the effective date of the col-
21 lective bargaining agreement pursuant
22 to which the employer contributes to
23 the legacy plan; or

24 “(II) 5 years after the last plan
25 year for which the transition contribu-

1 tion rate applicable to the employer
2 was established or updated.

3 “(ii) EXCEPTION.—The transition
4 contribution rate applicable to an employer
5 for the first plan year beginning on or
6 after the commencement of the employer’s
7 obligation to contribute to the composite
8 plan is the rate in effect for the plan year
9 of the legacy plan that commences on or
10 after 180 days before such first plan year.

11 “(D) EFFECT OF LEGACY PLAN FINANCIAL
12 CIRCUMSTANCES.—If the plan actuary of the
13 legacy plan has certified under section 305 that
14 the plan is in endangered or critical status for
15 a plan year, the transition contribution rate for
16 the following plan year is the rate determined
17 with respect to the employer under the legacy
18 plan’s funding improvement or rehabilitation
19 plan under section 305, if greater than the rate
20 otherwise determined, but in no event greater
21 than 75 percent of the sum of the contribution
22 rates applicable to the legacy plan and the com-
23 posite plan for the plan year.

24 “(E) OTHER ACTUARIAL ASSUMPTIONS
25 AND METHODS.—Except as provided in sub-

1 paragraph (A), the determination of the transi-
2 tion contribution rate for a plan year shall be
3 based on actuarial assumptions and methods
4 consistent with the minimum funding deter-
5 minations made under section 304 (or, if appli-
6 cable, section 305) with respect to the legacy
7 plan for the plan year.

8 “(F) ADJUSTMENTS IN RATE.—The plan
9 sponsor of a legacy plan from time to time may
10 adjust the transition contribution rate or rates
11 applicable to an employer under this paragraph
12 by increasing some rates and decreasing others
13 if the actuary certifies that such adjusted rates
14 in combination will produce projected contribu-
15 tion income for the plan year beginning on or
16 after the date of certification that is not less
17 than would be produced by the transition con-
18 tribution rates in effect at the time of the cer-
19 tification.

20 “(G) NOTICE OF TRANSITION CONTRIBU-
21 TION RATE.—The plan sponsor of a legacy plan
22 shall provide notice to the parties to collective
23 bargaining agreements pursuant to which con-
24 tributions are made to the legacy plan of
25 changes to the transition contribution rate re-

1 quirements at least 30 days before the begin-
2 ning of the plan year for which the rate is effec-
3 tive.

4 “(H) NOTICE TO COMPOSITE PLAN SPON-
5 SOR.—Not later than 30 days after a deter-
6 mination by the plan sponsor of a legacy plan
7 that a collective bargaining agreement provides
8 for a rate of contributions that is below the
9 transition contribution rate applicable to one or
10 more employers that are parties to the collective
11 bargaining agreement, the plan sponsor of the
12 legacy plan shall notify the plan sponsor of any
13 composite plan under which employees of such
14 employer would otherwise be eligible to accrue
15 a benefit.

16 “(3) CORRECTION PROCEDURES.—Pursuant to
17 standards prescribed by the Secretary, the plan
18 sponsor of a composite plan shall adopt rules and
19 procedures that give the parties to the collective bar-
20 gaining agreement notice of the failure of such
21 agreement to satisfy the transition contribution re-
22 quirements of this subsection, and a reasonable op-
23 portunity to correct such failure, not to exceed 180
24 days from the date of notice given under subsection
25 (b)(2).

1 “(4) SUPPLEMENTAL CONTRIBUTIONS.—A col-
2 lective bargaining agreement may provide for supple-
3 mental contributions to the legacy plan for a plan
4 year in excess of the transition contribution rate de-
5 termined under paragraph (2), regardless of whether
6 the legacy plan is in endangered or critical status for
7 such plan year.

8 “(e) NONAPPLICATION OF COMPOSITE PLAN RE-
9 STRICTIONS.—

10 “(1) IN GENERAL.—The provisions of sub-
11 sections (a), (b), and (c) shall not apply with respect
12 to a collective bargaining agreement, to the extent
13 the agreement, or a predecessor agreement, provides
14 or provided for contributions to a defined benefit
15 plan that is a legacy plan, as of the first day of the
16 first plan year following a plan year for which the
17 plan actuary certifies that the plan is fully funded,
18 has been fully funded for at least three out of the
19 immediately preceding 5 plan years, and is projected
20 to remain fully funded for at least the following 4
21 plan years.

22 “(2) DETERMINATION OF FULLY FUNDED.—A
23 plan is fully funded for purposes of paragraph (1)
24 if, as of the valuation date of the plan for a plan
25 year, the value of the plan’s assets equals or exceeds

1 the present value of the plan's liabilities, determined
2 in accordance with the rules prescribed by the Pen-
3 sion Benefit Guaranty Corporation under sections
4 4219(c)(1)(D) and 4281 for multiemployer plans
5 terminating by mass withdrawal, as in effect for the
6 date of the determination, except the plan's reason-
7 able assumption regarding the starting date of bene-
8 fits may be used.

9 “(3) OTHER APPLICABLE RULES.—Except as
10 provided in paragraph (2), actuarial determinations
11 and projections under this section shall be based on
12 the rules in section 305(b)(3) and section 802(b).

13 **“SEC. 806. MERGERS AND ASSET TRANSFERS OF COM-**
14 **POSITE PLANS.**

15 “(a) IN GENERAL.—Assets and liabilities of a com-
16 posite plan may only be merged with, or transferred to,
17 another plan if—

18 “(1) the other plan is a composite plan;

19 “(2) the plan or plans resulting from the merg-
20 er or transfer is a composite plan;

21 “(3) no participant's accrued benefit or adjust-
22 able benefit is lower immediately after the trans-
23 action than it was immediately before the trans-
24 action; and

1 “(4) the value of the assets transferred in the
2 case of a transfer reasonably reflects the value of the
3 amounts contributed with respect to the participants
4 whose benefits are being transferred, adjusted for al-
5 locable distributions, investment gains and losses,
6 and administrative expenses.

7 “(b) LEGACY PLAN.—

8 “(1) IN GENERAL.—After a merger or transfer
9 involving a composite plan, the legacy plan with re-
10 spect to an employer that is obligated to contribute
11 to the resulting composite plan is the legacy plan
12 that applied to that employer immediately before the
13 merger or transfer.

14 “(2) MULTIPLE LEGACY PLANS.—If an em-
15 ployer is obligated to contribute to more than one
16 legacy plan with respect to employees eligible to ac-
17 cruce benefits under more than one composite plan
18 and there is a merger or transfer of such legacy
19 plans, the transition contribution rate applicable to
20 the legacy plan resulting from the merger or trans-
21 fer with respect to that employer shall be determined
22 in accordance with the provisions of section
23 805(d)(2)(B).”.

24 (2) PENALTIES.—

1 (A) CIVIL ENFORCEMENT OF FAILURE TO
2 COMPLY WITH REALIGNMENT PROGRAM.—Sec-
3 tion 502(a) of such Act (29 U.S.C. 1132(a)) is
4 amended—

5 (i) in paragraph (10), by striking “or”
6 at the end;

7 (ii) in paragraph (11), by striking the
8 period at the end and inserting “; or”; and

9 (iii) by adding at the end the fol-
10 lowing:

11 “(12) in the case of a composite plan required
12 to adopt a realignment program under section 803,
13 if the plan sponsor—

14 “(A) has not adopted a realignment pro-
15 gram under that section by the deadline estab-
16 lished in such section; or

17 “(B) fails to update or comply with the
18 terms of the realignment program in accordance
19 with the requirements of such section,

20 by the Secretary, by an employer that has an obliga-
21 tion to contribute with respect to the composite plan,
22 or by an employee organization that represents ac-
23 tive participants in the composite plan, for an order
24 compelling the plan sponsor to adopt a realignment
25 program, or to update or comply with the terms of

1 the realignment program, in accordance with the re-
2 quirements of such section and the realignment pro-
3 gram.”.

4 (B) CIVIL PENALTIES.—Section 502(c) of
5 such Act (29 U.S.C. 1132(c)) is amended—

6 (i) by moving paragraphs (8), (10),
7 and (12) each 2 ems to the left;

8 (ii) by redesignating paragraphs (9)
9 through (12) as paragraphs (12) through
10 (15), respectively; and

11 (iii) by inserting after paragraph (8)
12 the following:

13 “(9) The Secretary may assess against any plan
14 sponsor of a composite plan a civil penalty of not
15 more than \$1,100 per day for each violation by such
16 sponsor—

17 “(A) of the requirement under section
18 802(a) on the plan actuary to certify the plan’s
19 current or projected funded ratio by the date
20 specified in such subsection; or

21 “(B) of the requirement under section 803
22 to adopt a realignment program by the deadline
23 established in that section and to comply with
24 its terms.

1 “(10)(A) The Secretary may assess against any
2 plan sponsor of a composite plan a civil penalty of
3 not more than \$100 per day for each violation by
4 such sponsor of the requirement under section
5 803(b) to provide notice as described in such section,
6 except that no penalty may be assessed in any case
7 in which the plan sponsor exercised reasonable dili-
8 gence to meet the requirements of such section
9 and—

10 “(i) the plan sponsor did not know that the
11 violation existed; or

12 “(ii) the plan sponsor provided such notice
13 during the 30-day period beginning on the first
14 date on which the plan sponsor knew, or in ex-
15 ercising reasonable due diligence should have
16 known, that such violation existed.

17 “(B) In any case in which the plan sponsor ex-
18 ercised reasonable diligence to meet the require-
19 ments of section 803(b)—

20 “(i) the total penalty assessed under this
21 paragraph against such sponsor for a plan year
22 may not exceed \$500,000; and

23 “(ii) the Secretary may waive part or all of
24 such penalty to the extent that the payment of

1 such penalty would be excessive or otherwise in-
2 equitable relative to the violation involved.

3 “(11) The Secretary may assess against any
4 plan sponsor of a composite plan a civil penalty of
5 not more than \$100 per day for each violation by
6 such sponsor of the notice requirements under sec-
7 tions 801(b)(5) and 805(b)(2).”.

8 (3) CONFORMING AMENDMENT.—The table of
9 contents in section 1 of such Act (29 U.S.C. 1001
10 note) is amended by inserting after the item relating
11 to section 734 the following:

“PART 8—COMPOSITE PLANS AND LEGACY PLANS

“Sec. 801. Composite plan defined.
“Sec. 802. Funded ratios; actuarial assumptions.
“Sec. 803. Realignment program.
“Sec. 804. Limitation on increasing benefits.
“Sec. 805. Composite plan restrictions to preserve legacy plan funding.
“Sec. 806. Mergers and asset transfers of composite plans.”.

12 (b) AMENDMENT TO THE INTERNAL REVENUE CODE
13 OF 1986.—

14 (1) IN GENERAL.—Part III of subchapter D of
15 chapter 1 of the Internal Revenue Code of 1986 is
16 amended by adding at the end the following:

17 **“Subpart C—Composite Plans and Legacy Plans**

“Sec. 437. Composite plan defined.
“Sec. 438. Funded ratios; actuarial assumptions.
“Sec. 439. Realignment program.
“Sec. 440. Limitation on increasing benefits.
“Sec. 440A. Composite plan restrictions to preserve legacy plan funding.
“Sec. 440B. Mergers and asset transfers of composite plans.

1 **“SEC. 437. COMPOSITE PLAN DEFINED.**

2 “(a) IN GENERAL.—For purposes of this title, the
3 term ‘composite plan’ means a pension plan—

4 “(1) which is a multiemployer plan that is nei-
5 ther a defined benefit plan nor a defined contribu-
6 tion plan,

7 “(2) the terms of which provide that the plan
8 is a composite plan for purposes of this title with re-
9 spect to which not more than one multiemployer de-
10 fined benefit plan is treated as a legacy plan within
11 the meaning of section 440A, unless there is more
12 than one legacy plan following a merger of composite
13 plans under section 440B,

14 “(3) which provides systematically for the pay-
15 ment of benefits—

16 “(A) objectively calculated pursuant to a
17 formula enumerated in the plan document with
18 respect to plan participants after retirement,
19 for life, and

20 “(B) in the form of life annuities, except
21 for benefits which under section 411(a)(11)
22 may be immediately distributed without the
23 consent of the participant,

24 “(4) for which the plan contributions for the
25 first plan year are at least 120 percent of the nor-
26 mal cost for the plan year,

1 “(5) which requires—

2 “(A) an annual valuation of the liability of
3 the plan as of a date within the plan year to
4 which the valuation refers or within one month
5 prior to the beginning of such year,

6 “(B) an annual actuarial determination of
7 the plan’s current funded ratio and projected
8 funded ratio under section 438(a),

9 “(C) corrective action through a realign-
10 ment program pursuant to section 439 when-
11 ever the plan’s projected funded ratio is below
12 120 percent for the plan year, and

13 “(D) an annual notification to each partici-
14 pant describing the participant’s benefits under
15 the plan and explaining that such benefits may
16 be subject to reduction under a realignment
17 program pursuant to section 439 based on the
18 plan’s funded status in future plan years, and

19 “(6) the board of trustees of which includes at
20 least one retiree or beneficiary in pay status during
21 each plan year following the first plan year in which
22 at least 5 percent of the participants in the plan are
23 retirees or beneficiaries in pay status.

24 “(b) TRANSITION FROM A MULTIEMPLOYER DE-
25 FINED BENEFIT PLAN.—

1 “(1) IN GENERAL.—The plan sponsor of a de-
2 fined benefit plan that is a multiemployer plan may,
3 subject to paragraph (2), amend the plan to incor-
4 porate the features of a composite plan as a compo-
5 nent of the multiemployer plan separate from the
6 defined benefit plan component, except in the case of
7 a defined benefit plan for which the plan actuary has
8 certified under section 432(b)(3) that the plan is or
9 will be in critical status for the plan year in which
10 such amendment would become effective or for any
11 of the succeeding 5 plan years.

12 “(2) REQUIREMENTS.—Any amendment pursu-
13 ant to paragraph (1) to incorporate the features of
14 a composite plan as a component of a multiemployer
15 plan shall—

16 “(A) apply with respect to all collective
17 bargaining agreements providing for contribu-
18 tions to the multiemployer plan on or after the
19 effective date of the amendment,

20 “(B) apply with respect to all participants
21 in the multiemployer plan for whom contribu-
22 tions are made to the multiemployer plan on or
23 after the effective date of the amendment,

24 “(C) specify that the effective date of the
25 amendment is—

1 “(i) the first day of a specified plan
2 year following the date of the adoption of
3 the amendment, except that the plan spon-
4 sor may alternatively provide for a sepa-
5 rate effective date with respect to each col-
6 lective bargaining agreement under which
7 contributions to the multiemployer plan
8 are required, which shall occur on the first
9 day of the first plan year beginning after
10 the termination, or if earlier, the re-open-
11 ing, of each such agreement, or such ear-
12 lier date as the parties to the agreement
13 and the plan sponsor of the multiemployer
14 plan shall agree to, and

15 “(ii) not later than the first day of the
16 fifth plan year beginning on or after the
17 date of the adoption of the amendment,

18 “(D) specify that, as of the amendment’s
19 effective date, no further benefits shall accrue
20 under the defined benefit component of the
21 multiemployer plan, and

22 “(E) specify that, as of the amendment’s
23 effective date, the plan sponsor of the multiem-
24 ployer plan shall be the plan sponsor of both

1 the composite plan component and the defined
2 benefit plan component of the plan.

3 “(3) SPECIAL RULES.—If a multiemployer plan
4 is amended pursuant to paragraph (1)—

5 “(A) the requirements of this title shall be
6 applied to the composite plan component and
7 the defined benefit plan component of the mul-
8 tiemployer plan as if each such component were
9 maintained as a separate plan, and

10 “(B) the assets of the composite plan com-
11 ponent and the defined benefit plan component
12 of the plan shall be held in a single trust form-
13 ing part of the plan under which the trust in-
14 strument expressly provides—

15 “(i) for separate accounts (and appro-
16 priate records) to be maintained to reflect
17 the interest which each of the plan compo-
18 nents has in the trust, including separate
19 accounting for additions to the trust for
20 the benefit of each plan component, dis-
21 bursements made from each plan compo-
22 nent’s account in the trust, investment ex-
23 perience of the trust allocable to that ac-
24 count, and administrative expenses (wheth-
25 er direct expenses or shared expenses allo-

1 cated proportionally), and permits, but
2 does not require, the pooling of some or all
3 of the assets of the two plan components
4 for investment purposes, and

5 “(ii) that the assets of each of the two
6 plan components shall be held, invested,
7 reinvested, managed, administered and dis-
8 tributed for the exclusive benefit of the
9 participants and beneficiaries of each such
10 plan component, and in no event shall the
11 assets of one of the plan components be
12 available to pay benefits due under the
13 other plan component.

14 “(4) NOT A TERMINATION EVENT.—Notwith-
15 standing section 4041A of the Employee Retirement
16 Income Security Act of 1974, an amendment pursu-
17 ant to paragraph (1) to incorporate the features of
18 a composite plan as a component of a multiemployer
19 plan does not constitute termination of the multiem-
20 ployer plan.

21 “(5) NOTICE TO THE SECRETARY.—

22 “(A) NOTICE.—The plan sponsor of a
23 composite plan shall provide notice to the Sec-
24 retary of the intent to establish the composite
25 plan (or, in the case of a composite plan incor-

1 porated as a component of a multiemployer
2 plan as described in paragraph (1), the intent
3 to amend the multiemployer plan to incorporate
4 such composite plan) at least 30 days prior to
5 the effective date of such establishment or
6 amendment.

7 “(B) CERTIFICATION.—In the case of a
8 composite plan incorporated as a component of
9 a multiemployer plan as described in paragraph
10 (1), such notice shall include a certification by
11 the plan actuary under section 432(b)(3) that
12 the effective date of the amendment occurs in
13 a plan year for which the multiemployer plan is
14 not in critical status for that plan year and any
15 of the succeeding 5 plan years.

16 “(6) REFERENCES TO COMPOSITE PLAN COM-
17 PONENT.—As used in this subpart, the term ‘com-
18 posite plan’ includes a composite plan component
19 added to a defined benefit plan pursuant to para-
20 graph (1).

21 “(7) RULE OF CONSTRUCTION.—Paragraph
22 (2)(A) shall not be construed as preventing the plan
23 sponsor of a multiemployer plan from adopting an
24 amendment pursuant to paragraph (1) because some
25 collective bargaining agreements are amended to

1 cease any covered employer’s obligation to contribute
2 to the multiemployer plan before or after the plan
3 amendment is effective. Paragraph (2)(B) shall not
4 be construed as preventing the plan sponsor of a
5 multiemployer plan from adopting an amendment
6 pursuant to paragraph (1) because some partici-
7 pants cease to have contributions made to the multi-
8 employer plan on their behalf before or after the
9 plan amendment is effective.

10 “(c) COORDINATION WITH FUNDING RULES.—Ex-
11 cept as otherwise provided in this title, sections 412, 431,
12 and 432 shall not apply to a composite plan.

13 “(d) TREATMENT OF A COMPOSITE PLAN.—For pur-
14 poses of this title (other than sections 412 and 418E),
15 a composite plan shall be treated as if it were a defined
16 benefit plan unless a different treatment is provided for
17 under applicable law.

18 **“SEC. 438. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.**

19 “(a) CERTIFICATION OF FUNDED RATIOS.—

20 “(1) IN GENERAL.—Not later than the one-
21 hundred twentieth day of each plan year of a com-
22 posite plan, the plan actuary of the composite plan
23 shall certify to the Secretary, the Secretary of
24 Labor, and the plan sponsor the plan’s current fund-

1 ed ratio and projected funded ratio for the plan
2 year.

3 “(2) DETERMINATION OF CURRENT FUNDED
4 RATIO AND PROJECTED FUNDED RATIO.—For pur-
5 poses of this section—

6 “(A) CURRENT FUNDED RATIO.—The cur-
7 rent funded ratio is the ratio (expressed as a
8 percentage) of—

9 “(i) the value of the plan’s assets as
10 of the first day of the plan year, to

11 “(ii) the plan actuary’s best estimate
12 of the present value of the plan liabilities
13 as of the first day of the plan year.

14 “(B) PROJECTED FUNDED RATIO.—The
15 projected funded ratio is the current funded
16 ratio projected to the first day of the fifteenth
17 plan year following the plan year for which the
18 determination is being made.

19 “(3) CONSIDERATION OF CONTRIBUTION RATE
20 INCREASES.—For purposes of projections under this
21 subsection, the plan sponsor may anticipate con-
22 tribution rate increases beyond the term of the cur-
23 rent collective bargaining agreement and any agreed-
24 to supplements, up to a maximum of 2.5 percent per
25 year, compounded annually, unless it would be un-

1 reasonable under the circumstances to assume that
2 contributions would increase by that amount.

3 “(b) ACTUARIAL ASSUMPTIONS AND METHODS.—

4 For purposes of this part—

5 “(1) IN GENERAL.—All costs, liabilities, rates
6 of interest, and other factors under the plan shall be
7 determined for a plan year on the basis of actuarial
8 assumptions and methods—

9 “(A) each of which is reasonable (taking
10 into account the experience of the plan and rea-
11 sonable expectations),

12 “(B) which, in combination, offer the actu-
13 ary’s best estimate of anticipated experience
14 under the plan, and

15 “(C) with respect to which any change
16 from the actuarial assumptions and methods
17 used in the previous plan year shall be certified
18 by the plan actuary and the actuarial rationale
19 for such change provided in the annual report
20 required by section 6058.

21 “(2) FAIR MARKET VALUE OF ASSETS.—The
22 value of the plan’s assets shall be taken into account
23 on the basis of their fair market value.

24 “(3) DETERMINATION OF NORMAL COST AND
25 PLAN LIABILITIES.—A plan’s normal cost and liabil-

ities shall be based on the most recent actuarial valuation required under section 437(a)(5)(A) and the unit credit funding method.

“(4) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—Any contributions for a plan year made by an employer after the last day of such plan year, but not later than two and one-half months after such day, shall be deemed to have been made on such last day. For purposes of this paragraph, such two and one-half month period may be extended for not more than six months under regulations prescribed by the Secretary.

“(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—Except where otherwise provided in this subpart, the provisions of section 432(b)(3)(B) shall apply to any determination or projection under this subpart.

“SEC. 439. REALIGNMENT PROGRAM.

“(a) REALIGNMENT PROGRAM.—

“(1) ADOPTION.—In any case in which the plan actuary certifies under section 438(a) that the plan’s projected funded ratio is below 120 percent for the plan year, the plan sponsor shall adopt a realignment program under paragraph (2) not later than 210 days after the due date of the certification required under section 438(a). The plan sponsor shall

1 adopt an updated realignment program for each suc-
2 ceeding plan year for which a certification described
3 in the preceding sentence is made.

4 “(2) CONTENT OF REALIGNMENT PROGRAM.—

5 “(A) IN GENERAL.—A realignment pro-
6 gram adopted under this paragraph is a written
7 program which consists of all reasonable meas-
8 ures, including options or a range of options to
9 be undertaken by the plan sponsor or proposed
10 to the bargaining parties, formulated, based on
11 reasonably anticipated experience and reason-
12 able actuarial assumptions, to enable the plan
13 to achieve a projected funded ratio of at least
14 120 percent for the following plan year.

15 “(B) INITIAL PROGRAM ELEMENTS.—Rea-
16 sonable measures under a realignment program
17 described in subparagraph (A) may include any
18 of the following:

19 “(i) Proposed contribution increases.

20 “(ii) A reduction in the rate of future
21 benefit accruals, so long as the resulting
22 rate shall not be less than 1 percent of the
23 contributions on which benefits are based
24 as of the start of the plan year (or the

1 equivalent standard accrual rate as de-
2 scribed in section 432(e)(6)).

3 “(iii) A modification or elimination of
4 adjustable benefits of participants that are
5 not in pay status before the date of the no-
6 tice required under subsection (b)(1).

7 “(iv) Any other legally available meas-
8 ures not specifically described in this sub-
9 paragraph or subparagraph (C) or (D)
10 that the plan sponsor determines are rea-
11 sonable.

12 “(C) ADDITIONAL PROGRAM ELEMENTS.—
13 If the plan sponsor has determined that all rea-
14 sonable measures available under subparagraph
15 (B) will not enable the plan to achieve a pro-
16 jected funded ratio of at least 120 percent the
17 following plan year, such reasonable measures
18 may also include—

19 “(i) a reduction of accrued benefits
20 that are not in pay status by the date of
21 the notice required under subsection
22 (b)(1), or

23 “(ii) a reduction of any benefits of
24 participants that are in pay status before
25 the date of the notice required under sub-

1 section (b)(1) other than core benefits as
2 defined in paragraph (4).

3 “(D) ADDITIONAL REDUCTIONS.—In the
4 case of a composite plan for which the plan
5 sponsor has determined that all reasonable
6 measures available under subparagraphs (B)
7 and (C) will not enable the plan to achieve a
8 projected funded ratio of at least 120 percent
9 for the following plan year, such reasonable
10 measures may also include—

11 “(i) a further reduction in the rate of
12 future benefit accruals without regard to
13 the limitation applicable under subpara-
14 graph (B)(ii), or

15 “(ii) a reduction of core benefits,
16 provided that such reductions shall be equitably
17 distributed across the participant and bene-
18 ficiary population, taking into account factors,
19 with respect to participants and beneficiaries
20 and their benefits, that may include one or
21 more of the factors listed in subclauses (I)
22 through (X) of section 432(e)(9)(D)(vi), to the
23 extent necessary to enable the plan to achieve
24 a projected funded ratio of at least 120 percent
25 for the following plan year, or at the election of

1 the plan sponsor, a projected funded ratio of at
2 least 100 percent for the following plan year
3 and a current funded ratio of at least 90 per-
4 cent.

5 “(3) ADJUSTABLE BENEFIT DEFINED.—For
6 purposes of this subpart, the term ‘adjustable ben-
7 efit’ means—

8 “(A) benefits, rights, and features under
9 the plan, including post-retirement death bene-
10 fits, 60-month guarantees, disability benefits
11 not yet in pay status, and similar benefits,

12 “(B) any early retirement benefit or retire-
13 ment-type subsidy (within the meaning of sec-
14 tion 411(d)(6)(B)(i)) and any benefit payment
15 option (other than the qualified joint and sur-
16 vivor annuity), and

17 “(C) benefit increases that were adopted
18 (or, if later, took effect) less than 60 months
19 before the first day such realignment program
20 took effect.

21 “(4) CORE BENEFIT DEFINED.—For purposes
22 of this subpart, the term ‘core benefit’ means a par-
23 ticipant’s accrued benefit payable in the normal form
24 of an annuity commencing at normal retirement age,
25 determined without regard to—

1 “(A) any early retirement benefits, retire-
2 ment-type subsidies, or other benefits, rights, or
3 features that may be associated with that ben-
4 efit, and

5 “(B) any cost-of-living adjustments or ben-
6 efit increases effective after the date of retire-
7 ment.

8 “(5) COORDINATION WITH CONTRIBUTION IN-
9 CREASES.—

10 “(A) IN GENERAL.—A realignment pro-
11 gram may provide that some or all of the ben-
12 efit modifications described in the program will
13 only take effect if the bargaining parties fail to
14 agree to specified levels of increases in contribu-
15 tions to the plan, effective as of specified dates.

16 “(B) INDEPENDENT BENEFIT MODIFICA-
17 TIONS.—If a realignment program adopts any
18 changes to the benefit formula that are inde-
19 pendent of potential contribution increases,
20 such changes shall take effect not later than
21 180 days following the first day of the first
22 plan year that begins following the adoption of
23 the realignment program.

24 “(C) CONDITIONAL BENEFIT MODIFICA-
25 TIONS.—If a realignment program adopts any

1 changes to the benefit formula that take effect
2 only if the bargaining parties fail to agree to
3 contribution increases, such changes shall take
4 effect not later than the first day of the first
5 plan year beginning after the third anniversary
6 of the date of adoption of the realignment pro-
7 gram.

8 “(D) REVOCATION OF CERTAIN BENEFIT
9 MODIFICATIONS.—Benefit modifications de-
10 scribed in paragraph (3) may be revoked, in
11 whole or in part, and retroactively or prospec-
12 tively, when contributions to the plan are in-
13 creased, as specified in the realignment pro-
14 gram, including any amendments thereto. The
15 preceding sentence shall not apply unless the
16 contribution increases are to be effective not
17 later than the fifth anniversary of the first day
18 of the first plan year that begins after the
19 adoption of the realignment program.

20 “(b) NOTICE.—

21 “(1) IN GENERAL.—In any case in which it is
22 certified under section 438(a) that the projected
23 funded ratio is less than 120 percent, the plan spon-
24 sor shall, not later than 30 days after the date of
25 the certification, provide notification of the current

1 and projected funded ratios to the participants and
2 beneficiaries, the bargaining parties, and the Sec-
3 retary. Such notice shall include—

4 “(A) an explanation that contribution rate
5 increases or benefit reductions may be nec-
6 essary,

7 “(B) a description of the types of benefits
8 that might be reduced, and

9 “(C) an estimate of the contribution in-
10 creases and benefit reductions that may be nec-
11 essary to achieve a projected funded ratio of
12 120 percent.

13 “(2) NOTICE OF BENEFIT MODIFICATIONS.—

14 “(A) IN GENERAL.—No modifications may
15 be made that reduce the rate of future benefit
16 accrual or that reduce core benefits or adjust-
17 able benefits unless notice of such reduction has
18 been given at least 180 days before the general
19 effective date of such reduction for all partici-
20 pants and beneficiaries to—

21 “(i) plan participants and bene-
22 ficiaries,

23 “(ii) each employer who has an obliga-
24 tion to contribute to the composite plan,
25 and

1 “(iii) each employee organization
2 which, for purposes of collective bar-
3 gaining, represents plan participants em-
4 ployed by such employers.

5 “(B) CONTENT OF NOTICE.—The notice
6 under subparagraph (A) shall contain—

7 “(i) sufficient information to enable
8 participants and beneficiaries to under-
9 stand the effect of any reduction on their
10 benefits, including an illustration of any
11 affected benefit or subsidy, on an annual
12 or monthly basis that a participant or ben-
13 eficiary would otherwise have been eligible
14 for as of the general effective date de-
15 scribed in subparagraph (A), and

16 “(ii) information as to the rights and
17 remedies of plan participants and bene-
18 ficiaries as well as how to contact the De-
19 partment of Labor for further information
20 and assistance, where appropriate.

21 “(C) FORM AND MANNER.—Any notice
22 under subparagraph (A)—

23 “(i) shall be provided in a form and
24 manner prescribed in regulations of the
25 Secretary of Labor,

1 “(ii) shall be written in a manner so
2 as to be understood by the average plan
3 participant.

4 “(3) MODEL NOTICES.—The Secretary shall—

5 “(A) prescribe model notices that the plan
6 sponsor of a composite plan may use to satisfy
7 the notice requirements under this subsection,
8 and

9 “(B) by regulation enumerate any details
10 related to the elements listed in paragraph (1)
11 that any notice under this subsection must in-
12 clude.

13 “(4) DELIVERY METHOD.—Any notice under
14 this part shall be provided in writing and may also
15 be provided in electronic form to the extent that the
16 form is reasonably accessible to persons to whom the
17 notice is provided.

18 **“SEC. 440. LIMITATION ON INCREASING BENEFITS.**

19 “(a) LEVEL OF CURRENT FUNDED RATIOS.—Except
20 as provided in subsections (c), (d), and (e), no plan
21 amendment increasing benefits or establishing new bene-
22 fits under a composite plan may be adopted for a plan
23 year unless—

1 “(1) the plan’s current funded ratio is at least
2 110 percent (without regard to the benefit increase
3 or new benefits),

4 “(2) taking the benefit increase or new benefits
5 into account, the current funded ratio is at least 100
6 percent and the projected funded ratio for the cur-
7 rent plan year is at least 120 percent,

8 “(3) in any case in which, after taking the ben-
9 efit increase or new benefits into account, the cur-
10 rent funded ratio is less than 140 percent or the
11 projected funded ratio is less than 140 percent, the
12 benefit increase or new benefits are projected by the
13 plan actuary to increase the present value of the
14 plan’s liabilities for the plan year by not more than
15 3 percent, and

16 “(4) expected contributions for the current plan
17 year are at least 120 percent of normal cost for the
18 plan year, determined using the unit credit funding
19 method and treating the benefit increase or new ben-
20 efits as in effect for the entire plan year.

21 “(b) ADDITIONAL REQUIREMENTS WHERE CORE
22 BENEFITS REDUCED.—If a plan has been amended to re-
23 duce core benefits pursuant to a realignment program
24 under section 439(a)(2)(D), such plan may not be subse-

1 quently amended to increase core benefits unless the
2 amendment—

3 “(1) increases the level of future benefit pay-
4 ments only, and

5 “(2) provides for an equitable distribution of
6 benefit increases across the participant and bene-
7 ficiary population, taking into account the extent to
8 which the benefits of participants were previously re-
9 duced pursuant to such realignment program.

10 “(c) EXCEPTION TO COMPLY WITH APPLICABLE
11 LAW.—Subsection (a) shall not apply in connection with
12 a plan amendment if the amendment is required as a con-
13 dition of qualification under part I of subchapter D of
14 chapter 1 or to comply with other applicable law.

15 “(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE
16 LIMIT APPLIES.—Subsection (a) shall not apply in con-
17 nection with a plan amendment if and to the extent that
18 contributions to the composite plan would not be deduct-
19 ible for the plan year under section 404(a)(1)(E) if the
20 plan amendment is not adopted. The Secretary of the
21 Treasury shall issue regulations to implement this para-
22 graph.

23 “(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICA-
24 TIONS.—Subsection (a) shall not apply in connection with

1 a plan amendment under section 439(a)(5)(C), regarding
2 conditional benefit modifications.

3 “(f) TREATMENT OF PLAN AMENDMENTS.—For pur-
4 poses of this section—

5 “(1) if two or more plan amendments increas-
6 ing benefits or establishing new benefits are adopted
7 in a plan year, such amendments shall be treated as
8 a single amendment adopted on the last day of the
9 plan year,

10 “(2) all benefit increases and new benefits
11 adopted in a single amendment are treated as a sin-
12 gle benefit increase, irrespective of whether the in-
13 creases and new benefits take effect in more than
14 one plan year, and

15 “(3) increases in contributions or decreases in
16 plan liabilities which are scheduled to take effect in
17 future plan years may be taken into account in con-
18 nection with a plan amendment if they have been
19 agreed to in writing or otherwise formalized by the
20 date the plan amendment is adopted.

21 **“SEC. 440A. COMPOSITE PLAN RESTRICTIONS TO PRE-**
22 **SERVE LEGACY PLAN FUNDING.**

23 “(a) TREATMENT AS A LEGACY PLAN.—

24 “(1) IN GENERAL.—For purposes of this sub-
25 chapter, a defined benefit plan shall be treated as a

1 legacy plan with respect to the composite plan under
2 which the employees who were eligible to accrue a
3 benefit under the defined benefit plan become eligi-
4 ble to accrue a benefit under such composite plan.

5 “(2) COMPONENT PLANS.—In any case in
6 which a defined benefit plan is amended to add a
7 composite plan component pursuant to section
8 437(b), paragraph (1) shall be applied by sub-
9 stituting ‘defined benefit component’ for ‘defined
10 benefit plan’ and ‘composite plan component’ for
11 ‘composite plan’.

12 “(3) ELIGIBLE TO ACCRUE A BENEFIT.—For
13 purposes of paragraph (1), an employee is consid-
14 ered eligible to accrue a benefit under a composite
15 plan as of the first day in which the employee com-
16 pletes an hour of service under a collective bar-
17 gaining agreement that provides for contributions to
18 and accruals under the composite plan in lieu of ac-
19 cruals under the legacy plan.

20 “(4) COLLECTIVE BARGAINING AGREEMENT.—
21 As used in this subpart, the term ‘collective bar-
22 gaining agreement’ includes any agreement under
23 which an employer has an obligation to contribute to
24 a plan.

1 “(5) OTHER TERMS.—Any term used in this
2 subpart which is not defined in this part and which
3 is also used in section 432 shall have the same
4 meaning provided such term in such section.

5 “(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE
6 PLAN OF AGREEMENTS AND CONTRIBUTIONS.—

7 “(1) IN GENERAL.—The plan sponsor of a com-
8 posite plan shall not accept or recognize a collective
9 bargaining agreement (or any modification to such
10 agreement), and no contributions may be accepted
11 and no benefits may be accrued or otherwise earned
12 under the agreement—

13 “(A) in any case in which the plan actuary
14 of any defined benefit plan that would be treat-
15 ed as a legacy plan with respect to such com-
16 posite plan has certified under section
17 432(b)(3) that such defined benefit plan is or
18 will be in critical status for the plan year in
19 which such agreement would take effect or for
20 any of the succeeding 5 plan years, and

21 “(B) unless the agreement requires each
22 employer who is a party to such agreement, in-
23 cluding employers whose employees are not par-
24 ticipants in the legacy plan, to provide contribu-
25 tions to the legacy plan with respect to such

1 composite plan in a manner that satisfies the
2 transition contribution requirements of sub-
3 section (d).

4 “(2) NOTICE.—Not later than 30 days after a
5 determination by a plan sponsor of a composite plan
6 that an agreement fails to satisfy the requirements
7 described in paragraph (1), the plan sponsor shall
8 provide notification of such failure and the reasons
9 for such determination to—

10 “(A) the parties to the agreement,

11 “(B) active participants of the composite
12 plan who have ceased to accrue or otherwise
13 earn benefits with respect to service with an
14 employer pursuant to paragraph (1), and

15 “(C) the Secretary of Labor, the Secretary
16 of the Treasury, and the Pension Benefit Guar-
17 anty Corporation.

18 “(3) LIMITATION ON RETROACTIVE EFFECT.—
19 This subsection shall not apply to benefits accrued
20 before the date on which notice is provided under
21 paragraph (2).

22 “(c) RESTRICTION ON ACCRUAL OF BENEFITS
23 UNDER A COMPOSITE PLAN.—

24 “(1) IN GENERAL.—In any case in which an
25 employer, under a collective bargaining agreement

1 entered into after the date of enactment of the Giv-
2 ing Retirement Options to Workers Act of 2020,
3 ceases to have an obligation to contribute to a multi-
4 employer defined benefit plan, no employees em-
5 ployed by the employer may accrue or otherwise earn
6 benefits under any composite plan, with respect to
7 service with that employer, for a 60-month period
8 beginning on the date on which the employer entered
9 into such collective bargaining agreement.

10 “(2) NOTICE OF CESSATION OF OBLIGATION.—
11 Within 30 days of determining that an employer has
12 ceased to have an obligation to contribute to a leg-
13 acy plan with respect to employees employed by an
14 employer that is or will be contributing to a com-
15 posite plan with respect to service of such employees,
16 the plan sponsor of the legacy plan shall notify the
17 plan sponsor of the composite plan of that cessation.

18 “(3) NOTICE OF CESSATION OF ACCRUALS.—
19 Not later than 30 days after determining that an
20 employer has ceased to have an obligation to con-
21 tribute to a legacy plan, the plan sponsor of the
22 composite plan shall notify the bargaining parties,
23 the active participants affected by the cessation of
24 accruals, the Secretary, the Secretary of Labor, and
25 the Pension Benefit Guaranty Corporation of the

1 cessation of accruals, the period during which such
2 cessation is in effect, and the reasons therefor.

3 “(4) LIMITATION ON RETROACTIVE EFFECT.—

4 This subsection shall not apply to benefits accrued
5 before the date on which notice is provided under
6 paragraph (3).

7 “(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

8 “(1) IN GENERAL.—A collective bargaining
9 agreement satisfies the transition contribution re-
10 quirements of this subsection if the agreement—

11 “(A) authorizes for payment of contribu-
12 tions to a legacy plan at a rate or rates equal
13 to or greater than the transition contribution
14 rate established under paragraph (2), and

15 “(B) does not provide for—

16 “(i) a suspension of contributions to
17 the legacy plan with respect to any period
18 of service, or

19 “(ii) any new direct or indirect exclu-
20 sion of younger or newly hired employees
21 of the employer from being taken into ac-
22 count in determining contributions owed to
23 the legacy plan.

24 “(2) TRANSITION CONTRIBUTION RATE.—

1 “(A) IN GENERAL.—The transition con-
2 tribution rate for a plan year is the contribution
3 rate that, as certified by the actuary of the leg-
4 acy plan in accordance with the principles in
5 section 432(b)(3)(B), is reasonably expected to
6 be adequate—

7 “(i) to fund the normal cost for the
8 plan year,

9 “(ii) to amortize the plan’s unfunded
10 liabilities in level annual installments over
11 25 years, beginning with the plan year in
12 which the transition contribution rate is
13 first established, and

14 “(iii) to amortize any subsequent
15 changes in the legacy plan’s unfunded li-
16 ability due to experience gains or losses
17 (including investment gains or losses, gains
18 or losses due to contributions greater or
19 less than the contributions made under the
20 prior transition contribution rate, and
21 other actuarial gains or losses), changes in
22 actuarial assumptions, changes to the leg-
23 acy plan’s benefits, or changes in funding
24 method over a period of 15 plan years be-

1 ginning with the plan year in which such
2 change in unfunded liability is incurred.

3 The transition contribution rate for any plan
4 year may not be less than the transition con-
5 tribution rate for the plan year in which such
6 rate is first established.

7 “(B) MULTIPLE RATES.—If different rates
8 of contribution are payable to the legacy plan
9 by different employers or for different classes of
10 employees, the certification shall specify a tran-
11 sition contribution rate for each such employer.

12 “(C) RATE APPLICABLE TO EMPLOYER.—

13 “(i) IN GENERAL.—Except as pro-
14 vided by clause (ii), the transition con-
15 tribution rate applicable to an employer for
16 a plan year is the rate in effect for the
17 plan year of the legacy plan that com-
18 mences on or after 180 days before the
19 earlier of—

20 “(I) the effective date of the col-
21 lective bargaining agreement pursuant
22 to which the employer contributes to
23 the legacy plan, or

24 “(II) 5 years after the last plan
25 year for which the transition contribu-

1 tion rate applicable to the employer
2 was established or updated.

3 “(ii) EXCEPTION.—The transition
4 contribution rate applicable to an employer
5 for the first plan year beginning on or
6 after the commencement of the employer’s
7 obligation to contribute to the composite
8 plan is the rate in effect for the plan year
9 of the legacy plan that commences on or
10 after 180 days before such first plan year.

11 “(D) EFFECT OF LEGACY PLAN FINANCIAL
12 CIRCUMSTANCES.—If the plan actuary of the
13 legacy plan has certified under section 432 that
14 the plan is in endangered or critical status for
15 a plan year, the transition contribution rate for
16 the following plan year is the rate determined
17 with respect to the employer under the legacy
18 plan’s funding improvement or rehabilitation
19 plan under section 432, if greater than the rate
20 otherwise determined, but in no event greater
21 than 75 percent of the sum of the contribution
22 rates applicable to the legacy plan and the com-
23 posite plan for the plan year.

24 “(E) OTHER ACTUARIAL ASSUMPTIONS
25 AND METHODS.—Except as provided in sub-

1 paragraph (A), the determination of the transi-
2 tion contribution rate for a plan year shall be
3 based on actuarial assumptions and methods
4 consistent with the minimum funding deter-
5 minations made under section 431 (or, if appli-
6 cable, section 432) with respect to the legacy
7 plan for the plan year.

8 “(F) ADJUSTMENTS IN RATE.—The plan
9 sponsor of a legacy plan from time to time may
10 adjust the transition contribution rate or rates
11 applicable to an employer under this paragraph
12 by increasing some rates and decreasing others
13 if the actuary certifies that such adjusted rates
14 in combination will produce projected contribu-
15 tion income for the plan year beginning on or
16 after the date of certification that is not less
17 than would be produced by the transition con-
18 tribution rates in effect at the time of the cer-
19 tification.

20 “(G) NOTICE OF TRANSITION CONTRIBU-
21 TION RATE.—The plan sponsor of a legacy plan
22 shall provide notice to the parties to collective
23 bargaining agreements pursuant to which con-
24 tributions are made to the legacy plan of
25 changes to the transition contribution rate re-

1 quirements at least 30 days before the begin-
2 ning of the plan year for which the rate is effec-
3 tive.

4 “(H) NOTICE TO COMPOSITE PLAN SPON-
5 SOR.—Not later than 30 days after a deter-
6 mination by the plan sponsor of a legacy plan
7 that a collective bargaining agreement provides
8 for a rate of contributions that is below the
9 transition contribution rate applicable to one or
10 more employers that are parties to the collective
11 bargaining agreement, the plan sponsor of the
12 legacy plan shall notify the plan sponsor of any
13 composite plan under which employees of such
14 employer would otherwise be eligible to accrue
15 a benefit.

16 “(3) CORRECTION PROCEDURES.—Pursuant to
17 standards prescribed by the Secretary of Labor, the
18 plan sponsor of a composite plan shall adopt rules
19 and procedures that give the parties to the collective
20 bargaining agreement notice of the failure of such
21 agreement to satisfy the transition contribution re-
22 quirements of this subsection, and a reasonable op-
23 portunity to correct such failure, not to exceed 180
24 days from the date of notice given under subsection
25 (b)(2).

1 “(4) SUPPLEMENTAL CONTRIBUTIONS.—A col-
2 lective bargaining agreement may provide for supple-
3 mental contributions to the legacy plan for a plan
4 year in excess of the transition contribution rate de-
5 termined under paragraph (2), regardless of whether
6 the legacy plan is in endangered or critical status for
7 such plan year.

8 “(e) NONAPPLICATION OF COMPOSITE PLAN RE-
9 STRICTIONS.—

10 “(1) IN GENERAL.—The provisions of sub-
11 sections (a), (b), and (c) shall not apply with respect
12 to a collective bargaining agreement, to the extent
13 the agreement, or a predecessor agreement, provides
14 or provided for contributions to a defined benefit
15 plan that is a legacy plan, as of the first day of the
16 first plan year following a plan year for which the
17 plan actuary certifies that the plan is fully funded,
18 has been fully funded for at least three out of the
19 immediately preceding 5 plan years, and is projected
20 to remain fully funded for at least the following 4
21 plan years.

22 “(2) DETERMINATION OF FULLY FUNDED.—A
23 plan is fully funded for purposes of paragraph (1)
24 if, as of the valuation date of the plan for a plan
25 year, the value of the plan’s assets equals or exceeds

1 the present value of the plan's liabilities, determined
2 in accordance with the rules prescribed by the Pen-
3 sion Benefit Guaranty Corporation under sections
4 4219(c)(1)(D) and 4281 of Employee Retirement
5 Income and Security Act for multiemployer plans
6 terminating by mass withdrawal, as in effect for the
7 date of the determination, except the plan's reason-
8 able assumption regarding the starting date of bene-
9 fits may be used.

10 “(3) OTHER APPLICABLE RULES.—Except as
11 provided in paragraph (2), actuarial determinations
12 and projections under this section shall be based on
13 the rules in section 432(b)(3) and section 438(b).

14 **“SEC. 440B. MERGERS AND ASSET TRANSFERS OF COM-**
15 **POSITE PLANS.**

16 “(a) IN GENERAL.—Assets and liabilities of a com-
17 posite plan may only be merged with, or transferred to,
18 another plan if—

19 “(1) the other plan is a composite plan,

20 “(2) the plan or plans resulting from the merg-
21 er or transfer is a composite plan,

22 “(3) no participant's accrued benefit or adjust-
23 able benefit is lower immediately after the trans-
24 action than it was immediately before the trans-
25 action, and

1 “(4) the value of the assets transferred in the
2 case of a transfer reasonably reflects the value of the
3 amounts contributed with respect to the participants
4 whose benefits are being transferred, adjusted for al-
5 locable distributions, investment gains and losses,
6 and administrative expenses.

7 “(b) LEGACY PLAN.—

8 “(1) IN GENERAL.—After a merger or transfer
9 involving a composite plan, the legacy plan with re-
10 spect to an employer that is obligated to contribute
11 to the resulting composite plan is the legacy plan
12 that applied to that employer immediately before the
13 merger or transfer.

14 “(2) MULTIPLE LEGACY PLANS.—If an em-
15 ployer is obligated to contribute to more than one
16 legacy plan with respect to employees eligible to ac-
17 crue benefits under more than one composite plan
18 and there is a merger or transfer of such legacy
19 plans, the transition contribution rate applicable to
20 the legacy plan resulting from the merger or trans-
21 fer with respect to that employer shall be determined
22 in accordance with the provisions of section
23 440A(d)(2)(B).”.

24 (2) CLERICAL AMENDMENT.—The table of sub-
25 parts for part III of subchapter D of chapter 1 of

1 the Internal Revenue Code of 1986 is amended by
2 adding at the end the following new item:

“SUBPART C. COMPOSITE PLANS AND LEGACY PLANS”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to plan years beginning after the
5 date of the enactment of this Act.

6 **SEC. 103. APPLICATION OF CERTAIN REQUIREMENTS TO**
7 **COMPOSITE PLANS.**

8 (a) AMENDMENTS TO THE EMPLOYEE RETIREMENT
9 INCOME SECURITY ACT OF 1974.—

10 (1) TREATMENT FOR PURPOSES OF FUNDING
11 NOTICES.—Section 101(f) of the Employee Retirement
12 Income Security Act of 1974 (29 U.S.C.
13 1021(f)) is amended—

14 (A) in paragraph (1) by striking “title IV
15 applies” and inserting “title IV applies or which
16 is a composite plan”; and

17 (B) by adding at the end the following:

18 “(5) APPLICATION TO COMPOSITE PLANS.—The
19 provisions of this subsection shall apply to a com-
20 posite plan only to the extent prescribed by the Sec-
21 retary in regulations that take into account the dif-
22 ferences between a composite plan and a defined
23 benefit plan that is a multiemployer plan.”.

24 (2) TREATMENT FOR PURPOSES OF ANNUAL
25 REPORT.—Section 103 of the Employee Retirement

1 Income Security Act of 1974 (29 U.S.C. 1023) is
2 amended—

3 (A) in subsection (d) by adding at the end
4 the following sentence: “The provisions of this
5 subsection shall apply to a composite plan only
6 to the extent prescribed by the Secretary in reg-
7 ulations that take into account the differences
8 between a composite plan and a defined benefit
9 plan that is a multiemployer plan.”;

10 (B) in subsection (f) by adding at the end
11 the following:

12 “(3) ADDITIONAL INFORMATION FOR COM-
13 POSITE PLANS.—With respect to any composite
14 plan—

15 “(A) the provisions of paragraph (1)(A)
16 shall apply by substituting ‘current funded ratio
17 and projected funded ratio (as such terms are
18 defined in section 802(a)(2))’ for ‘funded per-
19 centage’ each place it appears; and

20 “(B) the provisions of paragraph (2) shall
21 apply only to the extent prescribed by the Sec-
22 retary in regulations that take into account the
23 differences between a composite plan and a de-
24 fined benefit plan that is a multiemployer
25 plan.”; and

1 (C) by adding at the end the following:

2 “(h) COMPOSITE PLANS.—A multiemployer plan that
3 incorporates the features of a composite plan as provided
4 in section 801(b) shall be treated as a single plan for pur-
5 poses of the report required by this section, except that
6 separate financial statements and actuarial statements
7 shall be provided under paragraphs (3) and (4) of sub-
8 section (a) for the defined benefit plan component and for
9 the composite plan component of the multiemployer
10 plan.”.

11 (3) TREATMENT FOR PURPOSES OF PENSION
12 BENEFIT STATEMENTS.—Section 105(a) of the Em-
13 ployee Retirement Income Security Act of 1974 (29
14 U.S.C. 1025(a)) is amended by adding at the end
15 the following:

16 “(4) COMPOSITE PLANS.—For purposes of this
17 subsection, a composite plan shall be treated as a
18 defined benefit plan to the extent prescribed by the
19 Secretary in regulations that take into account the
20 differences between a composite plan and a defined
21 benefit plan that is a multiemployer plan.”.

22 (b) AMENDMENTS TO THE INTERNAL REVENUE
23 CODE OF 1986.—Section 6058 of the Internal Revenue
24 Code of 1986 is amended by redesignating subsection (f)

1 as subsection (g) and by inserting after subsection (e) the
2 following:

3 “(f) COMPOSITE PLANS.—A multiemployer plan that
4 incorporates the features of a composite plan as provided
5 in section 437(b) shall be treated as a single plan for pur-
6 poses of the return required by this section, except that
7 separate financial statements shall be provided for the de-
8 fined benefit plan component and for the composite plan
9 component of the multiemployer plan.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to plan years beginning after the
12 date of the enactment of this Act.

13 **SEC. 104. TREATMENT OF COMPOSITE PLANS UNDER TITLE**
14 **IV.**

15 (a) DEFINITION.—Section 4001(a) of the Employee
16 Retirement Income Security Act of 1974 (29 U.S.C.
17 1301(a)) is amended by striking the period at the end of
18 paragraph (21) and inserting a semicolon and by adding
19 at the end the following:

20 “(22) COMPOSITE PLAN.—The term ‘composite
21 plan’ has the meaning set forth in section 801.”.

22 (b) COMPOSITE PLANS DISREGARDED FOR CALCU-
23 LATING PREMIUMS.—Section 4006(a) of such Act (29
24 U.S.C. 1306(a)) is amended by adding at the end the fol-
25 lowing:

1 “(9) The composite plan component of a multi-
2 employer plan shall be disregarded in determining
3 the premiums due under this section from the multi-
4 employer plan.”.

5 (c) COMPOSITE PLANS NOT COVERED.—Section
6 4021(b)(1) of such Act (29 U.S.C. 1321(b)(1)) is amend-
7 ed by striking “Act” and inserting “Act, or a composite
8 plan, as defined in paragraph (43) of section 3 of this
9 Act”.

10 (d) NO WITHDRAWAL LIABILITY.—Section 4201 of
11 such Act (29 U.S.C. 1381) is amended by adding at the
12 end the following:

13 “(c) Contributions by an employer to the composite
14 plan component of a multiemployer plan shall not be taken
15 into account for any purpose under this title.”.

16 (e) NO WITHDRAWAL LIABILITY FOR CERTAIN
17 PLANS.—Section 4201 of such Act (29 U.S.C. 1381) is
18 further amended by adding at the end the following:

19 “(d) Contributions by an employer to a multiem-
20 ployer plan described in the except clause of section 3(35)
21 of this Act pursuant to a collective bargaining agreement
22 that specifically designates that such contributions shall
23 be allocated to the separate defined contribution accounts
24 of participants under the plan shall not be taken into ac-
25 count with respect to the defined benefit portion of the

1 plan for any purpose under this title (including the deter-
2 mination of the employer's highest contribution rate under
3 section 4219), even if, under the terms of the plan, partici-
4 pants have the option to transfer assets in their separate
5 defined contribution accounts to the defined benefit por-
6 tion of the plan in return for service credit under the de-
7 fined benefit portion, at rates established by the plan
8 sponsor.

9 “(e) A legacy plan created under section 805 shall
10 be deemed to have no unfunded vested benefits for pur-
11 poses of this part, for each plan year following a period
12 of 5 consecutive plan years for which—

13 “(1) the plan was fully funded within the mean-
14 ing of section 805 for at least 3 of the plan years
15 during that period, ending with a plan year for
16 which the plan is fully funded;

17 “(2) the plan had no unfunded vested benefits
18 for at least 3 of the plan years during that period,
19 ending with a plan year for which the plan is fully
20 funded; and

21 “(3) the plan is projected to be fully funded
22 and to have no unfunded vested benefits for the fol-
23 lowing four plan years.”.

24 (f) NO WITHDRAWAL LIABILITY FOR EMPLOYERS
25 CONTRIBUTING TO CERTAIN FULLY FUNDED LEGACY

1 PLANS.—Section 4211 of such Act (29 U.S.C. 1382) is
2 amended by adding at the end the following:

3 “(g) No amount of unfunded vested benefits shall be
4 allocated to an employer that has an obligation to con-
5 tribute to a legacy plan described in subsection (e) of sec-
6 tion 4201 for each plan year for which such subsection
7 applies.”.

8 (g) NO OBLIGATION TO CONTRIBUTE.—Section
9 4212 of such Act (29 U.S.C. 1392) is amended by adding
10 at the end the following:

11 “(d) NO OBLIGATION TO CONTRIBUTE.—An em-
12 ployer shall not be treated as having an obligation to con-
13 tribute to a multiemployer defined benefit plan within the
14 meaning of subsection (a) solely because—

15 “(1) in the case of a multiemployer plan that
16 includes a composite plan component, the employer
17 has an obligation to contribute to the composite plan
18 component of the plan;

19 “(2) the employer has an obligation to con-
20 tribute to a composite plan that is maintained pur-
21 suant to one or more collective bargaining agree-
22 ments under which the multiemployer defined ben-
23 efit plan is or previously was maintained; or

24 “(3) the employer contributes or has contrib-
25 uted under section 805(d) to a legacy plan associ-

1 ated with a composite plan pursuant to a collective
2 bargaining agreement but employees of that em-
3 ployer were not eligible to accrue benefits under the
4 legacy plan with respect to service with that em-
5 ployer.”.

6 (h) NO INFERENCE.—Nothing in the amendment
7 made by subsection (e) shall be construed to create an in-
8 ference with respect to the treatment under title IV of the
9 Employee Retirement Income Security Act of 1974, as in
10 effect before such amendment, of contributions by an em-
11 ployer to a multiemployer plan described in the except
12 clause of section 3(35) of such Act that are made before
13 the effective date of subsection (e) specified in subsection
14 (h)(2).

15 (i) EFFECTIVE DATE.—

16 (1) IN GENERAL.—Except as provided in sub-
17 paragraph (2), the amendments made by this section
18 shall apply to plan years beginning after the date of
19 the enactment of this Act.

20 (2) SPECIAL RULE FOR SECTION 414(k) MULTI-
21 EMPLOYER PLANS.—The amendment made by sub-
22 section (e) shall apply only to required contributions
23 payable for plan years beginning after the date of
24 the enactment of this Act.

1 **SEC. 105. CONFORMING CHANGES.**

2 (a) DEFINITIONS.—Section 3 of the Employee Re-
3 tirement Income Security Act of 1974 (29 U.S.C. 1002)
4 is amended—

5 (1) in paragraph (35), by inserting “or a com-
6 posite plan” after “other than an individual account
7 plan”; and

8 (2) by adding at the end the following:

9 “(43) The term ‘composite plan’ has the mean-
10 ing given the term in section 801(a).”.

11 (b) SPECIAL FUNDING RULE FOR CERTAIN LEGACY
12 PLANS.—

13 (1) AMENDMENT TO EMPLOYEE RETIREMENT
14 INCOME SECURITY ACT OF 1974.—Section 304(b) of
15 the Employee Retirement Income Security Act of
16 1974 (29 U.S.C. 1084(b)) is amended by adding at
17 the end the following:

18 “(9) SPECIAL FUNDING RULE FOR CERTAIN
19 LEGACY PLANS.—In the case of a multiemployer de-
20 fined benefit plan that has adopted an amendment
21 under section 801(b), in accordance with which no
22 further benefits shall accrue under the multiem-
23 ployer defined benefit plan, the plan sponsor may
24 combine the outstanding balance of all charge and
25 credit bases and amortize that combined base in
26 level annual installments (until fully amortized) over

1 a period of 25 plan years beginning with the plan
2 year following the date all benefit accruals ceased.”.

3 (2) AMENDMENT TO INTERNAL REVENUE CODE
4 OF 1986.—Section 431(b) of the Internal Revenue
5 Code of 1986 is amended by adding at the end the
6 following:

7 “(9) SPECIAL FUNDING RULE FOR CERTAIN
8 LEGACY PLANS.—In the case of a multiemployer de-
9 fined benefit plan that has adopted an amendment
10 under section 437(b), in accordance with which no
11 further benefits shall accrue under the multiem-
12 ployer defined benefit plan, the plan sponsor may
13 combine the outstanding balance of all charge and
14 credit bases and amortize that combined base in
15 level annual installments (until fully amortized) over
16 a period of 25 plan years beginning with the plan
17 year following the date on which all benefit accruals
18 ceased.”.

19 (c) BENEFITS AFTER MERGER, CONSOLIDATION, OR
20 TRANSFER OF ASSETS.—

21 (1) AMENDMENT TO EMPLOYEE RETIREMENT
22 INCOME SECURITY ACT OF 1974.—Section 208 of the
23 Employee Retirement Income Security Act of 1974
24 (29 U.S.C. 1058) is amended—

1 (A) by striking so much of the first sen-
2 tence as precedes “may not merge” and insert-
3 ing the following:

4 “(1) IN GENERAL.—Except as provided in para-
5 graph (2), a pension plan may not merge, and”; and

6 (B) by striking the second sentence and
7 adding at the end the following:

8 “(2) SPECIAL REQUIREMENTS FOR MULTIEM-
9 PLOYER PLANS.—Paragraph (1) shall not apply to
10 any transaction to the extent that participants either
11 before or after the transaction are covered under a
12 multiemployer plan to which title IV of this Act ap-
13 plies or a composite plan.”.

14 (2) AMENDMENTS TO INTERNAL REVENUE
15 CODE OF 1986.—

16 (A) QUALIFICATION REQUIREMENT.—Sec-
17 tion 401(a)(12) of the Internal Revenue Code
18 of 1986 is amended—

19 (i) by striking “(12) A trust” and in-
20 serting the following:

21 “(12) BENEFITS AFTER MERGER, CONSOLIDA-
22 TION, OR TRANSFER OF ASSETS.—

23 “(A) IN GENERAL.—Except as provided in
24 subparagraph (B), a trust”;

1 (ii) by striking the second sentence;

2 and

3 (iii) by adding at the end the fol-
4 lowing:

5 “(B) SPECIAL REQUIREMENTS FOR MULTI-
6 EMPLOYER PLANS.—Subparagraph (A) shall
7 not apply to any multiemployer plan with re-
8 spect to any transaction to the extent that par-
9 ticipants either before or after the transaction
10 are covered under a multiemployer plan to
11 which title IV of the Employee Retirement In-
12 come Security Act of 1974 applies or a com-
13 posite plan.”.

14 (B) ADDITIONAL QUALIFICATION REQUIRE-
15 MENT.—Paragraph (1) of section 414(l) of such
16 Code is amended—

17 (i) by striking “(1) IN GENERAL” and
18 all that follows through “shall not con-
19 stitute” and inserting the following:

20 “(1) BENEFIT PROTECTIONS: MERGER, CON-
21 SOLIDATION, TRANSFER.—

22 “(A) IN GENERAL.—Except as provided in
23 subparagraph (B), a trust which forms a part
24 of a plan shall not constitute”; and

1 (ii) by striking the second sentence;

2 and

3 (iii) by adding at the end the fol-
4 lowing:

5 “(B) SPECIAL REQUIREMENTS FOR MULTI-
6 EMPLOYER PLANS.—Subparagraph (A) does not
7 apply to any multiemployer plan with respect to
8 any transaction to the extent that participants
9 either before or after the transaction are cov-
10 ered under a multiemployer plan to which title
11 IV of the Employee Retirement Income Secu-
12 rity Act of 1974 applies or a composite plan.”.

13 (d) REQUIREMENTS FOR STATUS AS A QUALIFIED
14 PLAN.—

15 (1) REQUIREMENT THAT ACTUARIAL ASSUMP-
16 TIONS BE SPECIFIED.—Section 401(a)(25) of the In-
17 ternal Revenue Code of 1986 is amended by insert-
18 ing “(in the case of a composite plan, benefits objec-
19 tively calculated pursuant to a formula)” after “defi-
20 nitely determinable benefits”.

21 (2) MISSING PARTICIPANTS IN TERMINATING
22 COMPOSITE PLAN.—Section 401(a)(34) of the Inter-
23 nal Revenue Code of 1986 is amended by striking “,
24 a trust” and inserting “or a composite plan, a
25 trust”.

1 (e) DEDUCTION FOR CONTRIBUTIONS TO A QUALI-
2 FIED PLAN.—Section 404(a)(1) of the Internal Revenue
3 Code of 1986 is amended by redesignating subparagraph
4 (E) as subparagraph (F) and by inserting after subpara-
5 graph (D) the following:

6 “(E) COMPOSITE PLANS.—

7 “(i) IN GENERAL.—In the case of a
8 composite plan, subparagraph (D) shall
9 not apply and the maximum amount de-
10 ductible for a plan year shall be the excess
11 (if any) of—

12 “(I) 160 percent of the greater
13 of—

14 “(aa) the current liability of
15 the plan determined in accord-
16 ance with the principles of sec-
17 tion 431(c)(6)(D), or

18 “(bb) the present value of
19 plan liabilities as determined
20 under section 438, over

21 “(II) the fair market value of the
22 plan’s assets, projected to the end of
23 the plan year.

1 “(ii) SPECIAL RULES FOR PREDE-
2 CESSOR MULTIEMPLOYER PLAN TO COM-
3 POSITE PLAN.—

4 “(I) IN GENERAL.—Except as
5 provided in subclause (II), if an em-
6 ployer contributes to a composite plan
7 with respect to its employees, con-
8 tributions by that employer to a mul-
9 tiemployer defined benefit plan with
10 respect to some or all of the same
11 group of employees shall be deductible
12 under sections 162 and this section,
13 subject to the limits in subparagraph
14 (D).

15 “(II) TRANSITION CONTRIBU-
16 TION.—The full amount of a contribu-
17 tion to satisfy the transition contribu-
18 tion requirement (as defined in sec-
19 tion 440A(d)) and allocated to the
20 legacy defined benefit plan for the
21 plan year shall be deductible for the
22 employer’s taxable year ending with or
23 within the plan year.”.

24 (f) MINIMUM VESTING STANDARDS.—

1 (1) YEARS OF SERVICE UNDER COMPOSITE
2 PLANS.—

3 (A) EMPLOYEE RETIREMENT INCOME SE-
4 CURITY ACT OF 1974.—Section 203 of the Em-
5 ployee Retirement Income Security Act of 1974
6 (29 U.S.C. 1053) is amended by inserting after
7 subsection (f) the following:

8 “(g) SPECIAL RULES FOR COMPUTING YEARS OF
9 SERVICE UNDER COMPOSITE PLANS.—

10 “(1) IN GENERAL.—In determining a qualified
11 employee’s years of service under a composite plan
12 for purposes of this section, the employee’s years of
13 service under a legacy plan shall be treated as years
14 of service earned under the composite plan. For pur-
15 poses of such determination, a composite plan shall
16 not be treated as a defined benefit plan pursuant to
17 section 801(d).

18 “(2) QUALIFIED EMPLOYEE.—For purposes of
19 this subsection, an employee is a qualified employee
20 if the employee first completes an hour of service
21 under the composite plan (determined without re-
22 gard to the provisions of this subsection) within the
23 12-month period immediately preceding or the 24-
24 month period immediately following the date the em-

1 ployee ceased to accrue benefits under the legacy
2 plan.

3 “(3) CERTIFICATION OF YEARS OF SERVICE.—

4 For purposes of paragraph (1), the plan sponsor of
5 the composite plan shall rely on a written certifi-
6 cation by the plan sponsor of the legacy plan of the
7 years of service the qualified employee completed
8 under the defined benefit plan as of the date the em-
9 ployee satisfies the requirements of paragraph (2),
10 disregarding any years of service that had been for-
11 feited under the rules of the defined benefit plan be-
12 fore that date.

13 “(h) SPECIAL RULES FOR COMPUTING YEARS OF
14 SERVICE UNDER LEGACY PLANS.—

15 “(1) IN GENERAL.—In determining a qualified
16 employee’s years of service under a legacy plan for
17 purposes of this section, and in addition to any serv-
18 ice under applicable regulations, the employee’s
19 years of service under a composite plan shall be
20 treated as years of service earned under the legacy
21 plan. For purposes of such determination, a com-
22 posite plan shall not be treated as a defined benefit
23 plan pursuant to section 801(d).

24 “(2) QUALIFIED EMPLOYEE.—For purposes of
25 this subsection, an employee is a qualified employee

1 if the employee first completes an hour of service
2 under the composite plan (determined without re-
3 gard to the provisions of this subsection) within the
4 12-month period immediately preceding or the 24-
5 month period immediately following the date the em-
6 ployee ceased to accrue benefits under the legacy
7 plan.

8 “(3) CERTIFICATION OF YEARS OF SERVICE.—
9 For purposes of paragraph (1), the plan sponsor of
10 the legacy plan shall rely on a written certification
11 by the plan sponsor of the composite plan of the
12 years of service the qualified employee completed
13 under the composite plan after the employee satisfies
14 the requirements of paragraph (2), disregarding any
15 years of service that has been forfeited under the
16 rules of the composite plan.”.

17 (B) INTERNAL REVENUE CODE OF 1986.—
18 Section 411(a) of the Internal Revenue Code of
19 1986 is amended by adding at the end the fol-
20 lowing:

21 “(14) SPECIAL RULES FOR DETERMINING
22 YEARS OF SERVICE UNDER COMPOSITE PLANS.—

23 “(A) IN GENERAL.—In determining a
24 qualified employee’s years of service under a
25 composite plan for purposes of this subsection,

1 the employee's years of service under a legacy
2 plan shall be treated as years of service earned
3 under the composite plan. For purposes of such
4 determination, a composite plan shall not be
5 treated as a defined benefit plan pursuant to
6 section 437(d).

7 “(B) QUALIFIED EMPLOYEE.—For pur-
8 poses of this paragraph, an employee is a quali-
9 fied employee if the employee first completes an
10 hour of service under the composite plan (deter-
11 mined without regard to the provisions of this
12 paragraph) within the 12-month period imme-
13 diately preceding or the 24-month period imme-
14 diately following the date the employee ceased
15 to accrue benefits under the legacy plan.

16 “(C) CERTIFICATION OF YEARS OF SERV-
17 ICE.—For purposes of subparagraph (A), the
18 plan sponsor of the composite plan shall rely on
19 a written certification by the plan sponsor of
20 the legacy plan of the years of service the quali-
21 fied employee completed under the legacy plan
22 as of the date the employee satisfies the re-
23 quirements of subparagraph (B), disregarding
24 any years of service that had been forfeited

1 under the rules of the defined benefit plan be-
2 fore that date.

3 “(15) SPECIAL RULES FOR COMPUTING YEARS
4 OF SERVICE UNDER LEGACY PLANS.—

5 “(A) IN GENERAL.—In determining a
6 qualified employee’s years of service under a
7 legacy plan for purposes of this section, and in
8 addition to any service under applicable regula-
9 tions, the employee’s years of service under a
10 composite plan shall be treated as years of serv-
11 ice earned under the legacy plan. For purposes
12 of such determination, a composite plan shall
13 not be treated as a defined benefit plan pursu-
14 ant to section 437(d).

15 “(B) QUALIFIED EMPLOYEE.—For pur-
16 poses of this paragraph, an employee is a quali-
17 fied employee if the employee first completes an
18 hour of service under the composite plan (deter-
19 mined without regard to the provisions of this
20 paragraph) within the 12-month period imme-
21 diately preceding or the 24-month period imme-
22 diately following the date the employee ceased
23 to accrue benefits under the legacy plan.

24 “(C) CERTIFICATION OF YEARS OF SERV-
25 ICE.—For purposes of subparagraph (A), the

1 plan sponsor of the legacy plan shall rely on a
2 written certification by the plan sponsor of the
3 composite plan of the years of service the quali-
4 fied employee completed under the composite
5 plan after the employee satisfies the require-
6 ments of subparagraph (B), disregarding any
7 years of service that has been forfeited under
8 the rules of the composite plan.”.

9 (2) REDUCTION OF BENEFITS.—

10 (A) EMPLOYEE RETIREMENT INCOME SE-
11 CURITY ACT OF 1974.—Section 203(a)(3)(E)(ii)
12 of the Employee Retirement Income Security
13 Act of 1974 (29 U.S.C. 1053(a)(3)(E)(ii)) is
14 amended—

15 (i) in subclause (I) by striking
16 “4244A” and inserting “305(e), 803,”;
17 and

18 (ii) in subclause (II) by striking
19 “4245” and inserting “305(e), 4245,”.

20 (B) INTERNAL REVENUE CODE OF 1986.—
21 Section 411(a)(3)(F) of the Internal Revenue
22 Code of 1986 is amended—

23 (i) in clause (i) by striking “section
24 418D or under section 4281 of the Em-
25 ployee Retirement Income Security Act of

1 1974” and inserting “section 432(e) or
2 439 or under section 4281 of the Em-
3 ployee Retirement Income Security Act of
4 1974”; and

5 (ii) in clause (ii) by inserting “or
6 432(e)” after “section 418E”.

7 (3) ACCRUED BENEFIT REQUIREMENTS.—

8 (A) EMPLOYEE RETIREMENT INCOME SE-
9 CURITY ACT OF 1974.—Section 204(b)(1)(B)(i)
10 of the Employee Retirement Income Security
11 Act of 1974 (29 U.S.C. 1054(b)(1)(B)(i)) is
12 amended by inserting “, including an amend-
13 ment reducing or suspending benefits under
14 section 305(e), 803, 4245 or 4281,” after “any
15 amendment to the plan”.

16 (B) INTERNAL REVENUE CODE OF 1986.—
17 Section 411(b)(1)(B)(i) of the Internal Revenue
18 Code of 1986 is amended by inserting “, includ-
19 ing an amendment reducing or suspending ben-
20 efits under section 418E, 432(e) or 439, or
21 under section 4281 of the Employee Retirement
22 Income Security Act of 1974,” after “any
23 amendment to the plan”.

24 (4) ADDITIONAL ACCRUED BENEFIT REQUIRE-
25 MENTS.—

1 (A) EMPLOYEE RETIREMENT INCOME SE-
2 CURITY ACT OF 1974.—Section 204(b)(1)(H)(v)
3 of the Employee Retirement Income Security
4 Act of 1974 (29 U.S.C. 1053(b)(1)(H)(v)) is
5 amended by inserting before the period at the
6 end the following: “, or benefits are reduced or
7 suspended under section 305(e), 803, 4245, or
8 4281”.

9 (B) INTERNAL REVENUE CODE OF 1986.—
10 Section 411(b)(1)(H)(iv) of the Internal Rev-
11 enue Code of 1986 is amended—

12 (i) in the heading by striking “BEN-
13 EFIT” and inserting “BENEFIT AND THE
14 SUSPENSION AND REDUCTION OF CERTAIN
15 BENEFITS”; and

16 (ii) in the text by inserting before the
17 period at the end the following: “, or bene-
18 fits are reduced or suspended under sec-
19 tion 418E, 432(e), or 439, or under sec-
20 tion 4281 of the Employee Retirement In-
21 come Security Act of 1974”.

22 (5) ACCRUED BENEFIT NOT TO BE DECREASED
23 BY AMENDMENT.—

24 (A) EMPLOYEE RETIREMENT INCOME SE-
25 CURITY ACT OF 1974.—Section 204(g)(1) of the

1 Employee Retirement Income Security Act of
2 1974 (29 U.S.C. 1053(g)(1)) is amended by in-
3 serting after “302(d)(2)” the following: “,
4 305(e), 803, 4245,”.

5 (B) INTERNAL REVENUE CODE OF 1986.—
6 Section 411(d)(6)(A) of the Internal Revenue
7 Code of 1986 is amended by inserting after
8 “412(d)(2),” the following: “418E, 432(e), or
9 439,”.

10 (g) CERTAIN FUNDING RULES NOT APPLICABLE.—

11 (1) EMPLOYEE RETIREMENT INCOME SECURITY
12 ACT OF 1974.—Section 305 of the Employee Retire-
13 ment Income Security Act of 1974 (29 U.S.C. 1085)
14 is amended by adding at the end the following:

15 “(k) LEGACY PLANS.—Sections 302, 304, and 305
16 shall not apply to an employer that has an obligation to
17 contribute to a plan that is a legacy plan within the mean-
18 ing of section 805(a) solely because the employer has an
19 obligation to contribute to a composite plan described in
20 section 801 that is associated with that legacy plan.”.

21 (2) INTERNAL REVENUE CODE OF 1986.—Sec-
22 tion 432 of the Internal Revenue Code of 1986 is
23 amended by adding at the end the following:

24 “(k) LEGACY PLANS.—Sections 412, 431, and 432
25 shall not apply to an employer that has an obligation to

1 contribute to a plan that is a legacy plan within the mean-
2 ing of section 440A(a) solely because the employer has an
3 obligation to contribute to a composite plan described in
4 section 437 that is associated with that legacy plan.”.

5 (h) TERMINATION OF COMPOSITE PLAN.—Section
6 403(d) of the Employee Retirement Income Security Act
7 of 1974 (29 U.S.C. 1103(d) is amended—

8 (1) in paragraph (1), by striking “regulations
9 of the Secretary.” and inserting “regulations of the
10 Secretary, or as provided in paragraph (3).”; and

11 (2) by adding at the end the following:

12 “(3) Section 4044(a) of this Act shall be ap-
13 plied in the case of the termination of a composite
14 plan by—

15 “(A) limiting the benefits subject to para-
16 graph (3) thereof to benefits as defined in sec-
17 tion 802(b)(3)(B); and

18 “(B) including in the benefits subject to
19 paragraph (4) all other benefits (if any) of indi-
20 viduals under the plan that would be guaran-
21 teed under section 4022A if the plan were sub-
22 ject to title IV.”.

23 (i) GOOD FAITH COMPLIANCE PRIOR TO GUID-
24 ANCE.—Where the implementation of any provision of law
25 added or amended by this division is subject to issuance

1 of regulations by the Secretary of Labor, the Secretary
2 of the Treasury, or the Pension Benefit Guaranty Cor-
3 poration, a multiemployer plan shall not be treated as fail-
4 ing to meet the requirements of any such provision prior
5 to the issuance of final regulations or other guidance to
6 carry out such provision if such plan is operated in accord-
7 ance with a reasonable, good faith interpretation of such
8 provision.

9 **SEC. 106. EFFECTIVE DATE.**

10 Unless otherwise specified, the amendments made by
11 this division shall apply to plan years beginning after the
12 date of the enactment of this Act.

13 **DIVISION W—OTHER MATTERS**

14 **SEC. 199991. HOME ENERGY AND WATER SERVICE CON-**
15 **TINUITY.**

16 Any entity receiving financial assistance pursuant to
17 **【this Act】** shall, to the maximum extent practicable, es-
18 tablish or maintain in effect policies to ensure that no
19 home energy service or public water system service to an
20 individual or household, which is provided or regulated by
21 such entity, is disconnected or interrupted during the
22 emergency period described in section 1135(g)(1)(B) of
23 the Social Security Act. For purposes of this section, the
24 term “home energy service” means a service to provide
25 home energy, as such term is defined in section 2604 of

1 the Low-Income Home Energy Assistance Act of 1981,
2 and electric service, as that term is used in the Public
3 Utility Regulatory Policies Act of 1978, and the term
4 “public water system” has the meaning given that term
5 in section 1401 of the Safe Drinking Water Act. Nothing
6 in this section shall be construed to require forgiveness
7 of outstanding debt owed to an entity or to absolve an
8 individual of any obligation to an entity for service.

9 **SEC. 199992. LOW-INCOME HOUSEHOLD DRINKING WATER**
10 **AND WASTEWATER ASSISTANCE.**

11 (a) **AUTHORIZATION OF APPROPRIATIONS.**—There is
12 authorized to be appropriated \$1,500,000,000 to the Sec-
13 retary to carry out this section. Such sums shall remain
14 available until expended.

15 (b) **LOW-INCOME HOUSEHOLD DRINKING WATER**
16 **AND WASTEWATER ASSISTANCE.**—The Secretary shall
17 make grants to States and Indian Tribes to assist low-
18 income households, particularly those with the lowest in-
19 comes, that pay a high proportion of household income
20 for drinking water and wastewater services.

21 (c) **USE OF LIHEAP RESOURCES.**—In carrying out
22 this section, the Secretary, States, and Indian Tribes, as
23 applicable, shall use the existing processes, procedures,
24 policies, and systems in place to carry out the Low-Income
25 Home Energy Assistance Act of 1981, as the Secretary

1 determines appropriate, including by using the application
2 and approval process under such Act to the maximum ex-
3 tent practicable.

4 (d) ALLOTMENT.—

5 (1) FACTORS.—The Secretary shall allot
6 amounts appropriated pursuant to this section to a
7 State or Indian Tribe taking into account—

8 (A) the percentage of households in the
9 State, or under the jurisdiction of the Indian
10 Tribe, that are low-income, as determined by
11 the Secretary;

12 (B) the average State or Tribal drinking
13 water and wastewater service rates; and

14 (C) the extent to which the State or Indian
15 Tribe has been impacted by the public health
16 emergency.

17 (2) NOTIFICATION TO CONGRESS.—Not later
18 than 15 days after determining an amount to allot
19 to each State or Indian Tribe pursuant to paragraph
20 (1), and prior to making grants under this section,
21 the Secretary shall notify Congress of such allotment
22 amounts.

23 (e) DETERMINATION OF LOW-INCOME HOUSE-
24 HOLDS.—

1 (1) MINIMUM DEFINITION OF LOW-INCOME.—In
2 determining whether a household is considered low-
3 income for the purposes of this section, a State or
4 Indian Tribe shall—

5 (A) ensure that, at a minimum, all house-
6 holds within 150 percent of the Federal poverty
7 line are included as low-income households; and

8 (B) consider households that have not pre-
9 viously received assistance under the Low-In-
10 come Home Energy Assistance Act of 1981 in
11 the same manner as households that have pre-
12 viously received such assistance.

13 (2) HOUSEHOLD DOCUMENTATION REQUIRE-
14 MENTS.—States and Indian Tribes shall—

15 (A) to the maximum extent practicable,
16 seek to limit the income history documentation
17 requirements for determining whether a house-
18 hold is considered low-income for the purposes
19 of this section; and

20 (B) for the purposes of income eligibility,
21 accept proof of job loss or severe income loss
22 dated after February 29, 2020, such as a layoff
23 or furlough notice or verification of application
24 of unemployment benefits, as sufficient to dem-

1 onstrate lack of income for an individual or
2 household.

3 (f) APPLICATIONS.—Each State or Indian Tribe de-
4 siring to receive a grant under this section shall submit
5 an application to the Secretary, in such form as the Sec-
6 retary shall require.

7 (g) STATE AGREEMENTS WITH DRINKING WATER
8 AND WASTEWATER PROVIDERS.—To the maximum extent
9 practicable, a State that receives a grant under this sec-
10 tion shall enter into agreements with community water
11 systems, municipalities, nonprofit organizations associated
12 with providing drinking water and wastewater services to
13 rural and small communities, and Indian Tribes, to assist
14 in identifying low-income households and to carry out this
15 section.

16 (h) ADMINISTRATIVE COSTS.—A State or Indian
17 Tribe that receives a grant under this section may use up
18 to 15 percent of the granted amounts for administrative
19 costs.

20 (i) FEDERAL AGENCY COORDINATION.—In carrying
21 out this section, the Secretary shall coordinate with the
22 Administrator of the Environmental Protection Agency
23 and consult with other Federal agencies with authority
24 over the provision of drinking water and wastewater serv-
25 ices.

1 (j) AUDITS.—The Secretary shall require each State
2 and Indian Tribe receiving a grant under this section to
3 undertake periodic audits and evaluations of expenditures
4 made by such State or Indian Tribe pursuant to this sec-
5 tion.

6 (k) REPORTS TO CONGRESS.—The Secretary shall
7 submit to Congress a report on the results of activities
8 carried out pursuant to this section—

9 (1) not later than 1 year after the date of en-
10 actment of this section; and

11 (2) upon disbursement of all funds appropriated
12 pursuant to this section.

13 (l) DEFINITIONS.—In this section:

14 (1) COMMUNITY WATER SYSTEM.—The term
15 “community water system” has the meaning given
16 such term in section 1401 of the Safe Drinking
17 Water Act (42 U.S.C. 300f).

18 (2) INDIAN TRIBE.—The term “Indian Tribe”
19 means any Indian Tribe, band, group, or community
20 recognized by the Secretary of the Interior and exer-
21 cising governmental authority over a Federal Indian
22 reservation.

23 (3) MUNICIPALITY.—The term “municipality”
24 has the meaning given such term in section 502 of

1 the Federal Water Pollution Control Act (33 U.S.C.
2 1362).

3 (4) PUBLIC HEALTH EMERGENCY.—The term
4 “public health emergency” means the public health
5 emergency described in section 1135(g)(1)(B) of the
6 Social Security Act.

7 (5) SECRETARY.—The term “Secretary” means
8 the Secretary of Health and Human Services.

9 (6) STATE.—The term “State” means a State,
10 the District of Columbia, the Commonwealth of
11 Puerto Rico, the Virgin Islands of the United States,
12 Guam, American Samoa, and the Commonwealth of
13 the Northern Mariana Islands.

14 **SEC. 199993. DELAY OF STRATEGIC PETROLEUM RESERVE**
15 **SALE.**

16 (a) BIPARTISAN BUDGET ACT OF 2015.—Section
17 404 of the Bipartisan Budget Act of 2015 (42 U.S.C.
18 6239 note) is amended—

19 (1) in subsection (e), by striking “2020” and
20 inserting “2022”; and

21 (2) in subsection (g), by striking “2020” and
22 inserting “2022”.

23 (b) FURTHER CONSOLIDATED APPROPRIATIONS ACT,
24 2020.—Title III of division C of the Further Consolidated
25 Appropriations Act, 2020 (Public Law 116–94) is amend-

1 ed in the matter under the heading “Department of En-
2 ergy—Energy Programs—Strategic Petroleum Reserve”
3 by striking “*Provided, That*” and all that follows through
4 the period at the end and inserting the following: “*Pro-*
5 *vided, That*, as authorized by section 404 of the Bipar-
6 tisan Budget Act of 2015 (Public Law 114–74; 42 U.S.C.
7 6239 note), the Secretary of Energy shall draw down and
8 sell not to exceed a total of \$450,000,000 of crude oil from
9 the Strategic Petroleum Reserve in fiscal year 2020, fiscal
10 year 2021, or fiscal year 2022: *Provided further*, That the
11 proceeds from such drawdown and sale shall be deposited
12 into the ‘Energy Security and Infrastructure Moderniza-
13 tion Fund’ during the fiscal year in which the sale occurs
14 and shall be made available in such fiscal year, to remain
15 available until expended, for necessary expenses to carry
16 out the Life Extension II project for the Strategic Petro-
17 leum Reserve.”.

18 **SEC. 199994. EXPANSION OF DOL AUTHORITY TO POSTPONE**
19 **CERTAIN DEADLINES.**

20 Section 518 of the Employee Retirement Income Se-
21 curity Act of 1974 (29 U.S.C. 1148) is amended by strik-
22 ing “or a terroristic or military action (as defined in sec-
23 tion 692(c)(2) of such Code), the Secretary may” and in-
24 serting “a terroristic or military action (as defined in sec-
25 tion 692(c)(2) of such Code), or a public health emergency

1 declared by the Secretary of Health and Human Services
2 pursuant to section 319 of the Public Health Service Act,
3 the Secretary may”.

4 **SEC. 199995. PROVIDING BUREAU OF THE CENSUS ACCESS**
5 **TO INSTITUTIONS OF HIGHER EDUCATION.**

6 (a) IN GENERAL.—Notwithstanding any other provi-
7 sion of law, including section 444 of the General Edu-
8 cation Provisions Act (commonly known as the “Family
9 Educational Rights and Privacy Act of 1974”), an institu-
10 tion of higher education may, in furtherance of a full and
11 accurate decennial census of population count, provide to
12 the Bureau of the Census information requested by the
13 Bureau for purposes of enumeration for the 2020 decen-
14 nial Census.

15 (b) APPLICATION.—

16 (1) INFORMATION.—Only information requested
17 on the official 2020 decennial census of population
18 form may be provided to the Bureau of the Census
19 pursuant to this section. No institution of higher
20 education may provide any information to the Bu-
21 reau on the immigration or citizenship status of any
22 individual.

23 (2) GROUP QUARTERS.—Only students who, ac-
24 cording to guidance from the Bureau, are living in

1 group quarters may be included in the data provided
2 to the Bureau under this section.

3 (3) NOTICE REQUIRED.—Before information
4 can be provided to the Bureau, the institution of
5 higher education shall give public notice of the cat-
6 egories of information which it plans to provide and
7 shall allow 10 days after such notice has been given
8 for a parent or student to inform the institution that
9 any or all of the information designated should not
10 be released without the parent or student’s prior
11 consent. No institution of higher education shall pro-
12 vide the Bureau with the information of any indi-
13 vidual who has objected or whose legal guardian has
14 objected to the provision of such information.

15 (4) USE OF INFORMATION.—Information pro-
16 vided to the Bureau pursuant to this section may
17 only be used for the purposes of enumeration for the
18 2020 decennial census of population.

19 (c) SUNSET.—The authority provided in this section
20 shall expire on December 31, 2020.

21 (d) DEFINITIONS.—In this section:

22 (1) GROUP QUARTERS.—The term “group quar-
23 ters” means housing units owned or operated by an
24 institution of higher education.

1 (2) INSTITUTION OF HIGHER EDUCATION.—The
2 term “institution of higher education” has the
3 meaning given that term in section 102 of the High-
4 er Education Act of 1965 (20 U.S.C. 1002).

5 **SEC. 199996. BUDGETARY EFFECTS.**

6 (a) STATUTORY PAYGO SCORECARDS.—The budg-
7 etary effects of division B and each succeeding division
8 shall not be entered on either PAYGO scorecard main-
9 tained pursuant to section 4(d) of the Statutory Pay-As-
10 You-Go Act of 2010.

11 (b) SENATE PAYGO SCORECARDS.—The budgetary
12 effects of division B and each succeeding division shall not
13 be entered on any PAYGO scorecard maintained for pur-
14 poses of section 4106 of H. Con. Res. 71 (115th Con-
15 gress).

16 (c) CLASSIFICATION OF BUDGETARY EFFECTS.—
17 Notwithstanding Rule 3 of the Budget Scorekeeping
18 Guidelines set forth in the joint explanatory statement of
19 the committee of conference accompanying Conference Re-
20 port 105–217 and section 250(c)(8) of the Balanced
21 Budget and Emergency Deficit Control Act of 1985, the
22 budgetary effects of division B and each succeeding divi-
23 sion shall not be estimated—

24 (1) for purposes of section 251 of such Act; and

1 (2) for purposes of paragraph (4)(C) of section
2 3 of the Statutory Pay-As-You-Go Act of 2010 as
3 being included in an appropriation Act.

.....
(Original Signature of Member)

116TH CONGRESS
2D SESSION

H. R. _____

Making emergency supplemental appropriations for the fiscal year ending
September 30, 2020, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____ introduced the following bill; which was referred to the
Committee on _____

A BILL

Making emergency supplemental appropriations for the fiscal
year ending September 30, 2020, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Take Responsibility
5 for Workers and Families Act”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents is as follows:

DIVISION A—THIRD CORONAVIRUS PREPAREDNESS AND
RESPONSE SUPPLEMENTAL APPROPRIATIONS ACT, 2020

Title I—Agriculture, Rural Development, Food and Drug Administration, and
Related Agencies
Title II—Commerce, Justice, Science, and Related Agencies
Title III—Department of Defense
Title IV—Energy and Water Development and Related Agencies
Title V—Financial Services and General Government
Title VI—Department of Homeland Security
Title VII—Interior, Environment, and Related Agencies
Title VIII—Departments of Labor, Health and Human Services, and Education,
and Related Agencies
Title IX—Legislative Branch
Title X—Military Construction, Veterans Affairs, and Related Agencies
Title XI—Department of State, Foreign Operations, and Related Programs
Title XII—Transportation, Housing and Urban Development, and Related
Agencies
Title XIII—General Provisions—This Division

DIVISION B—EMERGENCY FAMILY AND MEDICAL LEAVE
EXPANSION ACT

DIVISION C—EMERGENCY PAID SICK LEAVE ACT AMENDMENTS

DIVISION D—COVID-19 WORKERS FIRST PROTECTION ACT OF
2020

DIVISION E—COVID-19 WORKFORCE EMERGENCY RESPONSE ACT
OF 2020

DIVISION F—FAMILY SUPPORT PROVISIONS

DIVISION G—HEALTH PROVISIONS

Title ____—Child Care For Essential Workers

DIVISION H—EMERGENCY CORONAVIRUS PANDEMIC
UNEMPLOYMENT COMPENSATION ACT OF 2020

Title I—Federal Benefit Enhancements
Title II—Expanded Eligibility for Unemployment Compensation
Title III—Relief for Governmental and Nonprofit Entities
Title IV—Emergency Assistance for Rail Workers

DIVISION I—FINANCIAL SERVICES

Title I—Protecting Consumers, Renters, Homeowners and People Experiencing
Homelessness
Title II—Assisting Small Businesses and Community Financial Institutions
Title III—Supporting State, Territory, and Local Governments
Title IV—Promoting Financial Stability and Transparent Markets
Title V—Investing in A Sustainable Recovery

DIVISION J—EDUCATION RELIEF AND OTHER PROGRAMS

Title I—Education provisions
Title II—Other programs

DIVISION K—AGRICULTURE PROVISIONS

Title I—Commodity Support and other Agriculture Programs

Title II—Supplemental Nutrition Assistance Program

DIVISION L—ACCESS ACT

DIVISION M—OVERSIGHT AND ACCOUNTABILITY

DIVISION N—U.S. POSTAL SERVICE PROVISIONS

DIVISION O—FEDERAL WORKFORCE PROVISIONS

DIVISION P—FEDERAL EMPLOYEE COLLECTIVE BARGAINING
AND OFFICIAL TIME

DIVISION Q—STUDENT VETERAN CORONAVIRUS RESPONSE ACT
OF 2020

DIVISION R—AVIATION WORKER RELIEF

Title I—Aviation Worker Relief

Title II—Labor Protections

Title III—Airline Industry Financial Oversight

Title IV—Airport Relief

Title V—Small Community Air Service

Title VI—Consumer Protections

Title VII—Environmental Protections

Title VIII—Miscellaneous

DIVISION S—SBC PROVISIONS

DIVISION T—REVENUE PROVISIONS

Title I—Health-related tax relief

Title II—Economic Stimulus

Title III—Administrative

Title IV—Retirement provisions

Title V—Rehabilitation for Multiemployer Pensions

DIVISION U—TELECOMMUNICATIONS PROVISIONS

Title I—COVID-19 Price Gouging Prevention

Title II—E-Rate Support for Wi-Fi Hotspots and Connected Devices

Title III—Emergency Lifeline Benefit for Broadband Service

Title IV—Continued Connectivity

Title V—Don't Break Up the T-Band

DIVISION V—GROW ACT

DIVISION W—OTHER MATTERS

1 **SEC. 3. REFERENCES.**

2 Except as expressly provided otherwise, any reference

3 to “this Act” contained in any division of this Act shall

1 be treated as referring only to the provisions of that divi-
2 sion.

3 **DIVISION A—THIRD CORONAVIRUS PRE-**
4 **PAREDNESS AND RESPONSE SUPPLE-**
5 **MENTAL APPROPRIATIONS ACT, 2020**

6 TITLE I—AGRICULTURE, RURAL DEVELOP-
7 MENT, FOOD AND DRUG ADMINISTRATION,
8 AND RELATED AGENCIES

9 DEPARTMENT OF AGRICULTURE

10 ANIMAL AND PLANT HEALTH INSPECTION SERVICE

11 SALARIES AND EXPENSES

12 For an additional amount for “Salaries and Ex-
13 penses”, \$55,000,000, to prevent, prepare for, and re-
14 spond to coronavirus, to supplement amounts otherwise
15 available for the Agricultural Quarantine Inspection Pro-
16 gram: *Provided*, That such amount is designated by the
17 Congress as being for an emergency requirement pursuant
18 to section 251(b)(2)(A)(i) of the Balanced Budget and
19 Emergency Deficit Control Act of 1985.

20 AGRICULTURAL MARKETING SERVICE

21 MARKETING SERVICES

22 For an additional amount for “Marketing Services”,
23 \$45,000,000, to prevent, prepare for, and respond to
24 coronavirus, to supplement amounts otherwise available
25 for commodity grading, inspection, and audit activities:

1 *Provided*, That such amount is designated by the Congress
2 as being for an emergency requirement pursuant to sec-
3 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
4 gency Deficit Control Act of 1985.

5 FOOD SAFETY AND INSPECTION SERVICE

6 For an additional amount for “Food Safety and In-
7 spection Service”, \$33,000,000, to prevent, prepare for,
8 and respond to coronavirus, for the support of temporary
9 and intermittent workers, temporary inspection relocation,
10 and overtime inspection costs: *Provided*, That such
11 amount is designated by the Congress as being for an
12 emergency requirement pursuant to section
13 251(b)(2)(A)(i) of the Balanced Budget and Emergency
14 Deficit Control Act of 1985.

15 FARM SERVICE AGENCY

16 SALARIES AND EXPENSES

17 For an additional amount for “Salaries and Ex-
18 penses”, \$3,000,000, to prevent, prepare for, and respond
19 to coronavirus, for temporary staff and overtime expenses:
20 *Provided*, That such amount is designated by the Congress
21 as being for an emergency requirement pursuant to sec-
22 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
23 gency Deficit Control Act of 1985.

1 RURAL BUSINESS—COOPERATIVE SERVICE

2 RURAL BUSINESS PROGRAM ACCOUNT

3 For an additional amount for “Rural Business Pro-
4 gram Account”, \$20,500,000, to remain available until
5 September 30, 2021, to prevent, prepare for, and respond
6 to coronavirus, for the cost of loans for rural business de-
7 velopment programs authorized by section 310B and de-
8 scribed in subsection (g) of section 310B of the Consoli-
9 dated Farm and Rural Development Act: *Provided*, That
10 such amount is designated by the Congress as being for
11 an emergency requirement pursuant to section
12 251(b)(2)(A)(i) of the Balanced Budget and Emergency
13 Deficit Control Act of 1985.

14 RURAL UTILITIES SERVICE

15 DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND
16 PROGRAM

17 For an additional amount for “Distance Learning,
18 Telemedicine, and Broadband Program”, \$25,000,000, to
19 remain available until September 30, 2021, to prevent,
20 prepare for, and respond to coronavirus, for grants for
21 telemedicine and distance learning services in rural areas
22 as authorized by 7 U.S.C. 950aaa et seq.: *Provided*, That
23 such amount is designated by the Congress as being for
24 an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 FOOD AND NUTRITION SERVICE

4 COMMODITY ASSISTANCE PROGRAM

5 For an additional amount for “Commodity Assistance
6 Program”, for the emergency food assistance program as
7 authorized by section 27(a) of the Food and Nutrition Act
8 of 2008 (7 U.S.C. 2036(a)) and section 204(a)(1) of the
9 Emergency Food Assistance Act of 1983 (7 U.S.C.
10 7508(a)(1)), \$450,000,000, to remain available through
11 September 30, 2021, to prevent, prepare for, and respond
12 to coronavirus: *Provided*, That of the funds made avail-
13 able, the Secretary may use up to \$200,000,000 for costs
14 associated with the distribution of commodities: *Provided*
15 *further*, That such amount is designated by the Congress
16 as being for an emergency requirement pursuant to sec-
17 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
18 gency Deficit Control Act of 1985.

19 FOREIGN AGRICULTURAL SERVICE

20 SALARIES AND EXPENSES

21 For an additional amount for “Salaries and Ex-
22 penses”, \$4,000,000, to prevent, prepare for, and respond
23 to coronavirus: *Provided*, That such amount is designated
24 by the Congress as being for an emergency requirement

1 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
2 et and Emergency Deficit Control Act of 1985.

3 DEPARTMENT OF HEALTH AND HUMAN
4 SERVICES

5 FOOD AND DRUG ADMINISTRATION

6 SALARIES AND EXPENSES

7 For an additional amount for “Salaries and Ex-
8 penses”, \$80,000,000, to remain available until expended,
9 to prevent, prepare for, and respond to coronavirus, for
10 efforts on potential medical product shortages, enforce-
11 ment work against counterfeit or misbranded products,
12 work on Emergency Use Authorizations, pre- and post-
13 market work on medical countermeasures, therapies, vac-
14 cines and research, and related administrative activities:
15 *Provided*, That such amount is designated by the Congress
16 as being for an emergency requirement pursuant to sec-
17 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
18 gency Deficit Control Act of 1985.

19 GENERAL PROVISIONS—THIS TITLE

20 SEC. 10101. For an additional amount for grants
21 under the pilot program established under section 779 of
22 Public Law 115–141, to prevent, prepare for, and respond
23 to coronavirus, \$258,000,000, to remain available until
24 September 30, 2021: *Provided*, That at least 90 percent
25 of the households to be served by a project receiving a

1 grant shall be in a rural area without sufficient access to
2 broadband: *Provided further*, That for purposes of such
3 pilot program, a rural area without sufficient access to
4 broadband shall be defined as 10 Mbps downstream and
5 1 Mbps upstream, and such definition shall be reevaluated
6 and redefined, as necessary, on an annual basis by the
7 Secretary of Agriculture: *Provided further*, That an entity
8 to which a grant is made under the pilot program shall
9 not use a grant to overbuild or duplicate broadband expan-
10 sion efforts made by any entity that has received a
11 broadband loan from the Rural Utilities Service: *Provided*
12 *further*, That priority consideration for grants shall be
13 given to previous applicants now eligible as a result of ad-
14 justed eligibility requirements: *Provided further*, That not
15 more than three percent of the funds made available in
16 this paragraph may be used for administrative costs to
17 carry out the program: *Provided further*, That such
18 amount is designated by the Congress as being for an
19 emergency requirement pursuant to section
20 251(b)(2)(A)(i) of the Balanced Budget and Emergency
21 Deficit Control Act of 1985.

22 SEC. 10102. The first amount under “Child Nutri-
23 tion Programs” in Division B of the Further Consolidated
24 Appropriations Act, 2020 (P.L. 116–94) is amended by

1 striking “\$23,615,098,000” and inserting
2 “\$32,615,098,000”.

3 SEC. 10103. The matter under the heading “Supple-
4 mental Nutrition Assistance Program” in division B of the
5 Further Consolidated Appropriations Act, 2020 (Public
6 Law 116–94) is amended by inserting before “: *Provided*,”
7 the following: “and for an additional amount, such sums
8 as may be necessary to remain available through Sep-
9 tember 30, 2022, which shall be placed in reserve for use
10 only in such amounts and at such times as may become
11 necessary to carry out program operations”.

12 SEC. 10104. For an additional amount for “Supple-
13 mental Nutrition Assistance Program”, to supplement
14 funds otherwise available for the Food Distribution Pro-
15 gram on Indian Reservations, \$100,000,000, to remain
16 available through September 30, 2021, to prevent, prepare
17 for, and respond to coronavirus: *Provided*, That of the
18 total amount available, \$50,000,000 is for administrative
19 expenses, including facility improvements and equipment
20 upgrades, and \$50,000,000 is for the costs relating to ad-
21 ditional food purchases: *Provided further*, That such
22 amount is designated by the Congress as being for an
23 emergency requirement pursuant to section
24 251(b)(2)(A)(i) of the Balanced Budget and Emergency
25 Deficit Control Act of 1985.

1 SEC. 10105. In addition to amounts otherwise made
2 available, \$200,000,000, to remain available through Sep-
3 tember 30, 2021, to prevent, prepare for, and respond to
4 coronavirus, shall be available for the Secretary of Agri-
5 culture to provide grants to the Commonwealth of the
6 Northern Mariana Islands, Puerto Rico, and American
7 Samoa for nutrition assistance: *Provided*, That such
8 amount is designated by the Congress as being for an
9 emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 SEC. 10106. The Secretary may extend the term of
13 a marketing assistance loan authorized by section 1201
14 of the Agricultural Act of 2014 (7 U.S.C. 9033) for any
15 loan commodity to 12 months: *Provided*, That the author-
16 ity made available pursuant to this section shall expire on
17 September 30, 2020: *Provided further*, That amounts
18 made available by this section are designated by the Con-
19 gress as being for an emergency requirement pursuant to
20 section 251(b)(2)(A)(i) of the Balanced Budget and
21 Emergency Deficit Control Act of 1985.

22 SEC. 10107. Notwithstanding any other provision of
23 law, funds made available under each heading in this title
24 shall only be used for the purposes specifically described
25 under that heading.

1 TITLE II—COMMERCE, JUSTICE, SCIENCE, AND
2 RELATED AGENCIES

3 DEPARTMENT OF COMMERCE

4 ECONOMIC DEVELOPMENT ADMINISTRATION

5 ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS

6 (INCLUDING TRANSFERS OF FUNDS)

7 For an additional amount for “Economic Develop-
8 ment Assistance Programs” for necessary expenses related
9 to responding to economic injury as a result of
10 coronavirus, \$2,000,000,000, to remain available until
11 September 30, 2022: *Provided*, That such amount shall
12 be for economic adjustment assistance as authorized by
13 section 209 of the Public Works and Economic Develop-
14 ment Act of 1965 (42 U.S.C. 3149): *Provided further*,
15 That within the amount appropriated, up to 2 percent of
16 funds appropriated in this paragraph may be transferred
17 to “Salaries and Expenses” for administration and over-
18 sight activities: *Provided further*, That the Secretary of
19 Commerce is authorized to appoint and fix the compensa-
20 tion of such temporary personnel as may be necessary to
21 implement the requirements under this heading, without
22 regard to the provisions of title 5, United States Code,
23 governing appointments in competitive service: *Provided*
24 *further*, That the Secretary of Commerce is authorized to
25 appoint such temporary personnel, after serving continu-

1 ously for 2 years, to positions in the Economic Develop-
2 ment Administration in the same manner that competitive
3 service employees with competitive status are considered
4 for transfer, reassignment, or promotion to such positions,
5 and an individual appointed under this proviso shall be-
6 come a career-conditional employee, unless the employee
7 has already completed the service requirements for career
8 tenure: *Provided further*, That within the amount appro-
9 priated in this paragraph, \$4,000,000 shall be transferred
10 to “Office of Inspector General” for carrying out inves-
11 tigation and audits related to the funding provided under
12 this heading: *Provided further*, That such amount is des-
13 ignated by the Congress as being for an emergency re-
14 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
15 anced Budget and Emergency Deficit Control Act of 1985.

16 MINORITY BUSINESS DEVELOPMENT AGENCY

17 MINORITY BUSINESS DEVELOPMENT

18 For an additional amount for “Minority Business De-
19 velopment” for necessary expenses for the Business Cen-
20 ters and Specialty Centers, including any cost sharing re-
21 quirements that may exist, for assisting minority business
22 enterprises to prevent, prepare for, and respond to
23 coronavirus, including identifying and accessing local,
24 State, and Federal government assistance related to such
25 virus, \$15,000,000, to remain available until September

1 30, 2021: *Provided*, That such amount is designated by
2 Congress as being for an emergency requirement pursuant
3 to section 251(b)(2)(A)(i) of the Balanced Budget and
4 Emergency Deficit Control Act of 1985.

5 NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
6 SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES

7 For an additional amount for “Scientific and Tech-
8 nical Research and Services” for necessary expenses to
9 prevent, prepare for, and respond to coronavirus,
10 \$6,000,000, to remain available until September 30, 2021,
11 including for measurement science to support testing for
12 such virus (or viral strains mutating therefrom) and bio-
13 manufacturing: *Provided*, That such amount is designated
14 by the Congress as being for an emergency requirement
15 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
16 et and Emergency Deficit Control Act of 1985.

17 INDUSTRIAL TECHNOLOGY SERVICES

18 For an additional amount for “Industrial Technology
19 Services” for necessary expenses, \$75,000,000, to remain
20 available until September 30, 2021, of which \$50,000,000
21 shall be for the Hollings Manufacturing Extension Part-
22 nership to assist manufacturers to prevent, prepare for,
23 and respond to coronavirus, and of which \$25,000,000
24 shall be for the National Network for Manufacturing Inno-
25 vation (also known as “Manufacturing USA”) to support

1 development and manufacturing of medical counter-
2 measures and biomedical equipment and supplies: *Pro-*
3 *vided*, That none of the funds provided under this heading
4 shall be subject to cost share requirements under 15
5 U.S.C. 278k(e)(2) or 15 U.S.C. 278s(e)(7)(A): *Provided*
6 *further*, That such amount is designated by the Congress
7 as being for an emergency requirement pursuant to sec-
8 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
9 gency Deficit Control Act of 1985.

10 NATIONAL OCEANIC AND ATMOSPHERIC

11 ADMINISTRATION

12 OPERATIONS, RESEARCH, AND FACILITIES

13 For an additional amount for “Operations, Research,
14 and Facilities” for necessary expenses to prevent, prepare
15 for, and respond to coronavirus, \$33,200,000, to remain
16 available until September 30, 2021: *Provided*, That such
17 amount is designated by the Congress as being for an
18 emergency requirement pursuant to section
19 251(b)(2)(A)(i) of the Balanced Budget and Emergency
20 Deficit Control Act of 1985.

21 DEPARTMENT OF JUSTICE

22 FEDERAL PRISON SYSTEM

23 SALARIES AND EXPENSES

24 For an additional amount for “Salaries and Ex-
25 penses”, \$100,000,000, to remain available until Sep-

1 tember 30, 2021, for necessary expenses to prevent, pre-
2 pare for, and respond to coronavirus, including for main-
3 taining correctional operations, including overtime costs,
4 temporary facilities, purchase and rental of equipment,
5 medical services and supplies, and emergency prepared-
6 ness: *Provided*, That such amount is designated by the
7 Congress as being for an emergency requirement pursuant
8 to section 251(b)(2)(A)(i) of the Balanced Budget and
9 Emergency Deficit Control Act of 1985.

10 STATE AND LOCAL LAW ENFORCEMENT ACTIVITIES

11 STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE

12 For an additional amount for “State and Local Law
13 Enforcement Assistance”, \$500,000,000, to remain avail-
14 able until September 30, 2021, to prevent, prepare for,
15 and respond to coronavirus, including for the purchase of
16 personal protective equipment, for the Edward Byrne Me-
17 morial Justice Assistance Grant program as authorized by
18 subpart 1 of part E of title I of the Omnibus Crime Con-
19 trol and Safe Streets Acts of 1968 (“1968 Act”), (except
20 that the allocation provisions under sections 505(a)
21 through (e) and the special rules for Puerto Rico under
22 section 505(g), and section 1001(c), of the 1968 Act, shall
23 not apply for purposes of this Act), to be distributed in
24 relative proportion to fiscal year 2016 allocations: *Pro-*
25 *vided*, That awards made using amounts provided in this

1 paragraph shall be made only with the same requirements,
2 conditions, compliance, and certification as fiscal year
3 2016: *Provided further*, That such amount is designated
4 by the Congress as being for an emergency requirement
5 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
6 et and Emergency Deficit Control Act of 1985.

7 JUVENILE JUSTICE PROGRAMS

8 For an additional amount for “Juvenile Justice Pro-
9 grams”, \$100,000,000, to remain available until Sep-
10 tember 30, 2021, to prevent, prepare for, and respond to
11 coronavirus, of which \$75,000,000 shall be for programs
12 authorized by section 221 of the Juvenile Justice and De-
13 linquency Prevention Act of 1974 (“the 1974 Act”), and
14 \$25,000,000 for delinquency prevention, as authorized by
15 section 261 of the 1974 Act: *Provided*, That such amount
16 is designated by the Congress as being for an emergency
17 requirement pursuant to section 251(b)(2)(A)(i) of the
18 Balanced Budget and Emergency Deficit Control Act of
19 1985.

20 SCIENCE

21 NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

22 SAFETY, SECURITY AND MISSION SERVICES

23 For an additional amount for “Safety, Security and
24 Mission Services”, \$100,000,000, to remain available until
25 September 30, 2021, to prevent, prepare for, and respond

1 to coronavirus: *Provided*, That such amount is designated
2 by the Congress as being for an emergency requirement
3 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
4 et and Emergency Deficit Control Act of 1985.

5 CONSTRUCTION AND ENVIRONMENTAL COMPLIANCE AND
6 RESTORATION

7 For an additional amount for “Construction and En-
8 vironmental Compliance and Restoration”, \$100,000,000,
9 to remain available until September 30, 2021, to prevent,
10 prepare for, and respond to coronavirus: *Provided*, That
11 such amount is designated by the Congress as being for
12 an emergency requirement pursuant to section
13 251(b)(2)(A)(i) of the Balanced Budget and Emergency
14 Deficit Control Act of 1985.

15 NATIONAL SCIENCE FOUNDATION
16 RESEARCH AND RELATED ACTIVITIES

17 For an additional amount for “Research and Related
18 Activities”, \$100,000,000, to remain available until Sep-
19 tember 30, 2021, to prevent, prepare for, and respond to
20 coronavirus, domestically and internationally, including to
21 fund research grants and other necessary expenses: *Pro-*
22 *vided*, That such amount is designated by the Congress
23 as being for an emergency requirement pursuant to sec-
24 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
25 gency Deficit Control Act of 1985.

1 AGENCY OPERATIONS AND AWARD MANAGEMENT

2 For an additional amount for “Agency Operations
3 and Award Management”, \$2,000,000, to prevent, pre-
4 pare for, and respond to coronavirus, domestically and
5 internationally, including to administer research grants
6 and other necessary expenses: *Provided*, That such
7 amount is designated by the Congress as being for an
8 emergency requirement pursuant to section
9 251(b)(2)(A)(i) of the Balanced Budget and Emergency
10 Deficit Control Act of 1985.

11 RELATED AGENCIES

12 LEGAL SERVICES CORPORATION

13 PAYMENT TO THE LEGAL SERVICES CORPORATION

14 For an additional amount for “Payment to the Legal
15 Services Corporation” to carry out the purposes of the
16 Legal Services Corporation Act by providing for necessary
17 expenses to prevent, prepare for, and respond to
18 coronavirus, \$100,000,000, to remain available until Sep-
19 tember 30, 2021: *Provided*, That none of the funds appro-
20 priated in this Act to the Legal Services Corporation shall
21 be expended for any purpose prohibited or limited by, or
22 contrary to any of the provisions of, sections 501, 502,
23 503, 504, 505, and 506 of Public Law 105–119, and all
24 funds appropriated in this Act to the Legal Services Cor-
25 poration shall be subject to the same terms and conditions

1 set forth in such sections, except that all references in sec-
2 tions 502 and 503 to 1997 and 1998 shall be deemed to
3 refer instead to 2020 and 2021, respectively, and except
4 that sections 501 and 503 of Public Law 104–134 (ref-
5 erenced by Public Law 105–119) shall not apply to the
6 amount made available under this heading: *Provided fur-*
7 *ther*, That for the purposes of this Act, the Legal Services
8 Corporation shall be considered an agency of the United
9 States Government: *Provided further*, That such amount
10 is designated by the Congress as being for an emergency
11 requirement pursuant to section 251(b)(2)(A)(i) of the
12 Balanced Budget and Emergency Deficit Control Act of
13 1985.

14 GENERAL PROVISIONS—THIS TITLE

15 SEC. 10201. (a) Amounts provided by the Depart-
16 ment of Commerce Appropriations Act, 2020, for the Hol-
17 lings Manufacturing Extension Partnership under the
18 heading “National Institute of Standards and Tech-
19 nology—Industrial Technology Services” shall not be sub-
20 ject to cost share requirements under 15 U.S.C.
21 278k(e)(2).

22 (b) Subsection (a) shall not apply to the extent that
23 a Manufacturing Extension Partnership Center receives
24 funding from a State that is conditioned upon the applica-
25 tion of a Federal cost sharing requirement to the Center.

1 SEC. 10202. (a) Funds appropriated in this title for
2 the National Science Foundation may be made available
3 to restore amounts, either directly or through reimburse-
4 ment, for obligations incurred by the National Science
5 Foundation for research grants and other necessary ex-
6 penses to prevent, prepare for, and respond to
7 coronavirus, domestically or internationally, prior to the
8 date of enactment of this Act.

9 (b) Grants or cooperative agreements made by the
10 National Science Foundation under this title, to carry out
11 research grants and other necessary expenses to prevent,
12 prepare for, and respond to coronavirus, domestically or
13 internationally, shall include amounts to reimburse costs
14 for these purposes incurred between January 20, 2020,
15 and the date of issuance of such grants or agreements.

16 SEC. 10203. (a)(1) Section 110(b)(2)(C) of the Fam-
17 ily and Medical Leave Act of 1993 (as added by division
18 C of the Families First Coronavirus Response Act) and
19 section 5110(5)(C) of the Families First Coronavirus Re-
20 sponse Act (relating to varying schedule hours calculation)
21 shall not apply to the Bureau of the Census regarding any
22 employee hired pursuant to section 23(c) of title 13,
23 United States Code.

1 (2) Any such employee shall be entitled to 40
2 hours of paid leave under division E of the Families
3 First Coronavirus Response Act.

4 (b) With respect to any temporary employee of the
5 Bureau of the Census, including any employee hired pur-
6 suant to section 23(c) of title 13, United States Code, the
7 Bureau may classify any leave provided by the Bureau
8 pursuant to the amendments made by division C of the
9 Families First Coronavirus Response Act or division E of
10 such Act to such an employee (based on such employee's
11 status as an employee of the Bureau) as any leave cat-
12 egory necessary to comport with the Bureau's leave sys-
13 tem.

14 SEC. 10204. Notwithstanding any other provision of
15 law, funds made available under each heading in this title
16 shall only be used for the purposes specifically described
17 under that heading.

1 TITLE III—DEPARTMENT OF DEFENSE

2 DEPARTMENT OF DEFENSE

3 MILITARY PERSONNEL

4 MILITARY PERSONNEL, ARMY

5 For an additional amount for Military Personnel,
6 Army, \$37,900,000, for necessary expenses to prevent,
7 prepare for, and respond to coronavirus: *Provided*, That
8 such amount is designated by the Congress as being for
9 an emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 MILITARY PERSONNEL, NAVY

13 For an additional amount for Military Personnel,
14 Navy, \$37,900,000, for necessary expenses to prevent,
15 prepare for, and respond to coronavirus: *Provided*, That
16 such amount is designated by the Congress as being for
17 an emergency requirement pursuant to section
18 251(b)(2)(A)(i) of the Balanced Budget and Emergency
19 Deficit Control Act of 1985.

20 MILITARY PERSONNEL, MARINE CORPS

21 For an additional amount for Military Personnel, Ma-
22 rine Corps, \$9,900,000, for necessary expenses to prevent,
23 prepare for, and respond to coronavirus: *Provided*, That
24 such amount is designated by the Congress as being for
25 an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 MILITARY PERSONNEL, AIR FORCE

4 For an additional amount for Military Personnel, Air
5 Force, \$37,900,000, for necessary expenses to prevent,
6 prepare for, and respond to coronavirus: *Provided*, That
7 such amount is designated by the Congress as being for
8 an emergency requirement pursuant to section
9 251(b)(2)(A)(i) of the Balanced Budget and Emergency
10 Deficit Control Act of 1985.

11 NATIONAL GUARD PERSONNEL, ARMY

12 For an additional amount for National Guard Per-
13 sonnel, Army, \$804,529,000, for necessary expenses to
14 prevent, prepare for, and respond to coronavirus: *Pro-*
15 *vided*, That such amount is designated by the Congress
16 as being for an emergency requirement pursuant to sec-
17 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
18 gency Deficit Control Act of 1985.

19 NATIONAL GUARD PERSONNEL, AIR FORCE

20 For an additional amount for National Guard Per-
21 sonnel, Air Force, \$402,063,000, for necessary expenses
22 to prevent, prepare for, and respond to coronavirus: *Pro-*
23 *vided*, That such amount is designated by the Congress
24 as being for an emergency requirement pursuant to sec-

tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE

OPERATION AND MAINTENANCE, ARMY

For an additional amount for “Operation and Maintenance, Army”, \$105,300,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, NAVY

For an additional amount for “Operation and Maintenance, Navy”, \$568,408,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, MARINE CORPS

For an additional amount for “Operation and Maintenance, Marine Corps”, \$70,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 OPERATION AND MAINTENANCE, AIR FORCE

4 For an additional amount for “Operation and Main-
5 tenance, Air Force”, \$154,000,000, to remain available
6 until September 30, 2021, to prevent, prepare for, and re-
7 spond to coronavirus: *Provided*, That such amount is des-
8 ignated by the Congress as being for an emergency re-
9 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
10 anced Budget and Emergency Deficit Control Act of 1985.

11 OPERATION AND MAINTENANCE, DEFENSE-WIDE

12 For an additional amount for “Operation and Main-
13 tenance, Defense-Wide”, \$927,800,000, to remain avail-
14 able until September 30, 2021, to prevent, prepare for,
15 and respond to coronavirus: *Provided*, That such amount
16 is designated by the Congress as being for an emergency
17 requirement pursuant to section 251(b)(2)(A)(i) of the
18 Balanced Budget and Emergency Deficit Control Act of
19 1985.

20 OPERATION AND MAINTENANCE, ARMY RESERVE

21 For an additional amount for “Operation and Main-
22 tenance, Army Reserve”, \$48,000,000, to remain available
23 until September 30, 2021, to prevent, prepare for, and re-
24 spond to coronavirus: *Provided*, That such amount is des-
25 ignated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

4 For an additional amount for “Operation and Main-
5 tenance, Army National Guard”, \$194,002,000, to remain
6 available until September 30, 2021, to prevent, prepare
7 for, and respond to coronavirus: *Provided*, That such
8 amount is designated by the Congress as being for an
9 emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

13 For an additional amount for “Operation and Main-
14 tenance, Air National Guard”, \$79,406,000, to remain
15 available until September 30, 2021, to prevent, prepare
16 for, and respond to coronavirus: *Provided*, That such
17 amount is designated by the Congress as being for an
18 emergency requirement pursuant to section
19 251(b)(2)(A)(i) of the Balanced Budget and Emergency
20 Deficit Control Act of 1985.

21 PROCUREMENT

22 DEFENSE PRODUCTION ACT PURCHASES

23 For an additional amount for “Defense Production
24 Act Purchases”, \$500,000,000 to remain available until
25 September 30, 2022, to prevent, prepare for, and respond

1 to coronavirus: *Provided*, That the Secretary of Defense
2 may waive the requirements of 50 U.S.C. 5433(a)(6) on
3 a case-by-case basis upon three days prior written notifica-
4 tion to the Committees on Appropriations and Banking,
5 Housing, and Urban Affairs of the Senate, and the Com-
6 mittees on Appropriations and Financial Services of the
7 House of Representatives. *Provided further*, That such
8 amount is designated by the Congress as being for an
9 emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 OTHER DEPARTMENT OF DEFENSE PROGRAMS

13 DEFENSE HEALTH PROGRAM

14 For an additional amount for “Defense Health Pro-
15 gram”, \$3,805,500,000, to prevent, prepare for, and re-
16 spond to coronavirus; of which \$3,561,500,000 shall be
17 for operation and maintenance to remain available until
18 September 30, 2020; and of which \$244,000,000, to re-
19 main available for obligation until September 30, 2021,
20 shall be for research, development, test and evaluation:
21 *Provided*, That such amount is designated by the Congress
22 as being for an emergency requirement pursuant to sec-
23 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
24 gency Deficit Control Act of 1985.

1 GENERAL PROVISIONS—THIS TITLE

2 SEC. 10301. Notwithstanding any other provision of
3 law, funds made available under each heading in this title
4 shall only be used for the purposes specifically described
5 under that heading.

6 SEC. 10302. Upon the determination of the Secretary
7 of Defense that such action is necessary in the national
8 interest, the Secretary may transfer up to \$500,000,000
9 between the appropriations or funds made available to the
10 Department of Defense for expenses relating to the use
11 of the National Guard in response to coronavirus: Pro-
12 vided, That such funds may only be transferred among
13 military personnel and operation and maintenance ac-
14 counts for the National Guard provided for in this title:
15 Provided further, That the Secretary shall notify the Con-
16 gress promptly of each transfer made pursuant to the au-
17 thority in this section: Provided further, That the author-
18 ity provided in this section is in addition to any other
19 transfer authority available to the Department of Defense
20 and is subject to the same terms and conditions as the
21 authority provided in section 8005 of the Department of
22 Defense Appropriations Act, 2020: Provided further, That
23 the transfer authority in sections 8005 and 9002 of the
24 Department of Defense Appropriations Act, 2020, shall

1 not apply to amounts appropriated or otherwise made
2 available in this title.

3 SEC. 10303. Notwithstanding section 2208(l)(3) of
4 title 10, United States Code, during fiscal year 2020, the
5 amount of advance billings rendered or imposed by De-
6 fense working capital funds may exceed \$1,000,000,000.
7 In the preceding sentence, the term “advance billing” has
8 the meaning given the term in section 2208(l)(4) of such
9 title.

1 TITLE IV—ENERGY AND WATER
2 DEVELOPMENT AND RELATED AGENCIES
3 CORPS OF ENGINEERS—CIVIL
4 DEPARTMENT OF THE ARMY
5 CORPS OF ENGINEERS—CIVIL
6 OPERATION AND MAINTENANCE

7 For an additional amount for “Operation and Main-
8 tenance”, \$50,000,000, to remain available until Sep-
9 tember 30, 2021, to prevent, prepare for, and respond to
10 coronavirus: *Provided*, That such amount is designated by
11 the Congress as being for an emergency requirement pur-
12 suant to section 251(b)(2)(A)(i) of the Balanced Budget
13 and Emergency Deficit Control Act of 1985.

14 EXPENSES

15 For an additional amount for “Expenses”,
16 \$20,000,000, to remain available until September 30,
17 2021, to prevent, prepare for, and respond to coronavirus:
18 *Provided*, That such amount is designated by the Congress
19 as being for an emergency requirement pursuant to sec-
20 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
21 gency Deficit Control Act of 1985.

1 DEPARTMENT OF THE INTERIOR
2 BUREAU OF RECLAMATION
3 WATER AND RELATED RESOURCES
4 (INCLUDING TRANSFER OF FUNDS)

5 For an additional amount for “Water and Related
6 Resources”, \$12,500,000, to remain available until Sep-
7 tember 30, 2021, to prevent, prepare for, and respond to
8 coronavirus: *Provided*, That \$500,000 of the funds pro-
9 vided under this paragraph shall be transferred to the
10 Central Utah Project Completion Account to prevent, pre-
11 pare for, and respond to coronavirus: *Provided further*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 POLICY AND ADMINISTRATION

17 For an additional amount for “Policy and Adminis-
18 tration”, \$8,100,000, to remain available until September
19 30, 2021, for necessary expenses to prevent, prepare for,
20 and respond to coronavirus: *Provided*, That such amount
21 is designated by the Congress as being for an emergency
22 requirement pursuant to section 251(b)(2)(A)(i) of the
23 Balanced Budget and Emergency Deficit Control Act of
24 1985.

1 DEPARTMENT OF ENERGY
2 ENERGY PROGRAMS
3 SCIENCE

4 For an additional amount for “Science”,
5 \$99,500,000, to remain available until September 30,
6 2021, to prevent, prepare for, and respond to coronavirus,
7 for necessary expenses related to providing support and
8 access to scientific user facilities in the Office of Science,
9 including equipment, enabling technologies, and personnel
10 associated with the operations of those scientific user fa-
11 cilities: *Provided*, That such amount is designated by the
12 Congress as being for an emergency requirement pursuant
13 to section 251(b)(2)(A)(i) of the Balanced Budget and
14 Emergency Deficit Control Act of 1985.

15 DEPARTMENTAL ADMINISTRATION
16 (INCLUDING TRANSFER OF FUNDS)

17 For an additional amount for “Departmental Admin-
18 istration”, \$28,000,000, to remain available until Sep-
19 tember 30, 2021, for necessary expenses related to sup-
20 porting remote access for personnel to prevent, prepare
21 for, and respond to coronavirus: *Provided*, That funds ap-
22 propriated under this paragraph in this Act may be trans-
23 ferred to, and merged with, other appropriation accounts
24 of the Department of Energy for necessary expenses re-
25 lated to supporting remote access for personnel to prevent,

1 prepare for, and respond to coronavirus: *Provided further*,
2 That such amount is designated by the Congress as being
3 for an emergency requirement pursuant to section
4 251(b)(2)(A)(i) of the Balanced Budget and Emergency
5 Deficit Control Act of 1985.

6 INDEPENDENT AGENCIES

7 NUCLEAR REGULATORY COMMISSION

8 SALARIES AND EXPENSES

9 For an additional amount for “Salaries and Ex-
10 penses”, \$3,300,000, to remain available until September
11 30, 2021, to prevent, prepare for, and respond to
12 coronavirus: *Provided*, That the amount provided in this
13 paragraph shall not be derived from fee revenues notwith-
14 standing 42 U.S.C. 2214: *Provided further*, That such
15 amount is designated by the Congress as being for an
16 emergency requirement pursuant to section
17 251(b)(2)(A)(i) of the Balanced Budget and Emergency
18 Deficit Control Act of 1985.

19 GENERAL PROVISIONS—THIS TITLE

20 SEC. 10401. Notwithstanding any other provision of
21 law, funds made available under each heading in this title
22 shall only be used for the purposes specifically described
23 under that heading.

24 SEC. 10402. Funds appropriated in this title may be
25 made available to restore amounts, either directly or

1 through reimbursement, for obligations incurred for the
2 same purposes to prevent, prepare for, and respond to
3 coronavirus prior to the date of enactment of this Act.

4 SEC. 10403. Notwithstanding any other provision of
5 law, and subject to the availability of appropriations, the
6 Secretary of Energy, or designee, may include in or modify
7 the terms and conditions of any Department of Energy
8 contract, or other agreement, to authorize the Department
9 to reimburse any contractor paid leave the contractor pro-
10 vides to its employees as the Secretary deems necessary
11 to ensure the effective response to a declared national
12 emergency or pandemic event. Such authority shall apply
13 only to a contractor whose employees cannot perform work
14 on a federally-owned or leased facility or site due to federal
15 government directed closures or other restrictions, and
16 who cannot telework because their job duties cannot be
17 performed remotely. As determined by the Secretary, or
18 designee, this authority also shall apply to subcontractors:
19 *Provided*, That amounts provided by this section are des-
20 ignated by the Congress as being for an emergency re-
21 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
22 anced Budget and Emergency Deficit Control Act of 1985.

1 TITLE V—FINANCIAL SERVICES AND GENERAL
2 GOVERNMENT

3 DEPARTMENT OF THE TREASURY

4 DEPARTMENTAL OFFICES

5 SALARIES AND EXPENSES

6 For an additional amount for [the Department of the
7 Treasury/“Salaries and Expenses”], \$100,000,000 to re-
8 main available until expended, for the necessary expenses
9 to establish and support a COVID–19 Stimulus Account-
10 ability and Transparency Board to conduct oversight of
11 funds provided in this Act in order to monitor spending,
12 provide transparency to the public, and help prevent
13 fraud, waste, and abuse; *Provided*, That not less fre-
14 quently than monthly, and until all such funds are ex-
15 pended, the Secretary of the Treasury shall publish on a
16 dedicated portion of the website established under section
17 2 of the Federal Funding Accountability and Trans-
18 parency Act of 2006 (31 U.S.C. 6101 note), for any funds
19 made available to or expended by a Federal agency or
20 component of a Federal agency that were provided in Pub-
21 lic Law 116–123, Public Law 116–127, or in the Take
22 Responsibility for Workers and Families Act—
23 (1) for each appropriations account, including
24 an expired or unexpired appropriations account, the
25 amount—

- 1 (A) of budget authority appropriated;
- 2 (B) that is obligated;
- 3 (C) of unobligated balances; and
- 4 (D) of any other budgetary resources;
- 5 (2) from which accounts and in what amount—
- 6 (A) appropriations are obligated for each
- 7 program activity; and
- 8 (B) outlays are made for each program ac-
- 9 tivity;
- 10 (3) from which accounts and in what amount—
- 11 (A) appropriations are obligated for each
- 12 object class; and
- 13 (B) outlays are made for each object class;
- 14 and
- 15 (4) for each program activity, the amount—
- 16 (A) obligated for each object class; and
- 17 (B) of outlays made for each object class.
- 18 *Provided further*, That the information required to
- 19 be published pursuant to the preceding proviso shall
- 20 be published in such a format that amounts allows
- 21 such information to be sorted by the public law that
- 22 provided the relevant obligational authority: *Pro-*
- 23 *vided further*, That such amounts are designated by
- 24 the Congress as being for an emergency requirement

1 pursuant to section 251(b)(2)(A)(i) of the Balanced
2 Budget and Emergency Deficit Control Act of 1985.

3 COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

4 FUND PROGRAM ACCOUNT

5 For an additional amount for “Community Develop-
6 ment Financial Institutions Fund Program Account”,
7 \$200,000,000, to remain available until September 30,
8 2020, to promote economic recovery due to the impact of
9 coronavirus through financial assistance and technical as-
10 sistance under subparagraphs (A) and (B) of section
11 108(a)(1), respectively, of Public Law 103–325 (12
12 U.S.C. 4707(a)(1)(A) and (B)), except that subsections
13 (d) and (e) of section 108 of Public Law 103–325 shall
14 not apply to the provision of such financial assistance and
15 technical assistance: *Provided*, That up to \$10,000,000
16 may be transferred to and merged with “Administrative
17 Expenses” for administrative expenses to carry out finan-
18 cial assistance and technical assistance: *Provided further*,
19 That such amount is designated by the Congress as being
20 for an emergency requirement pursuant to section
21 251(b)(2)(A)(i) of the Balanced Budget and Emergency
22 Deficit Control Act of 1985.

1 INTERNAL REVENUE SERVICE

2 TAXPAYER SERVICES

3 For an additional amount for “Taxpayer Services”,
4 \$236,000,000, to remain available until September 30,
5 2021, to prevent, prepare for, and respond to coronavirus:
6 *Provided*, That not later than 30 days after the date of
7 the enactment of this Act, the Commissioner of the Inter-
8 nal Revenue Service shall submit to the Committees on
9 Appropriations of the House of Representatives and the
10 Senate a spend plan for such funds: *Provided further*, That
11 such amounts are designated by the Congress as being for
12 an emergency requirement pursuant to section
13 251(b)(2)(A)(i) of the Balanced Budget and Emergency
14 Deficit Control Act of 1985.

15 ENFORCEMENT

16 For an additional amount for “Enforcement”,
17 \$42,000,000, to remain available until September 30,
18 2021, to prevent, prepare for, and respond to coronavirus:
19 *Provided*, That not later than 30 days after the date of
20 the enactment of this Act, the Commissioner of the Inter-
21 nal Revenue Service shall submit to the Committees on
22 Appropriations of the House of Representatives and the
23 Senate a spend plan for such funds: *Provided further*, That
24 such amounts are designated by the Congress as being for
25 an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 OPERATIONS SUPPORT

4 For an additional amount for “Operations Support”,
5 \$324,000,000, to remain available until September 30,
6 2021, to prevent, prepare for, and respond to coronavirus:
7 *Provided*, That not later than 30 days after the date of
8 the enactment of this Act, the Commissioner of the Inter-
9 nal Revenue Service shall submit to the Committees on
10 Appropriations of the House of Representatives and the
11 Senate a spend plan for such funds: *Provided further*, That
12 such amount is designated by the Congress as being for
13 an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 ADMINISTRATIVE PROVISIONS—INTERNAL REVENUE
17 SERVICE

18 (INCLUDING TRANSFER OF FUNDS)

19 SEC. 10501. In addition to the authority provided in
20 section 101 of title I of division C of Public Law 116–
21 93, the funds provided to the Internal Revenue Service
22 in this Act may be transferred among accounts of the In-
23 ternal Revenue Service to prevent, prepare for, and re-
24 spond to coronavirus. On the date of any such transfer,
25 the Commissioner shall notify the Committees on Appro-

1 priations of the House of Representatives and Senate of
2 such transfer.

3 THE JUDICIARY

4 THE SUPREME COURT OF THE UNITED STATES

5 SALARIES AND EXPENSES

6 For an additional amount for “Salaries and Ex-
7 penses”, \$500,000, to remain available until September
8 30, 2020, for necessary expenses to prevent, prepare for,
9 and respond to coronavirus: *Provided*, That such amount
10 is designated by the Congress as being for an emergency
11 requirement pursuant to section 251(b)(2)(A)(i) of the
12 Balanced Budget and Emergency Deficit Control Act of
13 1985.

14 COURTS OF APPEALS, DISTRICT COURTS, AND OTHER

15 JUDICIAL SERVICES

16 SALARIES AND EXPENSES

17 For an additional amount for “Salaries and Ex-
18 penses”, \$6,000,000 to remain available until September
19 30, 2020, for necessary expenses to prevent, prepare for,
20 and respond to coronavirus: *Provided*, That such amount
21 is designated by the Congress as being for an emergency
22 requirement pursuant to section 251(b)(2)(A)(i) of the
23 Balanced Budget and Emergency Deficit Control Act of
24 1985.

1 DEFENDER SERVICES

2 For an additional amount for “Defender Services”,
3 \$1,000,000, to remain available until September 30, 2020,
4 to prevent, prepare for, and respond to coronavirus: *Pro-*
5 *vided*, That such amount is designated by the Congress
6 as being for an emergency requirement pursuant to sec-
7 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
8 gency Deficit Control Act of 1985.

9 DISTRICT OF COLUMBIA

10 FEDERAL FUNDS

11 FEDERAL PAYMENT FOR EMERGENCY PLANNING AND
12 SECURITY COSTS IN THE DISTRICT OF COLUMBIA

13 For an additional amount for the “Federal Payment
14 for Emergency Planning and Security Costs in the Dis-
15 trict of Columbia” for the Federal payment of necessary
16 expenses, as determined by the Mayor of the District of
17 Columbia in written consultation with the elected county
18 or city officials of surrounding jurisdictions, \$11,000,000,
19 to remain available until September 30, 2020, to prevent,
20 prepare for, and respond to coronavirus: *Provided*, That
21 such amounts are designated by the Congress as being for
22 an emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 INDEPENDENT AGENCIES

2 ELECTION ASSISTANCE COMMISSIONS

3 SALARIES AND EXPENSES

4 For an additional amount for “Salaries and Ex-
5 penses”, \$5,000,000, to assist States with contingency
6 planning, preparation, and resilience of elections for Fed-
7 eral office: *Provided*, That such amount is designated by
8 the Congress as being for an emergency requirement pur-
9 suant to section 251(b)(2)(A)(i) of the Balanced Budget
10 and Emergency Deficit Control Act of 1985.

11 ELECTION ADMINISTRATION GRANTS

12 For an additional amount for payments by the Elec-
13 tion Assistance Commission to States for contingency
14 planning, preparation, and resilience of elections for Fed-
15 eral office, \$4,000,000,000 to remain available until Sep-
16 tember 30, 2021: *Provided*, That under this heading the
17 term “State” means each of the 50 States, the District
18 of Columbia, the Commonwealth of Puerto Rico, Guam,
19 American Samoa, the United States Virgin Islands, and
20 the Commonwealth of the Northern Mariana Islands: *Pro-*
21 *vided further*, That the amount of the payments made to
22 a State under this heading shall be consistent with section
23 103 of the Help America Vote Act of 2002 (52 U.S.C.
24 20903): *Provided further*, That for the purposes of the
25 preceding proviso, each reference to “\$5,000,000” in sec-

tion 103 shall be deemed to refer to “\$7,500,000”: *Provided further*, That not less than 50 percent of the amount of the payment made to a State under this heading shall be allocated in cash or in kind to the units of local government which are responsible for the administration of elections for Federal office in the State: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL COMMUNICATIONS COMMISSION

SALARIES AND EXPENSES

For an additional amount for “Salaries and Expenses”, \$200,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus by providing to health care providers telecommunications services, information services, and devices necessary to enable the provision of telehealth services during an emergency period, as defined in section 1135(g)(1) of the Social Security Act (42 U.S.C. 1320b–5(g)(1)): *Provided*, That the Federal Communications Commission may rely on the rules of the Commission under part 54 of title 47, Code of Federal Regulations, in administering such amount if the Commission determines that such administration is in the public interest

1 and upon the advance notification of the Committees on
2 Appropriations of the House of Representatives and the
3 Senate: *Provided further*, That such amount is designated
4 by the Congress as being for an emergency requirement
5 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
6 et and Emergency Deficit Control Act of 1985.

7 **【EMERGENCY CONNECTIVITY FUND】**

8 **【For an additional amount for the “Emergency**
9 **Connectivity Fund”, as authorized under title II of divi-**
10 **sion U of the Take Responsibility for Workers and Fami-**
11 **lies Act, for the provision of Wi-fi hotspots and connected**
12 **devices to schools and libraries, \$2,000,000,000, to remain**
13 **available until September 30, 2021: Provided , That such**
14 **amount is designated by the Congress as being for an**
15 **emergency requirement pursuant to section**
16 **251(b)(2)(A)(i) of the Balanced Budget and Emergency**
17 **Deficit Control Act of 1985.】**

18 **【EMERGENCY BROADBAND CONNECTIVITY FUND】**

19 **【For an additional amount for the “Emergency**
20 **Broadband Connectivity Fund”, as authorized under title**
21 **III of division U of the Take Responsibility for Workers**
22 **and Families Act, for the provision of Wi-fi hotspots and**
23 **connected devices to schools and libraries,**
24 **\$1,000,000,000, to remain available until September 30,**
25 **2021: Provided , That such amount is designated by the**

1 Congress as being for an emergency requirement pursuant
2 to section 251(b)(2)(A)(i) of the Balanced Budget and
3 Emergency Deficit Control Act of 1985.】

4 GENERAL SERVICES ADMINISTRATION

5 REAL PROPERTY ACTIVITIES

6 FEDERAL BUILDINGS FUND

7 BUILDING OPERATIONS

8 For an additional amount, to be deposited in the
9 “Federal Buildings Fund”, \$275,000,000, to remain
10 available until expended, to prevent, prepare for, and re-
11 spond to coronavirus: *Provided*, That such funds may be
12 used to reimburse costs incurred for the purposes provided
13 under this heading: *Provided further*, That amounts made
14 available under this heading shall be in addition to any
15 other amounts available for such purposes: *Provided fur-*
16 *ther*, That such amount is designated by the Congress as
17 being for an emergency requirement pursuant to section
18 251(b)(2)(A)(i) of the Balanced Budget and Emergency
19 Deficit Control Act of 1985.

20 OFFICE OF PERSONNEL MANAGEMENT

21 SALARIES AND EXPENSES

22 For an additional amount for “Salaries and Ex-
23 penses”, \$12,100,000, to prevent, prepare for, and re-
24 spond to coronavirus: *Provided*, That such amount is des-
25 ignated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 SMALL BUSINESS ADMINISTRATION

4 BUSINESS STABILIZATION LOAN PROGRAMS

5 For an additional amount for the cost of direct loans
6 authorized under section 8 of the COVID–19 Relief for
7 Small Businesses Act of 2020, such sums as may be nec-
8 essary to make up to \$100,000,000,000 in direct loans
9 through September 30, 2022, to remain available until ex-
10 pended, and for an additional amount for the cost of guar-
11 anteed loans authorized under section 9 of the COVID–
12 19 Relief for Small Businesses Act of 2020,
13 \$100,000,000,000, to remain available until expended:
14 *Provided*, That, notwithstanding any other provision of
15 law, no amounts made available under this heading shall
16 be available for transfer to another budget account: *Pro-*
17 *vided further*, That such amount is designated by the Con-
18 gress as being for an emergency requirement pursuant to
19 section 251(b)(2)(A)(i) of the Balanced Budget and
20 Emergency Deficit Control Act of 1985.

21 ECONOMIC INJURY GRANTS

22 For an additional amount for the cost of providing
23 economic recovery grants for small businesses impacted by
24 coronavirus as authorized by section 2 of the COVID–19
25 Relief for Small Businesses Act of 2020,

1 \$100,000,000,000, to remain available until September
2 30, 2021: *Provided*, That the Administrator shall notify
3 a grant applicant whether their application has been ap-
4 proved within 14 days of the grant being submitted: *Pro-*
5 *vided further*, That such amount is designated by the Con-
6 gress as being for an emergency requirement pursuant to
7 section 251(b)(2)(A)(i) of the Balanced Budget and
8 Emergency Deficit Control Act of 1985.

9 DISASTER LOANS PROGRAM ACCOUNT

10 For an additional amount for the “Disaster Loans
11 Program Account” for the cost of direct loans authorized
12 by section 7(b) of the Small Business Act,
13 \$25,739,000,000, to remain available until expended: *Pro-*
14 *vided*, That up to \$739,000,000 may be transferred to and
15 merged with “Small Business Administration—Salaries
16 and Expenses”: *Provided further*, That for purposes of sec-
17 tion 7(b)(2)(D) of the Small Business Act, coronavirus
18 shall be deemed to be a disaster and amounts available
19 under “Disaster Loans Program Account” for the cost of
20 direct loans in any fiscal year may be used to make eco-
21 nomic injury disaster loans under such section in response
22 to the coronavirus: *Provided further*, That none of the
23 funds provided under this heading in this Act may be used
24 for indirect administrative expenses: *Provided further*,
25 That such amount is designated by the Congress as being

1 for an emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985: *Provided further*, That
4 amounts repurposed under this heading that were pre-
5 viously designated by the Congress as an emergency re-
6 quirement pursuant to the Balanced Budget and Emer-
7 gency Deficit Control Act of 1985 are designated by the
8 Congress as an emergency requirement pursuant to sec-
9 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
10 gency Deficit Control Act of 1985.

11 SMALL BUSINESS DEBT RELIEF

12 For an additional amount for the cost of loan debt
13 relief as authorized by section 3 of the COVID–19 Relief
14 for Small Businesses Act of 2020, \$16,800,000,000 to re-
15 main available until September 30, 2021: *Provided*, That
16 such amount is designated by the Congress as being for
17 an emergency requirement pursuant to section
18 251(b)(2)(A)(i) of the Balanced Budget and Emergency
19 Deficit Control Act of 1985.

20 BUSINESS LOANS PROGRAM ACCOUNT

21 For an additional amount for “Business Loans Pro-
22 gram Account”, for the cost of direct loans and loan guar-
23 antees, such sums as may be necessary for the period of
24 fiscal years 2020 and 2021, of which \$10,200,000, to re-
25 main available until expended shall be for the cost of direct

1 loans, such sums as may be necessary for the period of
2 fiscal years 2020 and 2021, to remain available until ex-
3 pended, shall be for the cost of guaranteed loans, including
4 loan modifications authorized by sections 4, 5, 6, and 7
5 of the COVID–19 Relief for Small Businesses Act of
6 2020, and for the cost of guaranteed loans under section
7 503 of the Small Business Investment Act of 1958 and
8 section 7(a) of the Small Business Act for the period of
9 fiscal years 2020 through 2021: *Provided*, That for the
10 period of fiscal years 2020 through 2021, commitments
11 for general business loans authorized under section 7(a)
12 of the Small Business Act shall not exceed
13 \$75,000,000,000: *Provided further*, That amounts provide
14 in this paragraph for the cost of guaranteed loans under
15 section 7(a) of the Small Business Act are in addition to
16 amounts otherwise available for the same purposes: *Pro-*
17 *vided further*, That notwithstanding any other provision
18 of law, no amounts made available under this heading
19 shall be available for transfer to another budget account:
20 *Provided further*, That such amount is designated by the
21 Congress as being for an emergency requirement pursuant
22 to section 251(b)(2)(A)(i) of the Balanced Budget and
23 Emergency Deficit Control Act of 1985.

1 NEW MARKETS VENTURE CAPITAL PROGRAM

2 For an additional amount for the “New Markets Ven-
3 ture Capital Program” for the costs of grants and guaran-
4 teed loans authorized under the part B of the Small Busi-
5 ness Investment Act of 1958, such sums as may be nec-
6 essary, of which **[\$2,000,000,000]** shall be for grants au-
7 thorized under section 358 of the Small Business Invest-
8 ment Act of 1958 and such sums as may be necessary
9 to guarantee \$10,000,000,000 in debentures, to remain
10 available until expended: *Provided*, That notwithstanding
11 any other provision of law, no amounts made available
12 under this heading shall be available for transfer to an-
13 other budget account: *Provided further*, That such amount
14 is designated by the Congress as being for an emergency
15 requirement pursuant to section 251(b)(2)(A)(i) of the
16 Balanced Budget and Emergency Deficit Control Act of
17 1985.

18 INTERMEDIARY LENDING PROGRAM

19 For an additional amount for the cost of the “Inter-
20 mediary Lending Program” as authorized by section 16
21 of the COVID–19 Relief for Small Businesses Act of
22 2020, \$50,000,000, to remain available until September
23 30, 2021: *Provided*, That such amount is designated by
24 the Congress as being for an emergency requirement pur-

1 suant to section 251(b)(2)(A)(i) of the Balanced Budget
2 and Emergency Deficit Control Act of 1985.

3 ENTREPRENEURIAL DEVELOPMENT PROGRAMS

4 For an additional amount for “Entrepreneurial De-
5 velopment Programs” for grants to small business devel-
6 opment centers, women’s business centers, and chapters
7 of the service corps of retired executives, as authorized
8 under section 14 of the COVID–19 Relief for Small Busi-
9 nesses Act of 2020, \$240,000,000, to remain available
10 until September 30, 2021, of which \$190,000,000 shall
11 be for grants to small business development centers and
12 \$50,000,000 shall for grants to women’s business centers
13 and chapters of the service corps of retired executives:
14 *Provided*, That such amount is designated by the Congress
15 as being for an emergency requirement pursuant to sec-
16 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
17 gency Deficit Control Act of 1985.

18 SALARIES AND EXPENSES

19 For an additional amount for “Salaries and Ex-
20 penses”, \$805,000,000, to remain available until Sep-
21 tember 30, 2021, to carry out the requirements of the
22 COVID–19 Relief for Small Businesses Act of 2020, of
23 which \$80,000,000 shall be for marketing, management,
24 and technical assistance under section 7(m) of the Small
25 Business Act (15 U.S.C. 636(m)(4)) by intermediaries

1 that make microloans under the microloan program, and
2 of which \$25,000,000 shall be for resources and services
3 in languages other than English, as authorized in section
4 18 of the COVID–19 Relief for Small Businesses Act of
5 2020: *Provided*, That such amount is designated by the
6 Congress as being for an emergency requirement pursuant
7 to section 251(b)(2)(A)(i) of the Balanced Budget and
8 Emergency Deficit Control Act of 1985.

9 ADMINISTRATIVE PROVISION—SMALL BUSINESS

10 ADMINISTRATION

11 SEC. 10502. Notwithstanding section 7(b)(2)(D) of
12 the Small Business Act, the Small Business Administra-
13 tion shall issue a disaster declaration for each State and
14 territory for coronavirus.

15 UNITED STATES POSTAL SERVICE

16 PAYMENT TO POSTAL SERVICE FUND

17 For payment to the “Postal Service Fund”, for rev-
18 enue forgone due to the coronavirus pandemic,
19 \$20,000,000,000, to remain available until September 30,
20 2022: *Provided*, That such amount is designated by the
21 Congress as being for an emergency requirement pursuant
22 to section 251(b)(2)(A)(i) of the Balanced Budget and
23 Emergency Deficit Control Act of 1985.

1 GENERAL PROVISION—THIS TITLE

2 SEC. 10503. Notwithstanding any other provision of
3 law, funds made available under each heading in this title
4 shall only be used for the purposes specifically described
5 under that heading.

1 TITLE VI
2 DEPARTMENT OF HOMELAND SECURITY
3 MANAGEMENT DIRECTORATE
4 OPERATIONS AND SUPPORT

5 For an additional amount for “Operations and Sup-
6 port”, \$178,000,000, for the purchase of personal protec-
7 tive equipment and related supplies for components of the
8 Department of Homeland Security to prevent, prepare for,
9 and respond to coronavirus: *Provided*, That such amount
10 is designated by the Congress as being for an emergency
11 requirement pursuant to section 251(b)(2)(A)(i) of the
12 Balanced Budget and Emergency Deficit Control Act of
13 1985.

14 TRANSPORTATION AND SECURITY ADMINISTRATION
15 OPERATIONS AND SUPPORT

16 For an additional amount for “Operations and Sup-
17 port”, \$100,000,000, to prevent, prepare for, and respond
18 to coronavirus; of which \$54,000,000 is for enhanced sani-
19 tation at airport security checkpoints; of which
20 \$26,000,000 is for overtime and travel costs for Transpor-
21 tation Security Officers; and of which \$20,000,000 is for
22 the purchase of explosive trace detection swabs: *Provided*,
23 That such amount is designated by the Congress as being
24 for an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 COAST GUARD

4 OPERATIONS AND SUPPORT

5 For an additional amount for “Operations and Sup-
6 port”, \$141,000,000, to prevent, prepare for, and respond
7 to coronavirus through activation of Coast Guard Reserve
8 personnel under section 12302 of title 10, United States
9 Code and for purchases to increase the capability and ca-
10 pacity of information technology systems and infrastruc-
11 ture to support telework and remote access: *Provided*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 CYBERSECURITY AND INFRASTRUCTURE SECURITY

17 AGENCY

18 OPERATIONS AND SUPPORT

19 For an additional amount for “Operations and Sup-
20 port”, \$14,400,000, to prevent, prepare for, and respond
21 to coronavirus through interagency critical infrastructure
22 coordination and related activities: *Provided*, That such
23 amount is designated by the Congress as being for an
24 emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 FEDERAL EMERGENCY MANAGEMENT AGENCY

4 OPERATIONS AND SUPPORT

5 For an additional amount for “Operations and Sup-
6 port”, \$45,000,000, for facilities and information tech-
7 nology to prevent, prepare for, and respond to coronavirus:
8 *Provided*, That such amount is designated by the Congress
9 as being for an emergency requirement pursuant to sec-
10 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
11 gency Deficit Control Act of 1985.

12 FEDERAL ASSISTANCE

13 For an additional amount for “Federal Assistance”,
14 \$200,000,000, for the emergency food and shelter pro-
15 gram under title III of the McKinney-Vento Homeless As-
16 sistance Act (42 U.S.C. 11331 et seq.): *Provided*, That
17 notwithstanding sections 315 and 316(b) of such Act,
18 funds made available under this section shall be disbursed
19 by the Emergency Food and Shelter Program National
20 Board not later than 30 days after the date on which such
21 funds become available: *Provided further*, That such funds
22 may be used to reimburse jurisdictions or local recipient
23 organizations for costs incurred in providing services on
24 or after January 1, 2020: *Provided further*, That such
25 amount is designated by the Congress as being for an

1 emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985.

4 For an additional amount for “Federal Assistance”,
5 to supplement funds otherwise available for the “Assist-
6 ance to Firefighters Grants” \$100,000,000, to remain
7 available until September 30, 2021, for the purchase of
8 personal protective equipment and related supplies to pre-
9 vent, prepare for, and respond to coronavirus: *Provided*,
10 That such amount is designated by the Congress as being
11 for an emergency requirement pursuant to section
12 251(b)(2)(A)(i) of the Balanced Budget and Emergency
13 Deficit Control Act of 1985

14 DISASTER RELIEF FUND

15 For an additional amount for “Disaster Relief
16 Fund”, \$2,000,000,000, to remain available until ex-
17 pended: *Provided*, That such amount is designated by the
18 Congress as being for an emergency requirement pursuant
19 to section 251(b)(2)(A)(i) of the Balanced Budget and
20 Emergency Deficit Control Act of 1985.

21 GENERAL PROVISIONS—THIS TITLE

22 SEC. 10601. Notwithstanding any other provision of
23 law, funds made available under each heading in this title,
24 except for “Federal Emergency Management Agency—

1 Disaster Relief Fund”, shall only be used for the purposes
2 specifically described under that heading.

3 SEC. 10602. (a) Assistance provided under the emer-
4 gency declaration issued by the President on March 13,
5 2020, pursuant to section 501(b) of the Robert T. Staf-
6 ford Disaster Relief and Emergency Assistance Act (42
7 U.S.C. 5121–5207), and under any subsequent major dec-
8 laration under section 401 of such Act that supersedes
9 such emergency declaration, shall be at a 100 percent
10 Federal cost share.

11 (b) Amounts repurposed under this section that were
12 previously designated by the Congress, respectively, as an
13 emergency requirement or as being for disaster relief pur-
14 suant to the Balanced Budget and Emergency Deficit
15 Control Act are designated by the Congress as being for
16 an emergency requirement pursuant to section
17 251(b)(2)(A)(i) of the Balanced Budget and Emergency
18 Deficit Control Act of 1985 or as being for disaster relief
19 pursuant to section 251(b)(2)(D) of the Balanced Budget
20 and Emergency Deficit Control Act of 1985.

21 SEC. 10603. Notwithstanding any other provision of
22 law, any amounts appropriated for “Department of Home-
23 land Security—Federal Emergency Management Agen-
24 cy—Disaster Relief Fund” in this Act are available only
25 for the purposes for which they were appropriated.

1 SEC. 10604. (a) For calendar year 2020 and calendar
2 year 2021, any provision of law limiting the aggregate
3 amount of premium pay or overtime payable on a biweekly
4 or calendar year basis, or establishing an aggregate limita-
5 tion on pay, shall not apply to any premium pay or over-
6 time that is funded, either directly or through reimburse-
7 ment, by the “Federal Emergency Management Agency—
8 Disaster Relief Fund” related to an emergency or major
9 disaster declared in calendar year 2020.

10 (b) Pay exempted from otherwise applicable limits
11 under this section shall not cause the aggregate pay for
12 the calendar year to exceed the rate of basic pay payable
13 for a position at level II of the Executive Schedule under
14 section 5313 of title 5, United States Code.

15 (c) Notwithstanding any other provisions of law, an
16 Executive agency shall not be liable for damages, fees, in-
17 terests, or costs of any kind as a result of any delay occur-
18 ring prior to the date of enactment of this Act in payments
19 made pursuant to this section.

20 (d) This section shall take effect as if enacted on De-
21 cember 31, 2019.

22 (e) Amounts repurposed under this section that were
23 previously designated by the Congress, respectively, as an
24 emergency requirement or as being for disaster relief pur-
25 suant to the Balanced Budget and Emergency Deficit

1 Control Act are designated by the Congress as being for
2 an emergency requirement pursuant to section
3 251(b)(2)(A)(i) of the Balanced Budget and Emergency
4 Deficit Control Act of 1985 or as being for disaster relief
5 pursuant to section 251(b)(2)(D) of the Balanced Budget
6 and Emergency Deficit Control Act of 1985.

7 SEC. 10605. The Secretary of Homeland Security,
8 under the authority granted under section 205(b) of the
9 REAL ID Act of 2005 (Public Law 109–13; 49 U.S.C.
10 30301 note) shall extend the deadline by which States are
11 required to meet the driver license and identification card
12 issuance requirements under section 202(a)(1) of such Act
13 until not earlier than September 30, 2021.

14 SEC. 10606. (a) For the emergency declared on
15 March 13, 2020, by the President under section 501 of
16 the Robert T. Stafford Disaster Relief and Emergency As-
17 sistance Act (42 U.S.C. 5191) the President may provide
18 assistance for —

19 (1) activities, costs, and purchases of State and local
20 jurisdictions including—

21 (A) activities eligible for assistance under sec-
22 tions 301, 415, 416, and 426 of the Robert T. Staf-
23 ford Disaster Relief and Emergency Assistance Act
24 (42 U.S.C. 5141, 5182, 5183, 5189d);

1 (B) backfill costs for first responders and other
2 essential employees who are ill or quarantined;

3 (C) increased operating costs for essential gov-
4 ernment services due to such emergency, including
5 costs for implementing continuity plans;

6 (D) costs of providing guidance and information
7 to the public and for call centers to disseminate such
8 guidance and information;

9 (E) costs associated with establishing virtual
10 services;

11 (F) costs for establishing and operating remote
12 test sites;

13 (G) training provided specifically in anticipation
14 of or in response to the event on which such emer-
15 gency declaration is predicated;

16 (H) personal protective equipment and other
17 critical supplies for first responders; and

18 (I) public health and medical supplies; and

19 (2) activities and costs of nonprofit organizations in-
20 cluding—

21 (A) operating and equipment costs for blood do-
22 nation activities, including personnel costs; and

23 (B) establishing and operating public call cen-
24 ters in support of government operations, including
25 personnel costs.

1 (b) The activities specified in subsection (a) may also
2 be eligible for assistance under any major disaster de-
3 clared by the President under section 401 of such Act that
4 supersedes the emergency declaration described in such
5 subsection.

6 (c) Nothing in this section shall be construed to make
7 ineligible any assistance that would otherwise be eligible
8 under section 502 of such Act.

9 SEC. 10607. (a) During the public health emergency
10 declared pursuant to section 319 of the Public Health
11 Service Act (42 U.S.C. 247d) with respect to the COVID-
12 19 pandemic, the Secretary of Homeland Security, Sec-
13 retary of State, Attorney General or Secretary of Labor,
14 as appropriate, shall temporarily suspend or modify any
15 procedural requirement with which an applicant, peti-
16 tioner, or other person or entity must otherwise comply
17 under the immigration laws, as defined in section
18 101(a)(17) of the Immigration and Nationality Act (8
19 U.S.C. 1101(a)(17)), or any regulation pertaining thereto,
20 when necessary to—

- 21 (1) promote government efficiency;
- 22 (2) ensure the timely and fair adjudication of
23 applications or petitions;
- 24 (3) prevent hardship to applicants, petitioners,
25 beneficiaries, or other persons or entities, including

1 by granting automatic or other extensions or renew-
2 als when necessary to protect individuals from lapses
3 in status or work authorization; or

4 (4) protect the public interest.

5 (b) Notwithstanding any other provision law, the re-
6 quirements of chapter 5 of title 5, U.S. Code (commonly
7 known as the Administrative Procedure Act), or any other
8 law relating to rulemaking, information collection or publi-
9 cation in the Federal Register shall not apply to any ac-
10 tion taken under the authority of this section.

11 (c) Notwithstanding any other provision of law, with
12 respect to any alien whose nonimmigrant status, status
13 under section 244 of the Immigration and Nationality Act
14 (8 U.S.C. 1254a), or employment authorization has ex-
15 pired within the 30 days preceding the date of the enact-
16 ment of this act, or will expire not later than one year
17 after such date, the Secretary of Homeland Security shall
18 automatically extend such status or work authorization for
19 the same time period as the alien's prior status or work
20 authorization.

21 (d) The amounts made available by this section are
22 designated by the Congress as being for an emergency re-
23 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
24 anced Budget and Emergency Deficit Control Act of 1985

1 SEC. 10608. (a) Amounts provided for “Coast
2 Guard—Operations and Support” for fiscal year 2020
3 may, in addition to amounts otherwise available for such
4 purposes, be available for pay and benefits of Coast Guard
5 Yard and Vessel Documentation personnel, Non-Appro-
6 priated Funds personnel, and for Morale, Welfare and
7 Recreation Programs.

8 (b) Any amounts repurposed under subsection (a)
9 that were previously designated by the Congress as an
10 emergency requirement or as being for Overseas Contin-
11 gency Operations/Global War on Terrorism pursuant to
12 the Balanced Budget and Emergency Deficit Control Act
13 of 1985 are designated by the Congress as being for an
14 emergency requirement pursuant to section
15 251(b)(2)(A)(i) of the Balanced Budget and Emergency
16 Deficit Control Act of 1985 or as for Overseas Contin-
17 gency Operations/Global War on Terrorism pursuant to
18 section 251(b)(2)(A)(ii) of the Balanced Budget and
19 Emergency Deficit Control Act of 1985.

1 TITLE VII—INTERIOR, ENVIRONMENT, AND
2 RELATED AGENCIES
3 DEPARTMENT OF THE INTERIOR
4 BUREAU OF INDIAN AFFAIRS
5 OPERATION OF INDIAN PROGRAMS
6 (INCLUDING TRANSFER OF FUNDS)

7 For an additional amount for “Operation of Indian
8 Programs”, \$453,000,000, to remain available until Sep-
9 tember 30, 2021, to prevent, prepare for, and respond to
10 coronavirus, including to support public safety and justice
11 programs, welfare and social service programs (including
12 assistance to individuals), and for aid to Tribal govern-
13 ments: *Provided*, That of such sums, funds may be used
14 for executive direction to carry out cleaning of facilities,
15 to purchase personal protective equipment, and to obtain
16 information technology: *Provided further*, That the limita-
17 tion on welfare assistance funds included in the matter
18 preceding the first proviso under this heading in the Fur-
19 ther Consolidated Appropriations Act, 2020 (Public Law
20 116–94) shall not apply to amounts provided for such pro-
21 grams in this paragraph: *Provided further*, That assistance
22 received hereunder shall not be included in the calculation
23 of funds received by those Tribal governments who partici-
24 pate in the “Small and Needy” program: *Provided further*,
25 That amounts provided under this heading in this Act may

1 be made available for distribution through Tribal priority
2 allocations for Tribal response and capacity building ac-
3 tivities related to the purposes identified under this head-
4 ing in this Act: *Provided further*, That such amounts, if
5 transferred to Tribes and Tribal organizations under the
6 Indian Self-Determination and Education Assistance Act:
7 (1) will be transferred on a one-time basis, (2) are non-
8 recurring funds that are not part of the amount required
9 by 25 U.S.C. 5325, and (3) may only be used for the pur-
10 poses identified under this heading in this Act, notwith-
11 standing any other provision of law: *Provided further*, That
12 such amount is designated by the Congress as being for
13 an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 BUREAU OF INDIAN EDUCATION

17 OPERATION OF INDIAN EDUCATION PROGRAMS

18 For an additional amount for “Operation of Indian
19 Education Programs”, \$69,000,000, to remain available
20 until September 30, 2021, to prevent, prepare for, and re-
21 spond to coronavirus, including, in addition to amounts
22 otherwise available, support for Tribally-Controlled Col-
23 leges and Universities, salaries, transportation, and infor-
24 mation technology: *Provided*, That of the amounts pro-
25 vided in this paragraph, not less than \$20,000,000 shall

1 be for Tribally-Controlled Colleges and Universities: *Pro-*
2 *vided further*, That such amount is designated by the Con-
3 gress as being for an emergency requirement pursuant to
4 section 251(b)(2)(A)(i) of the Balanced Budget and
5 Emergency Deficit Control Act of 1985.

6 DEPARTMENTAL OFFICES

7 OFFICE OF THE SECRETARY

8 DEPARTMENTAL OPERATIONS

9 (INCLUDING TRANSFERS OF FUNDS)

10 For an additional amount for “Departmental Oper-
11 ations” for necessary expenses to prevent, prepare for, and
12 respond to coronavirus, \$158,400,000, to remain available
13 until September 30, 2021: *Provided*, That the amounts
14 made available in this paragraph shall be used to absorb
15 increased operational costs associated with the coronavirus
16 outbreak including but not limited to: purchase of equip-
17 ment and supplies to disinfect and clean buildings and
18 public areas, support law enforcement and emergency
19 management operations, biosurveillance of wildlife and en-
20 vironmental persistence studies, employee overtime and
21 special pay expenses, and for other response, mitigation,
22 or recovery activities associated with the coronavirus out-
23 break: *Provided further*, That the amounts made available
24 by this paragraph may be transferred between the Office
25 of the Secretary and any Department of the Interior com-

1 ponent bureau or office that received funding in division
2 D of the Further Consolidated Appropriations Act, 2020
3 (Public Law 116–94): *Provided further*, That concurrent
4 with any such transfer the Secretary shall notify the
5 House and Senate Committees on Appropriations in writ-
6 ing and provide a detailed description of and justification
7 for each transfer: *Provided further*, That as soon as prac-
8 ticable after the date of enactment of this Act, the Sec-
9 retary shall transfer \$1,000,000 to the Office of the In-
10 spector General, “Salaries and Expenses” account for
11 oversight activities related to the implementation of pro-
12 grams, activities, or projects funded herein: *Provided fur-*
13 *ther*, That expenditure of amounts made available herein
14 may be made through direct expenditure or cooperative
15 agreement: *Provided further*, That such amount is des-
16 ignated by the Congress as being for an emergency re-
17 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
18 anced Budget and Emergency Deficit Control Act of 1985.

19 INSULAR AFFAIRS

20 For an additional amount for “Assistance to Terri-
21 tories”, \$55,000,000, to remain available until September
22 30, 2021, to prevent, prepare for, and respond to
23 coronavirus, domestically or internationally, for territorial
24 assistance, specifically for general technical assistance:
25 *Provided*, That such amount is designated by the Congress

1 as being for an emergency requirement pursuant to sec-
2 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
3 gency Deficit Control Act of 1985.

4 ENVIRONMENTAL PROTECTION AGENCY

5 SCIENCE AND TECHNOLOGY

6 For an additional amount for “Science and Tech-
7 nology”, \$2,250,000, to remain available until September
8 30, 2021, to prevent, prepare for, and respond to
9 coronavirus, of which \$750,000 shall be for necessary ex-
10 penses for cleaning and disinfecting equipment or facilities
11 of, or for use by, the Environmental Protection Agency,
12 and \$1,500,000 shall be for research on methods to reduce
13 the risks from environmental transmission of coronavirus
14 via contaminated surfaces or materials: *Provided*, That
15 such amount is designated by the Congress as being for
16 an emergency requirement pursuant to section
17 251(b)(2)(A)(i) of the Balanced Budget and Emergency
18 Deficit Control Act of 1985.

19 ENVIRONMENTAL PROGRAMS AND MANAGEMENT

20 For an additional amount for “Environmental Pro-
21 grams and Management”, \$3,910,000, to remain available
22 until September 30, 2021, to prevent, prepare for, and re-
23 spond to coronavirus, of which \$2,410,000 shall be for
24 necessary expenses for cleaning and disinfecting equip-
25 ment or facilities of, or for use by, the Environmental Pro-

1 tection Agency, and operational continuity of Environ-
2 mental Protection Agency programs and related activities,
3 and \$1,500,000 shall be for expediting registration and
4 other actions related to pesticides to address coronavirus:
5 *Provided*, That such amount is designated by the Congress
6 as being for an emergency requirement pursuant to sec-
7 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
8 gency Deficit Control Act of 1985.

9 BUILDINGS AND FACILITIES

10 For an additional amount for “Buildings and Facili-
11 ties”, \$300,000, to remain available until September 30,
12 2021, to prevent, prepare for, and respond to coronavirus:
13 *Provided*, That such funds shall be for necessary expenses
14 for cleaning and disinfecting equipment or facilities of, or
15 for use by, the Environmental Protection Agency: *Pro-*
16 *vided further*, That such amount is designated by the Con-
17 gress as being for an emergency requirement pursuant to
18 section 251(b)(2)(A)(i) of the Balanced Budget and
19 Emergency Deficit Control Act of 1985.

20 HAZARDOUS SUBSTANCE SUPERFUND

21 For an additional amount for “Hazardous Substance
22 Superfund”, \$770,000, to remain available until Sep-
23 tember 30, 2021, to prevent, prepare for, and respond to
24 coronavirus: *Provided*, That such funds shall be for nec-
25 essary expenses for cleaning and disinfecting equipment

1 or facilities of, or for use by, the Environmental Protection
2 Agency: *Provided further*, That such amount is designated
3 by the Congress as being for an emergency requirement
4 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
5 et and Emergency Deficit Control Act of 1985.

6 DEPARTMENT OF AGRICULTURE

7 FOREST SERVICE

8 FOREST AND RANGELAND RESEARCH

9 For an additional amount for “Forest and Rangeland
10 Research”, \$3,000,000, to remain available until Sep-
11 tember 30, 2021, for the reestablishment of abandoned or
12 failed experiments associated with coronavirus restric-
13 tions: *Provided*, That such amount is designated by the
14 Congress as being for an emergency requirement pursuant
15 to section 251(b)(2)(A)(i) of the Balanced Budget and
16 Emergency Deficit Control Act of 1985.

17 NATIONAL FOREST SYSTEM

18 For an additional amount for “National Forest Sys-
19 tem”, \$33,800,000, to remain available until September
20 30, 2021, to prevent, prepare for, and respond to
21 coronavirus, including for personal protective equipment,
22 for cleaning and disinfecting public recreation amenities,
23 and for necessary expenses related to cybersecurity, the
24 provision of telework ready equipment, and Information
25 Technology help desk personnel: *Provided*, That such

1 amount is designated by the Congress as being for an
2 emergency requirement pursuant to section
3 251(b)(2)(A)(i) of the Balanced Budget and Emergency
4 Deficit Control Act of 1985.

5 CAPITAL IMPROVEMENT AND MAINTENANCE

6 For an additional amount for “Capital Improvement
7 and Maintenance”, \$26,800,000, to remain available until
8 September 30, 2021, for necessary expenses related to cy-
9 bersecurity, the provision of telework ready equipment,
10 and Information Technology help desk personnel, and for
11 the cleaning, disinfecting, and janitorial services to pre-
12 vent, prepare for, and respond to coronavirus: *Provided*,
13 That such amount is designated by the Congress as being
14 for an emergency requirement pursuant to section
15 251(b)(2)(A)(i) of the Balanced Budget and Emergency
16 Deficit Control Act of 1985.

17 WILDLAND FIRE MANAGEMENT

18 For an additional amount for “Wildland Fire Man-
19 agement” to supplement amounts otherwise available for
20 Preparedness, \$7,000,000, to remain available until Sep-
21 tember 30, 2021, for personal protective equipment and
22 necessary expenses of first responders to prevent, prepare
23 for, and respond to coronavirus: *Provided*, That such
24 amount is designated by the Congress as being for an
25 emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 DEPARTMENT OF HEALTH AND HUMAN
4 SERVICES

5 INDIAN HEALTH SERVICE

6 INDIAN HEALTH SERVICES

7 For an additional amount for “Indian Health Serv-
8 ices”, \$1,032,000,000, to remain available until Sep-
9 tember 30, 2021, for preparedness, response, surveillance,
10 and health service activities for coronavirus, including for
11 public health support, electronic health record moderniza-
12 tion, telehealth and other IT upgrades, Purchased/Re-
13 ferred care, Catastrophic Health Emergency Fund, com-
14 munity health representatives, Urban Indian Organiza-
15 tions, Tribal Epidemiology Centers, and other activities to
16 protect the safety of patients and staff: *Provided*, That
17 none of the funds appropriated by this Act to the Indian
18 Health Service for the Electronic Health Record system
19 shall be made available for obligation to execute a Request
20 for Proposal for selection of core components appropriate
21 to support the initial capacity of the system unless the
22 Committees on Appropriations of the House of Represent-
23 atives and the Senate have been briefed 90 days in ad-
24 vance of such execution of a Request for Proposal: *Pro-*
25 *vided further*, That of the amount provided in this para-

1 graph, not less than \$450,000,000 shall be distributed
2 through Tribal shares and contracts with Urban Indian
3 Organizations: *Provided further*, That any amounts pro-
4 vided in this paragraph not allocated pursuant to the pre-
5 ceding proviso shall be allocated at the discretion of the
6 Director of the Indian Health Service: *Provided further*,
7 That such amounts may be used to supplement amounts
8 otherwise available under “Indian Health Facilities”: *Pro-*
9 *vided further*, That such amounts, if transferred to Tribes
10 and Tribal organizations under the Indian Self-Deter-
11 mination and Education Assistance Act, will be trans-
12 ferred on a one-time basis and that these non-recurring
13 funds are not part of the amount required by 25 U.S.C.
14 5325, and that such amounts may only be used for the
15 purposes identified under this heading notwithstanding
16 any other provision of law: *Provided further*, That such
17 amount is designated by the Congress as being for an
18 emergency requirement pursuant to section
19 251(b)(2)(A)(i) of the Balanced Budget and Emergency
20 Deficit Control Act of 1985.

1 AGENCY FOR TOXIC SUBSTANCES AND DISEASE

2 REGISTRY

3 TOXIC SUBSTANCES AND ENVIRONMENTAL PUBLIC

4 HEALTH

5 For an additional amount for “Toxic Substances and
6 Environmental Public Health”, \$12,500,000, to remain
7 available until September 30, 2021, to monitor, prevent,
8 prepare for, and respond to coronavirus and other emerg-
9 ing infectious diseases, domestically or internationally; of
10 which \$7,500,000 shall be for necessary expenses of the
11 Geospatial Research, Analysis and Services Program
12 (GRASP) to support spatial analysis and GIS mapping
13 of infectious disease hot spots, including cruise ships; and
14 \$5,000,000 shall be for necessary expenses for awards for
15 Pediatric Environmental Health Specialties Units and
16 state health departments to provide guidance and outreach
17 on safe practices for home, school, and daycare facilities
18 disinfection for facilities that have experienced or want to
19 prevent coronavirus and other emerging infectious disease
20 cases: *Provided*, That such amount is designated by the
21 Congress as being for an emergency requirement pursuant
22 to section 251(b)(2)(A)(i) of the Balanced Budget and
23 Emergency Deficit Control Act of 1985.

1 INSTITUTE OF AMERICAN INDIAN AND ALASKA
2 NATIVE CULTURE

3 PAYMENT TO THE INSTITUTE

4 For an additional amount for “Payment to the Insti-
5 tute”, \$78,000, to remain available until September 30,
6 2021, to prevent, prepare for, and respond to coronavirus:
7 *Provided*, That such amount is designated by the Congress
8 as being for an emergency requirement pursuant to sec-
9 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
10 gency Deficit Control Act of 1985.

11 SMITHSONIAN INSTITUTION

12 SALARIES AND EXPENSES

13 For an additional amount for “Salaries and Ex-
14 penses”, \$7,500,000, to remain available until September
15 30, 2021, for cleaning, security, information technology,
16 and staff overtime, to prevent, prepare for, and respond
17 to coronavirus: *Provided*, That such amount is designated
18 by the Congress as being for an emergency requirement
19 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
20 et and Emergency Deficit Control Act of 1985.

21 JOHN F. KENNEDY CENTER FOR THE PERFORMING

22 ARTS

23 OPERATIONS AND MAINTENANCE

24 For an additional amount for “Operations and Main-
25 tenance”, \$35,000,000, to remain available until Sep-

tember 30, 2021, for operations and maintenance require-
ments related to the consequences of coronavirus: *Pro-
vided*, That notwithstanding the provisions of 20 U.S.C.
76h et seq., funds provided in this Act shall be made avail-
able to cover operating expenses required to ensure the
continuity of the John F. Kennedy Center for the Per-
forming Arts and its affiliates, including for employee
compensation and benefits, grants, contracts, payments
for rent or utilities, fees for artists or performers, informa-
tion technology, and other administrative expenses: *Pro-
vided further*, That no later than October 31, 2020, the
Board of Trustees of the Center shall submit a report to
the Committees on Appropriations of the House of Rep-
resentatives and Senate that includes a detailed expla-
nation of the distribution of the funds provided herein:
Provided further, That such amount is designated by the
Congress as being for an emergency requirement pursuant
to section 251(b)(2)(A)(i) of the Balanced Budget and
Emergency Deficit Control Act of 1985.

20 NATIONAL FOUNDATION ON THE ARTS AND THE
21 HUMANITIES

22 NATIONAL ENDOWMENT FOR THE ARTS
23 GRANTS AND ADMINISTRATION

24 For an additional amount for “Grants and Adminis-
25 tration”, \$300,000,000, to remain available until Sep-

1 tember 30, 2021, for grants to respond to the impacts of
2 coronavirus: *Provided*, That such funds are available
3 under the same terms and conditions as grant funding ap-
4 propriated to this heading in P.L. 116–94: *Provided fur-*
5 *ther*, That 40 percent of such funds shall be distributed
6 to State arts agencies and regional arts organizations and
7 60 percent of such funds shall be for direct grants: *Pro-*
8 *vided further*, That such amount is designated by the Con-
9 gress as being for an emergency requirement pursuant to
10 section 251(b)(2)(A)(i) of the Balanced Budget and
11 Emergency Deficit Control Act of 1985:

12 NATIONAL ENDOWMENT FOR THE HUMANITIES

13 GRANTS AND ADMINISTRATION

14 For an additional amount for “Grants and Adminis-
15 tration”, \$300,000,000, to remain available until Sep-
16 tember 30, 2021, for grants to respond to the impacts of
17 coronavirus: *Provided*, That such funds are available
18 under the same terms and conditions as grant funding ap-
19 propriated to this heading in Public Law 116–94: *Pro-*
20 *vided further*, That 40 percent of such funds shall be dis-
21 tributed to state humanities councils and 60 percent of
22 such funds shall be for direct grants: *Provided further*,
23 That such amount is designated by the Congress as being
24 for an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 GENERAL PROVISIONS

4 SEC. 10701. Notwithstanding any other provision of
5 law, funds made available under the heading “National
6 Foundation on the Arts and the Humanities—National
7 Endowment for the Arts—Grants and Administration” for
8 each of fiscal years 2019 and 2020 for grants for the pur-
9 poses described in section 5(c) of the National Foundation
10 on the Arts and Humanities Act of 1965 (20 U.S.C.
11 954(c)) may also be used by the recipients of such grants
12 for purposes of the general operations of such recipients
13 and the matching requirements under subsections (e),
14 (g)(4)(A), and (p)(3) of section 5 of the National Founda-
15 tion on the Arts and Humanities Act of 1965 (20 U.S.C.
16 954) may be waived with respect to such grants.

17 SEC. 10702. Notwithstanding any other provision of
18 law, funds made available under the heading “National
19 Foundation on the Arts and the Humanities—National
20 Endowment for the Humanities—Grants and Administra-
21 tion” for each of fiscal years 2019 and 2020 for grants
22 for the purposes described in section 7(c) and 7(h)(1) of
23 the National Foundation on the Arts and Humanities Act
24 of 1965 may also be used by the recipients of such grants
25 for purposes of the general operations of such recipients

1 and the matching requirements under subsection
2 (h)(2)(A) of section 7 of the National Foundation on the
3 Arts and Humanities Act of 1965 may be waived with re-
4 spect to such grants.

1 TITLE VIII—DEPARTMENTS OF LABOR,
2 HEALTH AND HUMAN SERVICES, AND EDU-
3 CATION, AND RELATED AGENCIES

4 DEPARTMENT OF LABOR

5 EMPLOYMENT AND TRAINING ADMINISTRATION

6 TRAINING AND EMPLOYMENT SERVICES

7 For an additional amount for “Training and Employ-
8 ment Services”, \$960,000,000, to remain available until
9 September 30, 2021, to prevent, prepare for, and respond
10 to coronavirus through activities under the Workforce In-
11 novation and Opportunity Act (referred to in this Act as
12 “WIOA”) as follows:

13 (1) \$212,000,000 for grants to States for adult
14 employment and training activities, including sup-
15 portive services and needs-related payments;

16 (2) \$227,000,000 for grants to States for youth
17 activities, including supportive services;

18 (3) \$261,000,000 for grants to States for dis-
19 located worker employment and training activities,
20 including supportive services and needs-related pay-
21 ments;

22 (4) \$250,000,000 for the Dislocated Worker
23 National Reserve, of which \$150,000,000 shall be
24 for the Strengthening Community College Training
25 Grant program as outlined under the heading

1 “Training and Employment Services” in paragraph
2 (2)(A)(ii) of title I of division A of Public Law 116–
3 94 to assist community colleges in meeting the edu-
4 cational and training needs of their communities as
5 a result of coronavirus;

6 (5) \$10,000,000 for Migrant and Seasonal
7 Farmworkers, including for emergency supportive
8 services to farmworkers, of which \$500,000 shall be
9 available for the collection and dissemination of elec-
10 tronic and printed materials related to coronavirus:
11 *Provided*, That such amount is designated by the Congress
12 as being for an emergency requirement pursuant to sec-
13 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
14 gency Deficit Control Act of 1985.

15 JOB CORPS

16 For an additional amount for “Job Corps”,
17 \$100,000,000, to remain available until September 30,
18 2021, to prevent, prepare for, and respond to coronavirus,
19 including for student services: *Provided*, That such
20 amount is designated by the Congress as being for an
21 emergency requirement pursuant to section
22 251(b)(2)(A)(i) of the Balanced Budget and Emergency
23 Deficit Control Act of 1985.

1 STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT
2 SERVICE OPERATIONS

3 For an additional amount for “State Unemployment
4 and Insurance and Employment Service Operations”,
5 \$150,000,000, to remain available until September 30,
6 2021, to prevent, prepare for, and respond to coronavirus
7 through grants to States in accordance with section 6 of
8 the Wagner-Peyser Act: *Provided*, That such amount is
9 designated by the Congress as being for an emergency re-
10 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
11 anced Budget and Emergency Deficit Control Act of 1985.

12 COMMUNITY SERVICE EMPLOYMENT FOR OLDER
13 AMERICANS

14 For an additional amount for “Community Service
15 Employment for Older Americans”, \$120,000,000, to re-
16 main available until September 30, 2021, to prevent, pre-
17 pare for, and respond to coronavirus: *Provided*, That
18 funds made available under this heading in this Act may,
19 in accordance with section 517(c) of the Older Americans
20 Act of 1965, be recaptured and reobligated: *Provided fur-*
21 *ther*, That such amount is designated by the Congress as
22 being for an emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 PROGRAM ADMINISTRATION

2 For an additional amount for “Program Administra-
3 tion”, \$15,000,000, to remain available until September
4 30, 2020, to prevent, prepare for, and respond to
5 coronavirus, including for the administration, oversight,
6 and coordination of unemployment insurance activities re-
7 lated thereto: *Provided*, That such amount is designated
8 by the Congress as being for an emergency requirement
9 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
10 et and Emergency Deficit Control Act of 1985.

11 EMPLOYEE BENEFITS SECURITY ADMINISTRATION

12 SALARIES AND EXPENSES

13 For an additional amount for “Employee Benefits
14 Security Administration”, \$3,000,000, to remain available
15 until September 30, 2020, to prevent, prepare for, and re-
16 spond to coronavirus, including for the administration,
17 oversight, and coordination of worker protection activities
18 related thereto: *Provided*, That such amount is designated
19 by the Congress as being for an emergency requirement
20 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
21 et and Emergency Deficit Control Act of 1985.

22 WAGE AND HOUR DIVISION

23 SALARIES AND EXPENSES

24 For an additional amount for “Wage and Hour Divi-
25 sion”, \$6,500,000, to remain available until September

1 30, 2020, to prevent, prepare for, and respond to
2 coronavirus, including for the administration, oversight,
3 and coordination of worker protection activities related
4 thereto: *Provided*, That such amount is designated by the
5 Congress as being for an emergency requirement pursuant
6 to section 251(b)(2)(A)(i) of the Balanced Budget and
7 Emergency Deficit Control Act of 1985.

8 OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION
9 SALARIES AND EXPENSES

10 For an additional amount for “Occupational Safety
11 and Health Administration”, \$30,000,000, to remain
12 available until September 30, 2021, for worker protection
13 activities to prevent, prepare for, and respond to
14 coronavirus: *Provided*, That of that amount, \$10,000,000
15 shall be available for Susan Harwood training grants: *Pro-*
16 *vided further*, That such amount is designated by the Con-
17 gress as being for an emergency requirement pursuant to
18 section 251(b)(2)(A)(i) of the Balanced Budget and
19 Emergency Deficit Control Act of 1985.

20 DEPARTMENTAL MANAGEMENT

21 OFFICE OF INSPECTOR GENERAL

22 SALARIES AND EXPENSES

23 For an additional amount for “Office of Inspector
24 General”, \$1,500,000, to remain available until September
25 30, 2022, for oversight of activities supported with funds

1 appropriated to the Department of Labor: *Provided*, That
2 such amount is designated by the Congress as being for
3 an emergency requirement pursuant to section
4 251(b)(2)(A)(i) of the Balanced Budget and Emergency
5 Deficit Control Act of 1985.

6 VETERANS EMPLOYMENT AND TRAINING

7 For an additional amount for “Veterans Employment
8 and Training,” \$15,000,000, to remain available through
9 September 30, 2021, to prevent, prepare for, and respond
10 to coronavirus, including for programs to assist homeless
11 veterans and veterans at risk of homelessness: *Provided*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 DEPARTMENT OF HEALTH AND HUMAN
17 SERVICES

18 HEALTH RESOURCES AND SERVICES ADMINISTRATION

19 PRIMARY HEALTH CARE

20 For an additional amount for “Primary Health
21 Care”, \$1,300,000,000, to remain available until Sep-
22 tember 30, 2021, for necessary expenses to prevent, pre-
23 pare for, and respond to coronavirus, for grants and coop-
24 erative agreements under the Health Centers Program, as
25 defined by section 330 of the Public Health Service Act,

1 and for eligible entities under the Native Hawaiian Health
2 Care Improvement Act, including maintenance of current
3 health care center capacity and staffing levels: *Provided*,
4 That sections 330(r)(2)(B), 330(e)(6)(A)(iii), and
5 330(e)(6)(B)(iii) shall not apply to funds provided under
6 this heading in this Act: *Provided further*, That such
7 amount is designated by the Congress as being for an
8 emergency requirement pursuant to section
9 251(b)(2)(A)(i) of the Balanced Budget and Emergency
10 Deficit Control Act of 1985.

11 RYAN WHITE HIV/AIDS PROGRAM

12 For an additional amount for “Ryan White HIV/
13 AIDS Program”, \$90,000,000, to remain available
14 through September 30, 2021, to prevent, prepare for, and
15 respond to coronavirus: *Provided*, That awards from funds
16 provided under this heading in this Act shall be through
17 modifications to existing contracts and supplements to ex-
18 isting grants and cooperative agreements under parts A
19 , B, C, D, F, and section 2692(a) of title XXVI of the
20 Public Health Service Act: *Provided further*, That such
21 supplements shall be awarded using a data-driven method-
22 ology determined by the Secretary of Health and Human
23 Services: *Provided further*, That sections 2604(c),
24 2612(b), and 2651(c) of the Public Health Service Act
25 shall not apply to funds provided under this heading in

1 this Act: *Provided further*, That such amount is designated
2 by the Congress as being for an emergency requirement
3 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
4 et and Emergency Deficit Control Act of 1985.

5 HEALTH CARE SYSTEMS

6 For an additional amount for “Health Care Sys-
7 tems”, \$5,000,000, to remain available until September
8 30, 2021 to prevent, prepare for, and respond to
9 coronavirus, for activities authorized under sections 1271
10 and 1273 of the Public Health Service Act to improve the
11 capacity of poison control centers to respond to increased
12 calls and communications: *Provided*, That such amount is
13 designated by the Congress as being for an emergency re-
14 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
15 anced Budget and Emergency Deficit Control Act of 1985.

16 RURAL HEALTH

17 For an additional amount for “Rural Health”,
18 \$460,000,000, to remain available through September 30,
19 2021, to prevent, prepare for, and respond to coronavirus,
20 including telephonic and virtual care for the underinsured,
21 and for continuation and expansion of telehealth and rural
22 health activities under sections 330A and 330I of the Pub-
23 lic Health Service Act and section 711 of the Social Secu-
24 rity Act: *Provided*, That of the amount provided under this
25 heading in this Act, not less than \$15,000,000 shall be

1 allocated to tribes, tribal organizations, urban Indian
2 health organizations, or health service providers to tribes:
3 *Provided further*, That such amount is designated by the
4 Congress as being for an emergency requirement pursuant
5 to section 251(b)(2)(A)(i) of the Balanced Budget and
6 Emergency Deficit Control Act of 1985.

7 CENTERS FOR DISEASE CONTROL AND PREVENTION

8 CDC—WIDE ACTIVITIES AND PROGRAM SUPPORT

9 For an additional amount for “CDC—Wide Activities
10 and Program Support”, \$5,500,000,000, to remain avail-
11 able until September 30, 2024, to prevent, prepare for,
12 and respond to coronavirus, domestically or internation-
13 ally: *Provided*, That not less than \$2,000,000,000 of the
14 amount provided shall be for grants to or cooperative
15 agreements with States, localities, territories, tribes, tribal
16 organizations, urban Indian health organizations, or
17 health service providers to tribes, for such purposes includ-
18 ing to carry out surveillance, epidemiology, laboratory ca-
19 pacity, infection control, mitigation, communications, and
20 other preparedness and response activities: *Provided fur-*
21 *ther*, That every grantee that received a Public Health
22 Emergency Preparedness grant for fiscal year 2019 shall
23 receive not less than 100 percent of that grant level from
24 funds provided in the first proviso under this heading in
25 this Act, and not less than \$125,000,000 of such funds

1 shall be allocated to tribes, tribal organizations, urban In-
2 dian health organizations, or health service providers to
3 tribes: *Provided further*, That the Director of the Centers
4 for Disease Control and Prevention (“CDC”) may satisfy
5 the funding thresholds outlined in the preceding two pro-
6 visos by making awards through other grant or coopera-
7 tive agreement mechanisms: *Provided further*, That of the
8 amount provided under this heading in this Act, not less
9 than \$1,000,000,000 shall be for global disease detection
10 and emergency response: *Provided further*, That of the
11 amount provided under this heading in this Act,
12 \$500,000,000 shall be for public health data surveillance
13 and analytics infrastructure modernization: *Provided fur-*
14 *ther*, That funds appropriated under this heading in this
15 Act may be used for grants for the rent, lease, purchase,
16 acquisition, construction, alteration, or renovation of non-
17 Federally owned facilities to improve preparedness and re-
18 sponse capability at the State and local level: *Provided fur-*
19 *ther*, That funds may be used for purchase and insurance
20 of official motor vehicles in foreign countries: *Provided fur-*
21 *ther*, That such amount is designated by the Congress as
22 being for an emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 NATIONAL INSTITUTES OF HEALTH

2 NATIONAL HEART, LUNG, AND BLOOD INSTITUTE

3 For an additional amount for “National Heart, Lung,
4 and Blood Institute”, \$103,400,000, to remain available
5 until September 30, 2024, to prevent, prepare for, and re-
6 spond to coronavirus, domestically or internationally: *Pro-*
7 *vided*, That such amount is designated by the Congress
8 as being for an emergency requirement pursuant to sec-
9 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
10 gency Deficit Control Act of 1985.

11 NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS

12 DISEASES

13 For an additional amount for “National Institute of
14 Allergy and Infectious Diseases”, \$550,000,000, to re-
15 main available until September 30, 2024, to prevent, pre-
16 pare for, and respond to coronavirus, domestically or
17 internationally: *Provided*, That such amount is designated
18 by the Congress as being for an emergency requirement
19 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
20 et and Emergency Deficit Control Act of 1985.

21 NATIONAL INSTITUTE OF ENVIRONMENTAL HEALTH

22 SCIENCES

23 For an additional amount for “National Institute of
24 Environmental Health Sciences”, \$10,000,000, to remain
25 available until September 30, 2024, for worker-based

1 training to prevent and reduce exposure of hospital em-
2 ployees, emergency first responders, and other workers
3 who are at risk of exposure to coronavirus through their
4 work duties: *Provided*, That such amount is designated by
5 the Congress as being for an emergency requirement pur-
6 suant to section 251(b)(2)(A)(i) of the Balanced Budget
7 and Emergency Deficit Control Act of 1985.

8 NATIONAL INSTITUTE OF BIOMEDICAL IMAGING AND
9 BIOENGINEERING

10 For an additional amount for “National Institute of
11 Biomedical Imaging and Bioengineering”, \$60,000,000, to
12 remain available until September 30, 2024, to prevent,
13 prepare for, and respond to coronavirus, domestically or
14 internationally: *Provided*, That such amount is designated
15 by the Congress as being for an emergency requirement
16 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
17 et and Emergency Deficit Control Act of 1985.

18 NATIONAL LIBRARY OF MEDICINE

19 For an additional amount for “National Library of
20 Medicine”, \$10,000,000, to remain available until Sep-
21 tember 30, 2024, to prevent, prepare for, and respond to
22 coronavirus, domestically or internationally: *Provided*,
23 That such amount is designated by the Congress as being
24 for an emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 NATIONAL CENTER FOR ADVANCING TRANSLATIONAL
4 SCIENCES

5 For an additional amount for “National Center for
6 Advancing Translational Sciences”, \$36,000,000, to re-
7 main available until September 30, 2024, to prevent, pre-
8 pare for, and respond to coronavirus, domestically or
9 internationally: *Provided*, That such amount is designated
10 by the Congress as being for an emergency requirement
11 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
12 et and Emergency Deficit Control Act of 1985.

13 OFFICE OF THE DIRECTOR

14 For an additional amount for “Office of the Direc-
15 tor”, \$30,000,000, to remain available until September
16 30, 2024, to prevent, prepare for, and respond to
17 coronavirus, domestically or internationally: *Provided*,
18 That the funds provided under this heading in this Act
19 shall be available for the Common Fund established under
20 section 402A(c)(1) of the Public Health Service Act: *Pro-*
21 *vided further*, That such amount is designated by the Con-
22 gress as being for an emergency requirement pursuant to
23 section 251(b)(2)(A)(i) of the Balanced Budget and
24 Emergency Deficit Control Act of 1985.

1 SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES
2 ADMINISTRATION

3 HEALTH SURVEILLANCE AND PROGRAM SUPPORT

4 For an additional amount for “Health Surveillance
5 and Program Support”, \$435,000,000, to remain avail-
6 able until September 30, 2021, to prevent, prepare for,
7 and respond to coronavirus, for program support and
8 cross-cutting activities that supplement activities funded
9 under the headings “Mental Health”, “Substance Abuse
10 Treatment”, and “Substance Abuse Prevention” in car-
11 rying out titles III, V, and XIX of the Public Health Serv-
12 ice Act (“PHS Act”): *Provided*, That \$200,000,000 of the
13 funds made available under this heading in this Act shall
14 be for grants to communities and community organiza-
15 tions who meet criteria for Certified Community Behav-
16 ioral Health Clinics pursuant to section 223(a) of Public
17 Law 113–93: *Provided further*, That \$60,000,000 of the
18 funds made available under this heading in this Act shall
19 be for services to the homeless population: *Provided fur-*
20 *ther*, That \$10,000,000 of the funds made available under
21 this heading in this Act shall be for the National Child
22 Traumatic Stress Network: *Provided further*, That not less
23 than \$50,000,000 of the funds made available under this
24 heading in this Act shall be for suicide prevention pro-
25 grams: *Provided further*, That not less than \$100,000,000

1 of the amount made available under this heading in this
2 Act is available for State Emergency Response Grants au-
3 thorized under section 501(o) of the PHS Act: *Provided*
4 *further*, That not less than \$15,000,000 of the amount
5 made available under this heading in this Act shall be allo-
6 cated to tribes, tribal organizations, urban Indian health
7 organizations, or health or behavioral health service pro-
8 viders to tribes: *Provided further*, That such amount is
9 designated by the Congress as being for an emergency re-
10 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
11 anced Budget and Emergency Deficit Control Act of 1985.

12 AGENCY FOR HEALTHCARE RESEARCH AND QUALITY

13 For an additional amount for “Healthcare Research
14 and Quality”, \$80,000,000, to remain available until Sep-
15 tember 30, 2024, to prevent, prepare for, and respond to
16 coronavirus, to carry out titles III and IX of the Public
17 Health Service Act, part A of title XI of the Social Secu-
18 rity Act, and section 1013 of the Medicare Prescription
19 Drug, Improvement, and Modernization Act of 2003: *Pro-*
20 *vided*, That section 947(c) of the Public Health Service
21 Act shall not apply to funds made available under this
22 heading in this Act: *Provided further*, That such amount
23 is designated by the Congress as being for an emergency
24 requirement pursuant to section 251(b)(2)(A)(i) of the

1 Balanced Budget and Emergency Deficit Control Act of
2 1985.

3 CENTERS FOR MEDICARE & MEDICAID SERVICES

4 PROGRAM MANAGEMENT

5 For an additional amount for “Program Manage-
6 ment”, \$550,000,000, to remain available until September
7 30, 2022 to prevent, prepare for, and respond to
8 coronavirus, of which \$100,000,000 shall be for necessary
9 expenses of the survey and certification program,
10 prioritizing nursing home facilities in localities with com-
11 munity transmission of coronavirus: *Provided*, That such
12 amount is designated by the Congress as being for an
13 emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 ADMINISTRATION FOR CHILDREN AND FAMILIES

17 LOW INCOME HOME ENERGY ASSISTANCE

18 For an additional amount for “Low Income Home
19 Energy Assistance”, \$1,400,000,000, to remain available
20 until September 30, 2021, for making payments under
21 subsection (b) of section 2602 of the Low-Income Home
22 Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.):
23 *Provided*, That of the amount provided under this heading
24 in this Act, \$700,000,000 shall be allocated as though the
25 total appropriation for such payments for fiscal year 2020

1 was less than \$1,975,000,000: *Provided further*, That sec-
2 tion 2607(b)(2)(B) of such Act (42 U.S.C. 8626(b)(2)(B))
3 shall not apply to funds made available under this heading
4 in this Act: *Provided further*, That such amount is des-
5 ignated by the Congress as being for an emergency re-
6 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
7 anced Budget and Emergency Deficit Control Act of 1985.

8 PAYMENTS TO STATES FOR THE CHILD CARE AND
9 DEVELOPMENT BLOCK GRANT

10 For an additional amount for “Payments to States
11 for the Child Care and Development Block Grant”,
12 \$4,000,000,000, to remain available until September 30,
13 2021, to prevent, prepare for, and respond to coronavirus,
14 including for Federal administrative expenses, which shall
15 be used to supplement, not supplant State, Territory, and
16 Tribal general revenue funds for child care assistance for
17 low-income families without regard to requirements in sec-
18 tion 658E(c)(3)(D), section 658E(c)(3)(E), section
19 658G(a), or section 658G(c) of the Child Care and Devel-
20 opment Block Grant Act (“CCDBG Act”): *Provided*, That
21 funds made available under this heading in this Act may
22 also be used for costs of waiving family copayments and
23 covering costs typically paid through family copayments,
24 continued payments and assistance to child care providers
25 in cases of decreased enrollment, child absences, or pro-

1 vider closures related to coronavirus, and to ensure child
2 care providers are able to remain open or reopen as appro-
3 priate and applicable: *Provided further*, That States, Ter-
4 ritories, and Tribes are encouraged to place conditions on
5 payments to child care providers that ensure that child
6 care providers use a portion of funds received to continue
7 to pay the salaries and wages of staff: *Provided further*,
8 That such funds may be used for mobilizing emergency
9 child care services, for providing temporary assistance to
10 eligible child care providers to support costs associated
11 with coronavirus, and for supporting child care resource
12 and referral services: *Provided further*, That States, Terri-
13 tories, and Tribes are authorized to use funds appro-
14 priated under this heading to provide child care assistance
15 to health care sector employees, emergency responders,
16 sanitation workers, and other workers deemed essential
17 during the response to coronavirus by public officials,
18 without regard to the income eligibility requirements of
19 section 658P(4) of the CCDBG Act: *Provided further*,
20 That the Secretary shall remind States that CCDBG State
21 plans do not need to be amended prior to utilizing existing
22 authorities in the CCDBG Act for the purposes provided
23 herein: *Provided further*, That funds appropriated under
24 this heading in this Act shall be available to eligible child
25 care providers under section 658P(6) of the CCDBG Act,

1 even if such providers were not receiving CCDBG assist-
2 ance prior to the public health emergency as a result of
3 the coronavirus, for the purposes of cleaning and sanita-
4 tion, and other activities necessary to maintain or resume
5 the operation of programs: *Provided further*, That obliga-
6 tions incurred for the purposes provided herein prior to
7 the date of enactment of this Act may be charged to funds
8 appropriated under this heading in this Act: *Provided fur-*
9 *ther*, That such amount is designated by the Congress as
10 being for an emergency requirement pursuant to section
11 251(b)(2)(A)(i) of the Balanced Budget and Emergency
12 Deficit Control Act of 1985.

13 CHILDREN AND FAMILIES SERVICES PROGRAMS

14 For an additional amount for “Children and Families
15 Services Programs”, \$4,302,000,000, to remain available
16 until September 30, 2021, which shall be used as follows:

17 (1) \$1,000,000,000 for making payments under
18 the Head Start Act to be allocated in an amount
19 that bears the same ratio to such portion as the
20 number of enrolled children served by the agency in-
21 volved bears to the number of enrolled children by
22 all Head Start agencies: *Provided*, That none of the
23 funds appropriated in this paragraph shall be in-
24 cluded in the calculation of the “base grant” in sub-
25 sequent fiscal years, as such term is defined in sec-

1 tions 640(a)(7)(A), 641A(h)(1)(B), or 645(d)(3) of
2 the Head Start Act: *Provided further*, That funds
3 appropriated in this paragraph are not subject to
4 the allocation requirements of section 640(a) of the
5 Head Start Act and in addition to allowable uses of
6 fund in 45 CFR 1301–1305, shall be allowable for
7 developing and implementing procedures and sys-
8 tems to improve the coordination, preparedness and
9 response efforts with State, local, tribal, an terri-
10 torial public health departments, and other relevant
11 agencies; cost of meals and snacks not reimbursed
12 by the Secretary of Agriculture; mental health serv-
13 ices and supports; mental health crisis response and
14 intervention services; training and professional devel-
15 opment for staff on infectious disease management;
16 purchasing necessary supplies and contracted serv-
17 ices to sanitize and clean facilities and vehicles, if
18 applicable; and other costs that are necessary to
19 maintain and resume the operation of programs,
20 such as substitute staff, technology infrastructure,
21 or other emergency assistance; *Provided further*,
22 That up to \$600,000,000 shall be available for the
23 purpose of operating supplemental summer pro-
24 grams through non-competitive grant supplements to
25 existing grantees determined to be most ready to op-

1 erate those programs by the Office of Head Start:
2 *Provided further*, That not more than \$15,000,000
3 shall be available for Federal administrative ex-
4 penses and shall remain available through Sep-
5 tember 30, 2021: *Provided further*, That obligations
6 incurred for the purposes provided herein prior to
7 the date of enactment of this subdivision may be
8 charged to funds appropriated under this heading.

9 (2) \$2,500,000,000 for activities to carry out
10 the Community Services Block Grant Act: *Provided*,
11 That of the amount made available in this para-
12 graph in this Act, \$50,000,000 shall be available for
13 Statewide activities in accordance with section
14 675C(b)(1) of such Act: *Provided further*, That of
15 the amount made available in this paragraph in this
16 Act, \$25,000,000 shall be available for grants to
17 support the procurement and distribution of diapers
18 through non-profit organizations: *Provided further*,
19 That of the amount made available in this para-
20 graph in this Act, \$25,000,000 shall be available for
21 administrative expenses in accordance with section
22 675C(b)(2) of such Act: *Provided further*, That each
23 State, territory, or tribe shall allocate not less than
24 xx percent of its formula award to non-profit organi-
25 zations: *Provided further*, That for services furnished

1 under such Act during fiscal years 2020 and 2021,
2 States may apply the last sentence of section 673(2)
3 of such Act by substituting “200 percent” for “125
4 percent”.

5 (3) \$2,000,000, for the National Domestic Vio-
6 lence Hotline as authorized by Section 303(b) of the
7 Family Violence Prevention and Services Act: *Pro-*
8 *vided*, That the Secretary may use amounts made
9 available in the preceding proviso for providing hot-
10 line services remotely.

11 (4) \$100,000,000 for Family Violence Preven-
12 tion and Services formula grants as authorized by
13 Section 303(a) of the Family Violence and Preven-
14 tion and Services Act; *Provided*, That the Secretary
15 may use amounts made available in the preceding
16 proviso for providing temporary housing and in-per-
17 son assistance to victims of family, domestic, and
18 dating violence: *Provided further*, That for funds ob-
19 ligated during the period of any public health emer-
20 gency declared under section 319 of the Public
21 Health Service Act with respect to coronavirus, the
22 Secretary may waive such statutory and regulatory
23 program requirements as the Secretary determines
24 appropriate to respond to the public health emer-

1 agency, including the matching funds requirement in
2 section 306(c)(4) of such Act.

3 (5) \$100,000,000 for carrying out activities
4 under the Runaway and Homeless Youth Act: *Pro-*
5 *vided*, That amounts made available in the preceding
6 proviso shall be used to supplement, not supplant,
7 existing funds and shall be available without regard
8 to matching requirements.

9 (6) \$1,500,000,000 for necessary expenses for
10 grants for assisting low-income households, as de-
11 fined by the grantee, in paying their water and
12 wastewater utility costs: *Provided*, That eligible
13 grantees shall be those identified in section 2003 of
14 the Social Security Act, and funds appropriated in
15 this paragraph shall be allocated among such enti-
16 ties proportionately to the size of the allotment to
17 each such entity under such section;

18 *Provided further*, That such amount is designated by the
19 Congress as being for an emergency requirement pursuant
20 to section 251(b)(2)(A)(i) of the Balanced Budget and
21 Emergency Deficit Control Act of 1985.

22 ADMINISTRATION FOR COMMUNITY LIVING

23 AGING AND DISABILITY SERVICES PROGRAMS

24 For an additional amount for “Aging and Disability
25 Services Programs”, \$1,205,000,000, to remain available

1 until September 30, 2021, to prevent, prepare for, and re-
2 spond to coronavirus: *Provided*, That of the amount made
3 available under this heading in this Act, \$1,070,000,000
4 shall be for activities authorized under the Older Ameri-
5 cans Act of 1965 (“OAA”), including \$200,000,000 for
6 supportive services under part B of title III; \$720,000,000
7 for nutrition services under subparts 1 and 2 of part C
8 of title III; \$30,000,000 for nutrition services under title
9 VI; \$100,000,000 for support services for family care-
10 givers under part E of title III; and \$20,000,000 for elder
11 rights protection activities, including the long-term om-
12 budsman program under title VII of such Act: *Provided*
13 *further*, That of the amount made available under this
14 heading in this Act, \$50,000,000 shall be for aging and
15 disability resource centers authorized in sections 202(b)
16 and 411 of the OAA: *Provided further*, That of the amount
17 made available under this heading in this Act,
18 \$85,000,000 shall be available for centers for independent
19 living that have received grants funded under part C of
20 chapter I of title VII of the Rehabilitation Act of 1973:
21 *Provided further*, That to facilitate State use of funds pro-
22 vided under this heading in this Act, matching require-
23 ments under sections 304(d)(1)(D) and 373(g)(2) of the
24 OAA shall not apply to funds made available under this
25 heading: *Provided further*, That the transfer authority

1 under section 308(b)(4)(A) of the OAA shall apply to
2 funds made available under this heading in this Act by
3 substituting “100 percent” for “40 percent”: *Provided*
4 *further*, That the State Long-Term Care Ombudsman
5 shall have continuing direct access (or other access
6 through the use of technology) to residents of long-term
7 care facilities, during any portion of the public health
8 emergency relating to coronavirus as of the date of enact-
9 ment of this Act and ending on September 30, 2020, to
10 provide services described in section 712(a)(3)(B) of the
11 OAA: *Provided further*, That such amount is designated
12 by the Congress as being for an emergency requirement
13 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
14 et and Emergency Deficit Control Act of 1985.

15 OFFICE OF THE SECRETARY

16 PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY

17 FUND

18 For an additional amount for “Public Health and So-
19 cial Services Emergency Fund”, \$6,077,000,000, to re-
20 main available until September 30, 2024, to prevent, pre-
21 pare for, and respond to coronavirus, domestically or
22 internationally, including the development of necessary
23 countermeasures and vaccines, prioritizing platform-based
24 technologies with U.S.-based manufacturing capabilities,
25 the purchase of vaccines, therapeutics, diagnostics, and

1 necessary medical supplies, as well as medical surge capac-
2 ity, workforce modernization, enhancements to the U.S.
3 Commissioned Corps, telehealth access and infrastructure,
4 initial advanced manufacturing, and related administra-
5 tive activities: *Provided*, That no less than \$1,000,000,000
6 shall be dedicated to the development, translation and
7 demonstration at scale of innovations in manufacturing
8 platforms to support vitally necessary medical counter-
9 measures to support a reliable U.S.-sourced supply chain
10 of: (a) vaccines, (b) therapeutics, (c) small molecule APIs
11 (active pharmaceutical ingredients), including construc-
12 tion costs: *Provided further*, That the Secretary of Health
13 and Human Services shall purchase vaccines developed
14 using funds made available under this heading in this Act
15 to respond to an outbreak or pandemic related to
16 coronavirus in quantities determined by the Secretary to
17 be adequate to address the public health need: *Provided*
18 *further*, That products purchased by the Federal govern-
19 ment with funds made available under this heading, in-
20 cluding vaccines, therapeutics, and diagnostics, shall be
21 purchased in accordance with Federal Acquisition Regula-
22 tion guidance on fair and reasonable pricing: *Provided fur-*
23 *ther*, That the Secretary may take such measures author-
24 ized under current law to ensure that vaccines, thera-
25 peutics, and diagnostics developed from funds provided in

1 this Act will be affordable in the commercial market *Pro-*
2 *vided further*, That in carrying out the preceding proviso,
3 the Secretary shall not take actions that delay the develop-
4 ment of such products: Provided further, That products
5 purchased with funds appropriated in this paragraph may,
6 at the discretion of the Secretary of Health and Human
7 Services, be deposited in the Strategic National Stockpile
8 under section 319F–2 of the Public Health Service Act
9 (“PHS Act”): *Provided further*, That funds appropriated
10 under this heading in this Act may be transferred to, and
11 merged with, the fund authorized by section 319F–4, the
12 Covered Countermeasure Process Fund, of the PHS Act:
13 *Provided further*, That funds appropriated under this
14 heading in this Act may be used for grants for the con-
15 struction, alteration, or renovation of non-Federally owned
16 facilities to improve preparedness and response capability
17 at the State and local level: *Provided further*, That funds
18 appropriated under this heading in this Act may be used
19 for the construction, alteration, or renovation of non-Fed-
20 erally owned facilities for the production of vaccines,
21 therapeutics, and diagnostics where the Secretary deter-
22 mines that such a contract is necessary to secure sufficient
23 amounts of such supplies: *Provided further*, That of the
24 amount provided under this heading in this Act,
25 \$1,635,000,000 shall be for expenses necessary to carry

1 out section 319F–2(a) of the PHS Act: *Provided further*,
2 That of the amount provided under this heading in this
3 Act, not less than \$500,000,000 shall be available to the
4 Biomedical Advanced Research and Development Author-
5 ity for acquisition, construction, or renovation of privately
6 owned U.S.-based next generation manufacturing facili-
7 ties: *Provided further*, That not later than seven days after
8 the date of enactment of this Act, and weekly thereafter
9 until [insert end date], the Secretary shall report to the
10 Committees on Appropriations of the House of Represent-
11 atives and the Senate on the current inventory of personal
12 protective equipment in the Strategic National Stockpile,
13 including the numbers of face shields, gloves, goggles and
14 glasses, gowns, head covers, masks, and respirators, as
15 well as deployment of personal protective equipment dur-
16 ing the previous week, reported by state and other juris-
17 diction: *Provided further*, That after the date that a report
18 is required to be submitted pursuant to the preceding pro-
19 viso, amounts made available for “Department of Health
20 and Human Services—Office of the Secretary—General
21 Departmental Management” in Public Law 116–94 for
22 salaries and expenses of the Immediate Office of the Sec-
23 retary shall be reduced by \$250,000 for each day that
24 such report has not been submitted: *Provided further*,
25 That such amount is designated by the Congress as being

1 for an emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985.

4 For an additional amount for “Public Health and So-
5 cial Services Emergency Fund”, \$100,000,000,000, to re-
6 main available until expended, to prevent, prepare for, and
7 respond to coronavirus, to provide grants to public enti-
8 ties, not-for-profit entities, and Medicare and Medicaid en-
9 rolled suppliers and institutional providers, including for-
10 profit entities to reimburse for health care related ex-
11 penses or lost revenues directly attributable to the public
12 health emergency resulting from the coronavirus: *Pro-*
13 *vided*, That grants shall be awarded in coordination with
14 the Administrator of the Centers for Medicare & Medicaid
15 Services: Provided further, That funds under this para-
16 graph shall not be used to provide grants to reimburse
17 for health care related expenses or lost revenues that have
18 been reimbursed or are eligible for reimbursement from
19 other sources: *Provided further*, That such amount is des-
20 ignated by the Congress as being for an emergency re-
21 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
22 anced Budget and Emergency Deficit Control Act of 1985.

23 For an additional amount for “Public Health and So-
24 cial Services Emergency Fund”, \$4,500,000,000, to re-
25 main available until September 30, 2022, to prevent, pre-

1 pare for, and respond to coronavirus, to reimburse the De-
2 partment of Veterans Affairs for expenses incurred by the
3 Veterans Affairs health care system to provide medical
4 care to civilians: *Provided*, That funds provided under this
5 paragraph shall be made available only if the Secretary
6 of Health and Human Services certifies to the Committees
7 on Appropriations of the House of Representatives and the
8 Senate that such funds are necessary to reimburse the De-
9 partment of Veterans Affairs for expenses incurred to pro-
10 vide health care to civilians: *Provided further*, That the
11 Secretary shall notify the Committees on Appropriations
12 of the House of Representatives and the Senate prior to
13 such certification: *Provided further*, That such amount is
14 designated by the Congress as being for an emergency re-
15 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
16 anced Budget and Emergency Deficit Control Act of 1985.

17 DEPARTMENT OF EDUCATION

18 STATE FISCAL STABILIZATION FUND

19 For an additional amount for “State Fiscal Stabiliza-
20 tion Fund”, \$30,000,000,000, to remain available until
21 September 30, 2022, to prevent, prepare for, and respond
22 to coronavirus: *Provided*, That the Secretary of Education
23 (referred to under this heading as “Secretary”) shall make
24 grants to the Governor of each State for support of ele-
25 mentary, secondary, and postsecondary education and, as

1 applicable, early childhood education programs and serv-
2 ices: *Provided further*, That of the amount made available,
3 the Secretary shall first allocate up to one-half of 1 per-
4 cent to the outlying areas and one-half of 1 percent to
5 the Bureau of Indian Education (BIE) for activities con-
6 sistent with this heading under such terms and conditions
7 as the Secretary may determine: *Provided further*, That
8 of the amount made available, the Secretary shall allocate
9 1 percent of funds to provide grants to States with the
10 highest coronavirus burden to support activities under this
11 heading: *Provided further*, That the Secretary shall issue
12 a notice inviting applications not later than 30 days of
13 enactment of this Act and approve or deny applications
14 not later than 30 days after receipt: *Provided further*, That
15 the Secretary may reserve up to \$30,000,000 for adminis-
16 tration and oversight of the activities under this heading:
17 *Provided further*, That the Secretary shall allocate 61 per-
18 cent of the remaining funds made available to carry out
19 this heading to the States on the basis of their relative
20 population of individuals aged 5 through 24 and allocate
21 39 percent on the basis of their relative number of children
22 counted under section 1124(c) of the Elementary and Sec-
23 ondary Education Act of 1965 (referred to under this
24 heading as “ESEA”) as State grants: *Provided further*,
25 That State grants shall support statewide elementary, sec-

1 ondary, and postsecondary activities; subgrants to local
2 educational agencies; and, subgrants to public institutions
3 of higher education: *Provided further*, That States shall
4 allocate not less than 30 percent of the funds received
5 under the sixth proviso as subgrants to local educational
6 agencies on the basis of their relative number of children
7 counted under section 1124(c) of the ESEA: *Provided fur-*
8 *ther*, That States shall allocate not less than 30 percent
9 of the funds received under the sixth proviso as subgrants
10 to public institutions of higher education on the basis of
11 the relative share of full-time equivalent students who re-
12 ceived Pell Grants at the institution in the previous award
13 year and of the total enrollment of full-time equivalent stu-
14 dents at the institution in the previous award year: *Pro-*
15 *vided further*, That the Governor shall return to the Sec-
16 retary any funds received that the Governor does not
17 award to local educational agencies and public institutions
18 of higher education or otherwise commit within two years
19 of receiving such funds, and the Secretary shall reallocate
20 such funds to the remaining States in accordance with the
21 sixth proviso: *Provided further*, That Governors shall use
22 State grants to maintain or restore State fiscal support
23 for elementary, secondary and postsecondary education:
24 *Provided further*, That funds for local educational agencies
25 may be used for any activity authorized by the ESEA, the

1 Individuals with Disabilities Education Act, the McKin-
2 ney-Vento Homeless Assistance Act (Title VII, Subpart
3 B), the Adult Education and Family Literacy Act or the
4 Carl D. Perkins Career and Technical Education Act of
5 2006 (“the Perkins Act”): *Provided further*, That a State
6 or local educational agency receiving funds under this
7 heading may use the funds for activities coordinated with
8 State, local, tribal, and territorial public health depart-
9 ments to detect, prevent, or mitigate the spread of infec-
10 tious disease or otherwise respond to coronavirus; support
11 online learning by purchasing educational technology and
12 internet access for students, which may include assistive
13 technology or adaptive equipment, that aids in regular and
14 substantive educational interactions between students and
15 their classroom instructor; provide ongoing professional
16 development to staff in how to effectively provide quality
17 online academic instruction; provide assistance for chil-
18 dren and families to promote equitable participation in
19 quality online learning; plan and implement activities re-
20 lated to summer learning, including providing classroom
21 instruction or quality online learning during the summer
22 months; plan for and coordinate during long-term clo-
23 sures, provide technology for quality online learning to all
24 students, and how to support the needs of low-income stu-
25 dents, racial and ethnic minorities, students with disabil-

ities, English learners, students experiencing homelessness, and children in foster care, including how to address learning gaps that are created or exacerbated due to long-term closures; and other activities that are necessary to maintain the operation of and continuity of services in local educational agencies, including maintaining employment of existing personnel: *Provided further*, That a public institution of higher education that receives funds under this heading shall use funds for education and general expenditures and grants to students for expenses directly related to coronavirus and the disruption of campus operations (which may include emergency financial aid to students for food, housing, technology, health care, and child care costs that shall not be required to be repaid by such students) or for the acquisition of technology and services directly related to the need for distance learning and the training of faculty and staff to use such technology and services (which shall not include paying contractors a portion of tuition revenue or for pre-enrollment recruitment activities): *Provided further*, That priority shall be given to under-resourced institutions, institutions with high burden due to the coronavirus, and institutions who do not possess distance education capabilities at the time of enactment of this Act: *Provided further*, That an institution of higher education may not use funds received under this

1 heading to increase its endowment or provide funding for
2 capital outlays associated with facilities related to ath-
3 letics, sectarian instruction, or religious worship: *Provided*
4 *further*, That funds may be used to support hourly work-
5 ers, such as education support professionals, classified
6 school employees, and adjunct and contingent faculty: *Pro-*
7 *vided further*, That a Governor of a State desiring to re-
8 ceive an allocation under this heading shall submit an ap-
9 plication at such time, in such manner, and containing
10 such information as the Secretary may reasonably require:
11 *Provided further*, That a State's application shall include
12 assurances that the State will maintain support for ele-
13 mentary and secondary education in fiscal year 2020, fis-
14 cal year 2021, and fiscal year 2022 at least at the level
15 of such support that is the average of such State's support
16 for elementary and secondary education in the 3 fiscal
17 years preceding the date of enactment of this Act: *Pro-*
18 *vided further*, That a State's application shall include as-
19 surances that the State will maintain State support for
20 higher education (not including support for capital
21 projects or for research and development or tuition and
22 fees paid by students) in fiscal year 2020, fiscal year
23 2021, and fiscal year 2022 at least at the level of such
24 support that is the average of such State's support for
25 higher education (which shall include State and local gov-

1 ernment funding to institutions of higher education and
2 state need-based financial aid) in the 3 fiscal years pre-
3 ceding the date of enactment of this Act: *Provided further*,
4 That in such application, the Governor shall provide base-
5 line data that demonstrates the State's current status in
6 each of the areas described in such assurances in the pre-
7 ceding provisos: *Provided further*, That a State's applica-
8 tion shall include assurances that the State will not con-
9 strue any provisions under this heading as displacing any
10 otherwise applicable provision of any collective-bargaining
11 agreement between an eligible entity and a labor organiza-
12 tion as defined by section 2(5) of the National Labor Rela-
13 tions Act (29 U.S.C. 152(5)) or analogous State law: *Pro-*
14 *vided further*, That a State's application shall include as-
15 surances that the State shall maintain the wages, benefits,
16 and other terms and conditions of employment set forth
17 in any collective-bargaining agreement between the eligible
18 entity and a labor organization, as defined in the pre-
19 ceding proviso: *Provided further*, That a State receiving
20 funds under this heading shall submit a report to the Sec-
21 retary, at such time and in such manner as the Secretary
22 may require, that describes the use of funds provided
23 under this heading: *Provided further*, That no recipient of
24 funds under this heading shall use funds to provide finan-
25 cial assistance to students to attend private elementary or

1 secondary schools, unless such funds are used to provide
2 special education and related services to children with dis-
3 abilities, as authorized by the Individuals with Disabilities
4 Education Act: *Provided further*, That the terms “elemen-
5 tary education” and “secondary education” have the
6 meaning given such terms under State law: *Provided fur-*
7 *ther*, That the term “institution of higher education” has
8 the meaning given such term in section 101 of the Higher
9 Education Act of 1965: *Provided further*, That the term
10 “fiscal year” shall have the meaning given such term
11 under State law: *Provided further*, That such amount is
12 designated by the Congress as being for an emergency re-
13 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
14 anced Budget and Emergency Deficit Control Act of 1985.

15 SAFE SCHOOLS AND CITIZENSHIP EDUCATION

16 For an additional amount for “Safe Schools and Citi-
17 zenship Education”, to supplement funds otherwise avail-
18 able for the “Project School Emergency Response to Vio-
19 lence program”, \$200,000,000, to remain available until
20 September 30, 2020, to prevent, prepare for, and respond
21 to coronavirus, including to help elementary, secondary
22 and postsecondary schools clean and disinfect affected
23 schools, and assist in counseling and distance learning and
24 associated costs: *Provided*, That such amount is des-
25 ignated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 GALLAUDET UNIVERSITY

4 For an additional amount for “Gallaudet University”,
5 \$7,000,000, to remain available until September 30, 2020,
6 to prevent, prepare for, and respond to coronavirus, in-
7 cluding to help defray the expenses (which may include
8 lost revenue, reimbursement for expenses already in-
9 curred, technology costs associated with a transition to
10 distance learning, faculty and staff trainings, and payroll)
11 directly caused by coronavirus and to enable grants to stu-
12 dents for expenses directly related to coronavirus and the
13 disruption of university operations (which may include
14 food, housing, transportation, technology, health care, and
15 child care): *Provided*, That such amount is designated by
16 the Congress as being for an emergency requirement pur-
17 suant to section 251(b)(2)(A)(i) of the Balanced Budget
18 and Emergency Deficit Control Act of 1985.

19 STUDENT AID ADMINISTRATION

20 For an additional amount for “Student Aid Adminis-
21 tration”, \$75,000,000, to remain available until Sep-
22 tember 30, 2020, to prevent, prepare for, and respond to
23 coronavirus in carrying out part D of title I, and subparts
24 1, 3, 9 and 10 of part A, and parts B, C, D, and E of
25 title IV of the HEA, and subpart 1 of part A of title VII

1 of the Public Health Service Act to support essential serv-
2 ices directly related to coronavirus: *Provided*, That not
3 later than 30 days after the date of enactment of this Act,
4 the Secretary shall, using outbound communications, pro-
5 vide all Federal student loan borrowers a notice of their
6 options to lower or delay payments as a result of the
7 coronavirus by enrolling in income-driven repayment,
8 deferment, or forbearance, and including a brief descrip-
9 tion of such options: *Provided further*, That such amount
10 is designated by the Congress as being for an emergency
11 requirement pursuant to section 251(b)(2)(A)(i) of the
12 Balanced Budget and Emergency Deficit Control Act of
13 1985.

14 HIGHER EDUCATION

15 For an additional amount for “Higher Education”,
16 \$9,500,000,000, to remain available until September 30,
17 2020, to prevent, prepare for, and respond to coronavirus,
18 including under parts A and B of title III, part A of title
19 V, subpart 4 of part A of title VII, and part B of title
20 VII of the Higher Education Act, which may be used to
21 defray expenses (including lost revenue, reimbursement
22 for expenses already incurred, technology costs associated
23 with a transition to distance education, faculty and staff
24 trainings, and payroll) incurred by institutions of higher
25 education and for grants to students for any component

1 of the student's cost of attendance (as defined under sec-
2 tion 472 of the Higher Education Act), including food,
3 housing, course materials, technology, health care, and
4 child care as follows:

5 (1) \$1,500,000,000 for parts A and B of title
6 III, part A of title V, and subpart 4 of part A of
7 title VII to address needs directly related to
8 coronavirus: *Provided*, That the Secretary of Edu-
9 cation shall allow institutions to use prior awards
10 under the authorities covered by the preceding pro-
11 viso to prevent, prepare for, and respond to
12 coronavirus;

13 (2) \$8,000,000,000 for part B of title VII of
14 the Higher Education Act for institutions of higher
15 education (as defined in section 101 or 102(c) of the
16 Higher Education Act) to address needs directly re-
17 lated to coronavirus: *Provided*, That such funds shall
18 be available to the Secretary only for payments to
19 help defray the expenses incurred by such institu-
20 tions of higher education that were forced to close
21 campuses or alter delivery of instruction as a result
22 of coronavirus: *Provided further*, That any non-prof-
23 it, private institution of higher education that is not
24 otherwise eligible for a grant of at least \$1,000,000,
25 shall be eligible to receive an amount equal to which-

1 ever is lesser of the total loss of revenue and in-
2 creased costs associated with the coronavirus or
3 \$1,000,000: *Provided further*, That, notwithstanding
4 sections 484 and 741(d)(1) of the Higher Education
5 Act, funds may be used to make payments to such
6 institutions to provide emergency grants to students
7 who attend such institutions for academic years be-
8 ginning on or after July 1, 2019:

9 *Provided further*, That such payments shall be made in
10 accordance with criteria established by the Secretary and
11 made publicly available without regard to section 437 of
12 the General Education Provisions Act, section 553 of title
13 5, United States Code, or part B of title VII of the HEA:
14 *Provided further*, That institutions receiving funds under
15 the heading State Fiscal Stabilization Fund (not including
16 amounts provided through state-based financial aid) shall
17 not be eligible for additional funding for part B of title
18 VII under this heading: *Provided further*, That such pay-
19 ments shall not be used to increase endowments or provide
20 funding for capital outlays associated with facilities re-
21 lated to athletics, sectarian instruction, or religious wor-
22 ship: *Provided further*, That such amounts is designated
23 by the Congress as being for an emergency requirement
24 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
25 et and Emergency Deficit Control Act of 1985.

1 HOWARD UNIVERSITY

2 For an additional amount for “Howard University”,
3 \$13,000,000, to remain available until September 30,
4 2020, to prevent, prepare for, and respond to coronavirus,
5 including to help defray the expenses (which may include
6 lost revenue, reimbursement for expenses already in-
7 curred, technology costs associated with a transition to
8 distance learning, faculty and staff trainings, and payroll)
9 directly caused by coronavirus and to enable grants to stu-
10 dents for expenses directly related to coronavirus and the
11 disruption of university operations (which may include
12 food, housing, transportation, technology, health care, and
13 child care): *Provided*, That such amount is designated by
14 the Congress as being for an emergency requirement pur-
15 suant to section 251(b)(2)(A)(i) of the Balanced Budget
16 and Emergency Deficit Control Act of 1985.

17 DEPARTMENTAL MANAGEMENT

18 PROGRAM ADMINISTRATION

19 For an additional amount for “Program Administra-
20 tion”, \$10,000,000, to remain available until September
21 30, 2020, to prevent, prepare for, and respond to
22 coronavirus: *Provided*, That such funds shall only be used
23 to support network bandwidth and capacity for telework
24 for Departmental staff and the cleaning of facilities as a
25 result of coronavirus: *Provided further*, That such amount

1 is designated by the Congress as being for an emergency
2 requirement pursuant to section 251(b)(2)(A)(i) of the
3 Balanced Budget and Emergency Deficit Control Act of
4 1985.

5 OFFICE OF THE INSPECTOR GENERAL

6 For an additional amount for the “Office of Inspector
7 General”, \$11,000,000, to remain available until Sep-
8 tember 30, 2022, to prevent, prepare for, and respond to
9 coronavirus, including for salaries and expenses necessary
10 for oversight and audit of programs, grants, and projects
11 funded in this Act to respond to coronavirus *Provided*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 RELATED AGENCIES

17 CORPORATION FOR NATIONAL AND COMMUNITY
18 SERVICE

19 For an additional amount for the “Corporation for
20 National and Community Service”, \$250,000,000, to re-
21 main available until September 30, 2020, to prevent, pre-
22 pare for, and respond to coronavirus: *Provided*, That such
23 amount is designated by the Congress as being for an
24 emergency requirement pursuant to section

1 251(b)(2)(A)(i) of the Balanced Budget and Emergency
2 Deficit Control Act of 1985.

3 ADMINISTRATIVE PROVISION—CORPORATION FOR
4 NATIONAL AND COMMUNITY SERVICE

5 SEC. 10801. (a)(1) The remaining unobligated bal-
6 ances of funds as of September 30, 2020, from amounts
7 provided to “Corporation for National and Community
8 Service—Operating Expenses” in title IV of Division A
9 of the Further Consolidated Appropriations Act, 2020
10 (Public Law 116–94), are hereby permanently rescinded.

11 (2) In addition to any amounts otherwise provided,
12 there is hereby appropriated on September 30, 2020, for
13 an additional amount for fiscal year 2020, an amount
14 equal to the unobligated balances rescinded pursuant to
15 paragraph (1): *Provided*, That amounts made available
16 pursuant to this paragraph shall remain available until
17 September 30, 2021, and shall be available for the same
18 purposes and under the same authorities that they were
19 originally made available in Public Law 116–94.

20 (b)(1) The remaining unobligated balances of funds
21 as of September 30, 2020, from amounts provided to
22 “Corporation for National and Community Service—Sala-
23 ries and Expenses” in title IV of Division A of the Further
24 Consolidated Appropriations Act, 2020 (Public Law 116–
25 94), are hereby permanently rescinded.

1 (2) In addition to any amounts otherwise provided,
2 there is hereby appropriated on September 30, 2020, for
3 an additional amount for fiscal year 2020, an amount
4 equal to the unobligated balances rescinded pursuant to
5 paragraph (1): *Provided*, That amounts made available
6 pursuant to this paragraph shall remain available until
7 September 30, 2021, and shall be available for the same
8 purposes and under the same authorities that they were
9 originally made available in Public Law 116–94.

10 (c)(1) The remaining unobligated balances of funds
11 as of September 30, 2020, from amounts provided to
12 “Corporation for National and Community Service—Of-
13 fice of Inspector General” in title IV of Division A of the
14 Further Consolidated Appropriations Act, 2020 (Public
15 Law 116–94), are hereby permanently rescinded.

16 (2) In addition to any amounts otherwise provided,
17 there is hereby appropriated on September 30, 2020, for
18 an additional amount for fiscal year 2020, an amount
19 equal to the unobligated balances rescinded pursuant to
20 paragraph (1): *Provided*, That amounts made available
21 pursuant to this paragraph shall remain available until
22 September 30, 2021, and shall be available for the same
23 purposes and under the same authorities that they were
24 originally made available in Public Law 116–94.

1 CORPORATION FOR PUBLIC BROADCASTING

2 For an additional amount for “Corporation for Public
3 Broadcasting”, \$300,000,000, to remain available until
4 September 30, 2020, to prevent, prepare for, and respond
5 to coronavirus, including for fiscal stabilization grants to
6 public telecommunications entities, with no deduction for
7 administrative or other costs of the Corporation, to main-
8 tain programming and services and preserve small and
9 rural stations threatened by declines in non-Federal reve-
10 nues, of which \$50,000,000 shall be used to support the
11 public television system: *Provided* , That such amount is
12 designated by the Congress as being for an emergency re-
13 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
14 anced Budget and Emergency Deficit Control Act of 1985.

15 INSTITUTE OF MUSEUM AND LIBRARY SERVICES

16 For an additional amount for “Institute of Museum
17 and Library Services”, \$500,000,000, to remain available
18 until September 30, 2021, to prevent, prepare for, and re-
19 spond to coronavirus, including grants to States, muse-
20 ums, territories and tribes to expand digital network ac-
21 cess, purchase tablets and other internet-enabled devices,
22 for operational expenses, and provide technical support
23 services: *Provided*, That any matching funds requirements
24 for States, museums, or tribes are waived: *Provided fur-*
25 *ther*, That such amount is designated by the Congress as

1 being for an emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985.

4 RAILROAD RETIREMENT BOARD

5 LIMITATION ON ADMINISTRATION

6 For an additional amount for “Limitation on Admin-
7 istration”, \$10,000,000, to remain available until Sep-
8 tember 30, 2020, to prevent, prepare for, and respond to
9 coronavirus, including the purchase of information tech-
10 nology equipment to improve the mobility of the work-
11 force, and to provide for additional hiring or overtime
12 hours as needed to administer the Railroad Unemploy-
13 ment Insurance Act: *Provided*, That such amount is des-
14 ignated by the Congress as being for an emergency re-
15 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
16 anced Budget and Emergency Deficit Control Act of 1985.

17 SOCIAL SECURITY ADMINISTRATION

18 LIMITATION ON ADMINISTRATIVE EXPENSES

19 For an additional amount for “Limitation on Admin-
20 istrative Expenses”, \$510,000,000, to remain available
21 until September 30, 2021, for necessary expenses to pre-
22 vent, prepare for, and respond to coronavirus, including
23 paying the salaries and benefits of employees affected as
24 a result of office closures, telework, phone and commu-
25 nication services for employees, overtime costs, and sup-

1 plies, and for resources necessary for processing disability
2 and retirement workloads and backlogs, of which the
3 amount made available under this heading in this Act,
4 \$210,000,000 shall be for the purposes of issuing emer-
5 gency assistance payments: *Provided further*, That such
6 amount is designated by the Congress as being for an
7 emergency requirement pursuant to section
8 251(b)(2)(A)(i) of the Balanced Budget and Emergency
9 Deficit Control Act of 1985.

10 GENERAL PROVISIONS—THIS TITLE

11 SEC. 10802. Notwithstanding any other provision of
12 law, funds made available under each heading in this title
13 shall only be used for the purposes specifically described
14 under that heading.

15 SEC. 10803. (a) Funds appropriated in this title may
16 be made available to restore amounts, either directly or
17 through reimbursement, for obligations incurred by agen-
18 cies of the Department of Health and Human Services to
19 prevent, prepare for, and respond to coronavirus, domesti-
20 cally or internationally, prior to the date of enactment of
21 this Act. This subsection shall not apply to obligations in-
22 curred by the Infectious Diseases Rapid Response Reserve
23 Fund.

24 (b) Grants or cooperative agreements with States, lo-
25 calities, territories, tribes, tribal organizations, urban In-

1 dian health organizations, or health service providers to
2 tribes, under this title, to carry out surveillance, epidemi-
3 ology, laboratory capacity, infection control, mitigation,
4 communications, and other preparedness and response ac-
5 tivities to prevent, prepare for, and respond to coronavirus
6 shall include amounts to reimburse costs for these pur-
7 poses incurred between January 20, 2020, and the date
8 of enactment of this Act.

9 SEC. 10804. Funds appropriated by this title may be
10 used by the Secretary of the Health and Human Services
11 to appoint, without regard to the provisions of sections
12 3309 through 3319 of title 5 of the United States Code,
13 candidates needed for positions to perform critical work
14 relating to coronavirus for which—

15 (1) public notice has been given; and

16 (2) the Secretary has determined that such a
17 public health threat exists.

18 SEC. 10805. Funds made available by this title may
19 be used to enter into contracts with individuals for the
20 provision of personal services (as described in section 104
21 of part 37 of title 48, Code of Federal Regulations (48
22 CFR 37.104)) to support the prevention of, preparation
23 for, or response to coronavirus, domestically and inter-
24 nationally, subject to prior notification to the Committees
25 on Appropriations of the House of Representatives and the

1 Senate: Provided, That such individuals may not be
2 deemed employees of the United States for the purpose
3 of any law administered by the Office of Personnel Man-
4 agement: Provided further, That the authority made avail-
5 able pursuant to this section shall expire on September
6 30, 2024.

7 SEC. 10806. Of the funds appropriated by this title
8 under the heading “Public Health and Social Services
9 Emergency Fund”, \$4,000,000 shall be transferred to,
10 and merged with, funds made available under the heading
11 “Office of the Secretary, Office of Inspector General”, and
12 shall remain available until expended, for oversight of ac-
13 tivities supported with funds appropriated to the Depart-
14 ment of Health and Human Services in this Act: Provided,
15 That the Inspector General of the Department of Health
16 and Human Services shall consult with the Committees
17 on Appropriations of the House of Representatives and the
18 Senate prior to obligating such funds: Provided further,
19 That the transfer authority provided by this section is in
20 addition to any other transfer authority provided by law.

21 SEC. 10807. Of the funds provided under the heading
22 “CDC–Wide Activities and Program Support”,
23 \$1,000,000,000, to remain available until expended, shall
24 be available to the Director of the CDC for deposit in the
25 Infectious Diseases Rapid Response Reserve Fund estab-

1 lished by section 231 of division B of Public Law 115–
2 245.

3 SEC. 10808. (a) PREMIUM PAY AUTHORITY.—

4 If services performed by an employee of the Department
5 of Health and Human Services during fiscal year 2020
6 are determined by the head of the agency to be primarily
7 related to preparation, prevention, or response to SARS–
8 CoV–2 or another coronavirus with pandemic potential,
9 any premium pay for such services shall be disregarded
10 in calculating the aggregate of such employee’s basic pay
11 and premium pay for purposes of a limitation under sec-
12 tion 5547(a) of title 5, United States Code, or under any
13 other provision of law, whether such employee’s pay is
14 paid on a biweekly or calendar year basis.

15 (b) OVERTIME AUTHORITY.—Any overtime pay
16 for such services shall be disregarded in calculating any
17 annual limit on the amount of overtime pay payable in
18 a calendar or fiscal year.

19 (c) APPLICABILITY OF AGGREGATE LIMITA-
20 TION ON PAY.—With regard to such services, any pay
21 that is disregarded under either subsection (a) or (b) shall
22 be disregarded in calculating such employee’s aggregate
23 pay for purposes of the limitation in section 5307 of such
24 title 5.

25 (d) LIMITATION OF PAY AUTHORITY.—

1 (1) Pay that is disregarded under subsection
2 (a) or (b) shall not cause the aggregate of the em-
3 ployee's basic pay and premium pay for the applica-
4 ble calendar year to exceed the rate of basic pay
5 payable for a position at level II of the Executive
6 Schedule under section 5313 of title 5, United
7 States Code, as in effect at the end of such calendar
8 year.

9 (2) For purposes of applying this subsection to
10 an employee who would otherwise be subject to the
11 premium pay limits established under section 5547
12 of title 5, United States Code, "premium pay"
13 means the premium pay paid under the provisions of
14 law cited in section 5547(a).

15 (3) For purposes of applying this subsection to
16 an employee under a premium pay limit established
17 under an authority other than section 5547 of title
18 5, United States Code, the agency responsible for
19 administering such limit shall determine what pay-
20 ments are considered premium pay.

21 (e) EFFECTIVE DATE.—This section shall take ef-
22 fect as if enacted on February 2, 2020.

23 (f) TREATMENT OF ADDITIONAL PAY.—If ap-
24 plication of this section results in the payment of addi-
25 tional premium pay to a covered employee of a type that

1 is normally creditable as basic pay for retirement or any
2 other purpose, that additional pay shall not—

3 (1) be considered to be basic pay of the covered
4 employee for any purpose; or

5 (2) be used in computing a lump-sum payment
6 to the covered employee for accumulated and ac-
7 crued annual leave under section 5551 or section
8 5552 of title 5, United States Code.

9 SEC. 10809. (a) Funds appropriated for “Depart-
10 ment of Health and Human Services—Centers for Disease
11 Control and Prevention—CDC—Wide Activities and Pro-
12 gram Support’ ” in title III of the Coronavirus Prepared-
13 ness and Response Supplemental Appropriations Act,
14 2020 (Public Law 116 - 123) shall be paid to “Depart-
15 ment of Homeland Security—Countering Weapons of
16 Mass Destruction Office—Federal Assistance” for costs
17 incurred under other transaction authority and related to
18 screening for coronavirus, domestically or internationally,
19 including costs incurred prior to the enactment of such
20 Act.

21 (b) The amounts repurposed under subsection (a)
22 that were previously designated by the Congress as an
23 emergency requirement pursuant to section
24 251(b)(2)(A)(i) of the Balanced Budget and Emergency
25 Deficit Control Act of 1985 are designated by the Con-

1 gress as an emergency requirement pursuant to such sec-
2 tion of such Act.

1 TITLE IX—LEGISLATIVE BRANCH

2 SENATE

3 CONTINGENT EXPENSES OF THE SENATE

4 SERGEANT AT ARMS AND DOORKEEPER OF THE SENATE

5 For an additional amount for “Sergeant at Arms and
6 Doorkeeper of the Senate”, \$1,000,000, to remain avail-
7 able until expended, to prevent, prepare for, and respond
8 to coronavirus: *Provided*, That such amount is designated
9 by the Congress as being for an emergency requirement
10 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
11 et and Emergency Deficit Control Act of 1985.

12 MISCELLANEOUS ITEMS

13 For an additional amount for “Miscellaneous Items”,
14 \$9,000,000, to remain available until expended, to pre-
15 vent, prepare for, and respond to coronavirus: *Provided*,
16 That such amount is designated by the Congress as being
17 for an emergency requirement pursuant to section
18 251(b)(2)(A)(i) of the Balanced Budget and Emergency
19 Deficit Control Act of 1985.

20 HOUSE OF REPRESENTATIVES

21 SALARIES AND EXPENSES

22 For an additional amount for “Salaries and Ex-
23 penses”, \$25,000,000, to remain available until September
24 30, 2021, except that \$5,000,000 shall remain available
25 until expended, for necessary expenses of the House of

1 Representatives to prevent, prepare for, and respond to
2 coronavirus, to be allocated in accordance with a spend
3 plan submitted to the Committee on Appropriations of the
4 House of Representatives by the Chief Administrative Of-
5 ficer and approved by such Committee: *Provided*, That
6 such amount is designated by the Congress as being for
7 an emergency requirement pursuant to section
8 251(b)(2)(A)(i) of the Balanced Budget and Emergency
9 Deficit Control Act of 1985.

10 JOINT ITEMS

11 OFFICE OF THE ATTENDING PHYSICIAN

12 For an additional amount for “Office of the Attend-
13 ing Physician”, \$400,000, to remain available until ex-
14 pended, to prevent, prepare for, and respond to
15 coronavirus: *Provided*, That such amount is designated by
16 the Congress as being for an emergency requirement pur-
17 suant to section 251(b)(2)(A)(i) of the Balanced Budget
18 and Emergency Deficit Control Act of 1985.

19 CAPITOL POLICE

20 SALARIES

21 For an additional amount for “Salaries”,
22 \$12,000,000, to remain available until September 30,
23 2021, to prevent, prepare for, and respond to coronavirus:
24 *Provided*, That amounts provided in this paragraph may
25 be transferred between Capitol Police “Salaries” and

1 “General Expenses” for the purposes provided herein
2 without the approval requirement of section 1001 of the
3 Legislative Branch Appropriations Act, 2014 (2 U.S.C.
4 1907a): *Provided further*, That such amount is designated
5 by the Congress as being for an emergency requirement
6 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
7 et and Emergency Deficit Control Act of 1985.

8 ARCHITECT OF THE CAPITOL

9 CAPITAL CONSTRUCTION AND OPERATIONS

10 For an additional amount for “Capital Construction
11 and Operations”, \$25,000,000, to remain available until
12 September 30, 2021, for necessary expenses of the Archi-
13 tect of the Capitol to prevent, prepare for, and respond
14 to coronavirus, including the purchase and distribution of
15 cleaning and sanitation products throughout all facilities
16 and grounds under the care of the Architect of the Capitol,
17 wherever located, including any related services and oper-
18 ational costs: *Provided*, That such amount is designated
19 by the Congress as being for an emergency requirement
20 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
21 et and Emergency Deficit Control Act of 1985.

22 LIBRARY OF CONGRESS

23 SALARIES AND EXPENSES

24 For an additional amount for “Salaries and Ex-
25 penses”, \$700,000, to remain available until September

1 30, 2020, to be made available to the Little Scholars Child
2 Development Center, subject to approval by the Commit-
3 tees on Appropriations of the Senate and House of Rep-
4 resentatives, and the Senate Committee on Rules and Ad-
5 ministration, and the Committee on House Administra-
6 tion: *Provided*, That such amount is designated by the
7 Congress as being for an emergency requirement pursuant
8 to section 251(b)(2)(A)(i) of the Balanced Budget and
9 Emergency Deficit Control Act of 1985.

10 GOVERNMENT ACCOUNTABILITY OFFICE

11 SALARIES AND EXPENSES

12 For an additional amount for “Salaries and Ex-
13 penses”, \$20,000,000, to remain available until expended,
14 for audits and investigations relating to coronavirus: *Pro-*
15 *vided*, That, not later than 90 days after the date of enact-
16 ment of this Act, the Government Accountability Office
17 shall submit to the Committees on Appropriations of the
18 House of Representatives and the Senate a spend plan
19 specifying funding estimates and a timeline for such au-
20 dits and investigations: *Provided further*, That such
21 amount is designated by the Congress as being for an
22 emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 GENERAL PROVISIONS—THIS TITLE

2 SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES
3 AND EXPENSES OF SENATE EMPLOYEE CHILD CARE
4 CENTER

5 SEC. 10901. The Secretary of the Senate shall reim-
6 burse the Senate Employee Child Care Center for per-
7 sonnel costs incurred starting on April 1, 2020, for em-
8 ployees of such Center who have been ordered to cease
9 working due to measures taken in the Capitol complex to
10 combat coronavirus, not to exceed \$84,000 per month,
11 from amounts in the appropriations account “MIS-
12 CELLANEOUS ITEMS” within the contingent fund of
13 the Senate.

14 SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES
15 AND EXPENSES OF LITTLE SCHOLARS CHILD DEVEL-
16 OPMENT CENTER

17 SEC. 10902. The Library of Congress shall reimburse
18 Little Scholars Child Development Center for salaries for
19 employees incurred from April 1, 2020, to September 30,
20 2020, for employees of such Center who have been ordered
21 to cease working due to measures taken in the Capitol
22 complex to combat coronavirus, not to exceed \$113,000
23 per month, from amounts in the appropriations account
24 “Library of Congress—Salaries and Expenses”.

1 SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES
2 AND EXPENSES OF HOUSE OF REPRESENTATIVES
3 CHILD CARE CENTER

4 SEC. 10903. (a) AUTHORIZING USE OF REVOLVING
5 FUND OR APPROPRIATED FUNDS.—Section 312(d)(3)(A)
6 of the Legislative Branch Appropriations Act, 1992 (2
7 U.S.C. 2062(d)(3)(A)) is amended—

8 (1) in subparagraph (A), by striking the period
9 at the end and inserting the following: “, and, at the
10 option of the Chief Administrative Officer during an
11 emergency situation, the payment of the salary of
12 other employees of the Center.”; and

13 (2) by adding at the end the following new sub-
14 paragraph:

15 “(C) During an emergency situation, the pay-
16 ment of such other expenses for activities carried out
17 under this section as the Chief Administrative Offi-
18 cer determines appropriate.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply with respect to fiscal year 2020
21 and each succeeding fiscal year.

22 PAYMENTS TO ENSURE CONTINUING AVAILABILITY OF
23 GOODS AND SERVICES DURING THE CORONAVIRUS
24 EMERGENCY

25 SEC. 10904. (a) AUTHORIZATION TO MAKE PAY-
26 MENTS.—Notwithstanding any other provision of law and

1 subject to subsection (b), during an emergency situation,
2 the Chief Administrative Officer of the House of Rep-
3 resentatives may make payments under contracts with
4 vendors providing goods and services to the House in
5 amounts and under terms and conditions other than those
6 provided under the contract in order to ensure that those
7 goods and services remain available to the House through-
8 out the duration of the emergency.

9 (b) CONDITIONS.—

10 (1) APPROVAL REQUIRED.—The Chief Adminis-
11 trative Officer may not make payments under the
12 authority of subsection (a) without the approval of
13 the Committee on House Administration of the
14 House of Representatives.

15 (2) AVAILABILITY OF APPROPRIATIONS.—The
16 authority of the Chief Administrative Officer to
17 make payments under the authority of subsection
18 (a) is subject to the availability of appropriations to
19 make such payments.

20 (c) APPLICABILITY.—This section shall apply with re-
21 spect to fiscal year 2020 and each succeeding fiscal year.

22 AUTHORIZING PAYMENTS UNDER SERVICE CONTRACTS
23 DURING THE CORONAVIRUS EMERGENCY

24 SEC. 10905. (a) AUTHORIZING PAYMENTS.—Not-
25 withstanding section 3324(a) of title 31, United States
26 Code, or any other provision of law and subject to sub-

1 section (b), if the employees of a contractor with a service
2 contract with the Architect of the Capitol are furloughed
3 or otherwise unable to work during closures, stop work
4 orders, or reductions in service arising from or related to
5 the impacts of coronavirus, the Architect of the Capitol
6 may continue to make the payments provided for under
7 the contract for the weekly salaries and benefits of such
8 employees for not more than 16 weeks.

9 (b) AVAILABILITY OF APPROPRIATIONS.—The au-
10 thority of the Architect of the Capitol to make payments
11 under the authority of subsection (a) is subject to the
12 availability of appropriations to make such payments.

13 (c) REGULATIONS.—The Architect of the Capitol
14 shall promulgate such regulations as may be necessary to
15 carry out this section.

16 MASS MAILINGS AS FRANKED MAIL

17 SEC. 10906. (a) WAIVER OF RESTRICTIONS TO RE-
18 SPOND TO THREATS TO LIFE SAFETY.—(1) Section
19 3210(a)(6)(D) of title 39, United States Code, is amended
20 by striking the period at the end of the first sentence and
21 inserting the following: “, and in the case of the Commis-
22 sion, to waive this paragraph in the case of mailings sent
23 in response to or to address threats to life safety.”.

24 (2) EFFECTIVE DATE.—The amendments made by
25 this subsection shall apply with respect to mailings sent
26 on or after the date of the enactment of this Act.

1 TECHNICAL CORRECTION

2 SEC. 10907. In the matter preceding the first proviso
3 under the heading “Library of Congress—Salaries and
4 Expenses” in division E of the Further Consolidated Ap-
5 propriations Act, 2020 (Public Law 116–94), strike
6 “\$504,164,000” and insert “\$510,164,000”.

1 TITLE X
2 MILITARY CONSTRUCTION, VETERANS AFFAIRS,
3 AND RELATED AGENCIES
4 DEPARTMENT OF VETERANS AFFAIRS
5 VETERANS BENEFITS ADMINISTRATION
6 GENERAL OPERATING EXPENSES, VETERANS BENEFITS
7 ADMINISTRATION

8 For an additional amount for “General Operating
9 Expenses, Veterans Benefits Administration”,
10 \$13,000,000, to remain available until September 30,
11 2021, to prevent, prepare for, and respond to coronavirus:
12 *Provided*, That such amount is designated by the Congress
13 as being for an emergency requirement pursuant to sec-
14 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
15 gency Deficit Control Act of 1985.

16 VETERANS HEALTH ADMINISTRATION
17 MEDICAL SERVICES

18 For an additional amount for “Medical Services”,
19 \$14,432,000,000, to remain available until September 30,
20 2021, to prevent, prepare for, and respond to coronavirus,
21 including related impacts on health care delivery: *Pro-*
22 *vided*, That such amount is designated by the Congress
23 as being for an emergency requirement pursuant to sec-
24 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
25 gency Deficit Control Act of 1985.

1 MEDICAL COMMUNITY CARE

2 For an additional amount for “Medical Community
3 Care”, \$2,100,000,000, to remain available until Sep-
4 tember 30, 2021, to prevent, prepare for, and respond to
5 coronavirus, including related impacts on health care de-
6 livery: *Provided*, That such amount is designated by the
7 Congress as being for an emergency requirement pursuant
8 to section 251(b)(2)(A)(i) of the Balanced Budget and
9 Emergency Deficit Control Act of 1985.

10 MEDICAL SUPPORT AND COMPLIANCE

11 For an additional amount for “Medical Support and
12 Compliance”, \$100,000,000, to remain available until
13 September 30, 2021, to prevent, prepare for, and respond
14 to coronavirus, including related impacts on health care
15 delivery: *Provided*, That such amount is designated by the
16 Congress as being for an emergency requirement pursuant
17 to section 251(b)(2)(A)(i) of the Balanced Budget and
18 Emergency Deficit Control Act of 1985.

19 MEDICAL FACILITIES

20 For an additional amount for “Medical Facilities”,
21 \$605,613,000, to remain available until September 30,
22 2021, to prevent, prepare for, and respond to coronavirus,
23 including related impacts on health care delivery: *Pro-*
24 *vided*, That such amount is designated by the Congress
25 as being for an emergency requirement pursuant to sec-

1 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
2 gency Deficit Control Act of 1985.

3 DEPARTMENTAL ADMINISTRATION

4 GENERAL ADMINISTRATION

5 For an additional amount for “General Administra-
6 tion”, \$6,000,000, to remain available until September 30,
7 2021, to prevent, prepare for, and respond to coronavirus:
8 *Provided*, That such amount is designated by the Congress
9 as being for an emergency requirement pursuant to sec-
10 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
11 gency Deficit Control Act of 1985.

12 INFORMATION TECHNOLOGY SYSTEMS

13 For an additional amount for “Information Tech-
14 nology Systems”, \$3,000,000,000, to remain available
15 until September 30, 2021, to prevent, prepare for, and re-
16 spond to coronavirus, including related impacts on health
17 care delivery: *Provided*, That such amount is designated
18 by the Congress as being for an emergency requirement
19 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
20 et and Emergency Deficit Control Act of 1985.

21 OFFICE OF INSPECTOR GENERAL

22 For an additional amount for “Office of Inspector
23 General”, \$14,300,000, to remain available until Sep-
24 tember 30, 2022, for oversight of activities funded by this
25 title and administered by the Department of Veterans Af-

1 fairs: *Provided*, That such amount is designated by the
2 Congress as being for an emergency requirement pursuant
3 to section 251(b)(2)(A)(i) of the Balanced Budget and
4 Emergency Deficit Control Act of 1985.

5 ARMED FORCES RETIREMENT HOME

6 TRUST FUND

7 For an additional amount for “Armed Forces Retire-
8 ment Home Trust Fund”, \$2,800,000, to remain available
9 until September 30, 2021, to prevent, prepare for, and re-
10 spond to coronavirus, to be paid from funds available in
11 the Armed Forces Retirement Home Trust Fund: *Pro-*
12 *vided*, That of the amounts made available under this
13 heading from funds available in the Armed Forces Retire-
14 ment Home Trust Fund, \$2,800,000 shall be paid from
15 the general fund of the Treasury to the Trust Fund: *Pro-*
16 *vided further*, That the Chief Executive Officer of the
17 Armed Forces Retirement Home shall submit to the Com-
18 mittees on Appropriations of the House of Representatives
19 and the Senate monthly reports detailing obligations, ex-
20 penditures, and planned activities: *Provided further*, That
21 such amount is designated by the Congress as being for
22 an emergency requirement pursuant to section
23 251(b)(2)(A)(i) of the Balanced Budget and Emergency
24 Deficit Control Act of 1985.

1 TITLE XI—DEPARTMENT OF STATE, FOREIGN
2 OPERATIONS, AND RELATED PROGRAMS

3 DEPARTMENT OF STATE

4 ADMINISTRATION OF FOREIGN AFFAIRS

5 DIPLOMATIC PROGRAMS

6 For an additional amount for “Diplomatic Pro-
7 grams”, \$315,000,000, to remain available until Sep-
8 tember 30, 2022, for necessary expenses to prevent, pre-
9 pare for, and respond to coronavirus, including for evacu-
10 ation expenses, emergency preparedness, and maintaining
11 consular operations: *Provided*, That such amount is des-
12 ignated by the Congress as being for an emergency re-
13 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
14 anced Budget and Emergency Deficit Control Act of 1985.

15 UNITED STATES AGENCY FOR INTERNATIONAL
16 DEVELOPMENT

17 FUNDS APPROPRIATED TO THE PRESIDENT

18 OPERATING EXPENSES

19 For an additional amount for “Operating Expenses”,
20 \$95,000,000, to remain available until September 30,
21 2022, for necessary expenses to prevent, prepare for, and
22 respond to coronavirus: *Provided*, That such amount is
23 designated by the Congress as being for an emergency re-
24 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
25 anced Budget and Emergency Deficit Control Act of 1985.

1 BILATERAL ECONOMIC ASSISTANCE

2 FUNDS APPROPRIATED TO THE PRESIDENT

3 INTERNATIONAL DISASTER ASSISTANCE

4 For an additional amount for “International Disaster
5 Assistance”, \$300,000,000, to remain available until ex-
6 pended, for necessary expenses to prevent, prepare for,
7 and respond to coronavirus: *Provided*, That such amount
8 is designated by the Congress as being for an emergency
9 requirement pursuant to section 251(b)(2)(A)(i) of the
10 Balanced Budget and Emergency Deficit Control Act of
11 1985.

12 DEPARTMENT OF STATE

13 MIGRATION AND REFUGEE ASSISTANCE

14 For an additional amount for “Migration and Ref-
15 ugee Assistance”, \$300,000,000, to remain available until
16 expended, for necessary expenses to prevent, prepare for,
17 and respond to coronavirus: *Provided*, That such amount
18 is designated by the Congress as being for an emergency
19 requirement pursuant to section 251(b)(2)(A)(i) of the
20 Balanced Budget and Emergency Deficit Control Act of
21 1985.

22 INDEPENDENT AGENCIES

23 PEACE CORPS

24 For an additional amount for “Peace Corps”,
25 \$90,000,000, to remain available until September 30,

1 2022, for necessary expenses to prevent, prepare for, and
2 respond to coronavirus: *Provided*, That such amount is
3 designated by the Congress as being for an emergency re-
4 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
5 anced Budget and Emergency Deficit Control Act of 1985.

6 GENERAL PROVISIONS — THIS TITLE

7 (INCLUDING TRANSFER OF FUNDS)

8 SEC. 11101. The authorities and limitations of sec-
9 tion 402 of the Coronavirus Preparedness and Response
10 Supplemental Appropriations Act (division A of Public
11 Law 116–123) shall apply to funds appropriated by this
12 title as follows:

13 (1) subsections (a), (d), (e) and (f) shall apply
14 to funds under the heading “Diplomatic Programs”;
15 and

16 (2) subsections (c), (d), (e), and (f) shall apply
17 to funds under the heading “International Disaster
18 Assistance”.

19 SEC. 11102. Funds appropriated by this title under
20 the headings “Diplomatic Programs”, “Operating Ex-
21 penses”, and “Peace Corps” may be used to reimburse
22 such accounts administered by the Department of State,
23 the United States Agency for International Development,
24 and the Peace Corps for obligations incurred to prevent,

1 prepare for, and respond to coronavirus prior to the date
2 of enactment of this Act.

3 SEC. 11103. Section 7064(a) of the Department of
4 State, Foreign Operations, and Related Programs Appro-
5 priations Act, 2020 (division G of Public Law 116–94),
6 is amended by striking “\$100,000,000” and inserting in
7 lieu thereof “\$110,000,000” , and by adding before the
8 period at the end the following “: *Provided*, That no
9 amounts may be used that were designated by the Con-
10 gress for Overseas Contingency Operations/Global War on
11 Terrorism pursuant to the Concurrent Resolution on the
12 Budget or the Balanced Budget and Emergency Deficit
13 Control Act of 1985”.

14 SEC. 11104. The reporting requirements of section
15 406(b) of the Coronavirus Preparedness and Response
16 Supplemental Appropriations Act, 2020 (division A of
17 Public Law 116–123) shall apply to funds appropriated
18 by this title: *Provided*, That the requirement to jointly
19 submit such reports shall not apply to the Director of the
20 Peace Corps: *Provided further*, That reports required by
21 such section may be consolidated and shall include infor-
22 mation on all funds made available to such executive agen-
23 cy to prevent, prepare for, and respond to coronavirus.

24 SEC. 11105. Notwithstanding any other provision of
25 law, and in addition to leave authorized under any other

1 provision of law, the Secretary of State, the Administrator
2 of the United States Agency for International Develop-
3 ment, or the head of another Federal agency with employ-
4 ees under Chief of Mission Authority, may, in order to
5 prevent, prepare for, and respond to coronavirus, provide
6 additional paid leave to address employee hardships result-
7 ing from coronavirus: *Provided*, That this authority shall
8 apply to leave taken since January 29, 2020, and may
9 be provided abroad and domestically: *Provided further*,
10 That the head of such agency shall consult with the Com-
11 mittee on Appropriations and the Committee on Foreign
12 Affairs of the House of Representatives and the Com-
13 mittee on Appropriations and the Committee on Foreign
14 Relations of the Senate prior to the initial implementation
15 of such authority: *Provided further*, That the authority
16 made available pursuant to this section shall expire on
17 September 30, 2022.

18 SEC. 11106. The Secretary of State, to prevent, pre-
19 pare for, and respond to coronavirus, may exercise the au-
20 thorities of section 3(j) of the State Department Basic Au-
21 thorities Act of 1956 (22 U.S.C. 2670(j)) to provide med-
22 ical services or related support for private United States
23 citizens, nationals, and permanent resident aliens abroad,
24 or third country nationals connected to United States per-
25 sons or the diplomatic or development missions of the

1 United States abroad who are unable to obtain such serv-
2 ices or support otherwise: *Provided*, That such assistance
3 shall be provided on a reimbursable basis to the extent
4 feasible: *Provided further*, That such reimbursements may
5 be credited to the applicable Department of State appro-
6 priation, to remain available until expended: *Provided fur-*
7 *ther*, That the Secretary shall prioritize providing medical
8 services or related support to individuals eligible for the
9 health program under section 904 of the Foreign Service
10 Act of 1980 (22 U.S.C. 4084): *Provided further*, That the
11 authority made available pursuant to this section shall ex-
12 pire on September 30, 2022.

13 SEC. 11107. Notwithstanding section 6(b) of the De-
14 partment of State Authorities Act of 2006 (Public Law
15 109–472), during fiscal years 2020 and 2021, passport
16 and immigrant visa surcharges collected in any fiscal year
17 pursuant to the fourth paragraph under the heading “Dip-
18 lomatic and Consular Programs” in title IV of the Consoli-
19 dated Appropriations Act, 2005 (division B of Public Law
20 108–447 (8 U.S.C. 1714)) may be obligated and expended
21 on the costs of providing consular services: *Provided*, That
22 such funds should be prioritized for American citizen serv-
23 ices.

24 SEC. 11108. The Secretary of State is authorized to
25 enter into contracts with individuals for the provision of

1 personal services (as described in section 104 of part 37
2 of title 48, Code of Federal Regulations and including pur-
3 suant to section 904 of the Foreign Service Act of 1980
4 (22 U.S.C. 4084)) to prevent, prepare for, and respond
5 to coronavirus, within the United States, subject to prior
6 consultation with, and the regular notification procedures
7 of, the Committee on Appropriations and the Committee
8 on Foreign Affairs of the House of Representatives and
9 the Committee on Appropriations and the Committee on
10 Foreign Relations of the Senate: *Provided*, That such indi-
11 viduals may not be deemed employees of the United States
12 for the purpose of any law administered by the Office of
13 Personnel Management: *Provided further*, That not later
14 than 15 days after utilizing this authority, the Secretary
15 of State shall provide a report to such committees on the
16 overall staffing needs for the Office of Medical Services:
17 *Provided further*, That the authority made available pursu-
18 ant to this section shall expire on September 30, 2022.

19 SEC. 11109. The matter under the heading “Emer-
20 gencies in the Diplomatic and Consular Service” in title
21 I of the Department of State, Foreign Operations, and
22 Related Programs Appropriations Act, 2020 (division G
23 of Public Law 116–94) is amended by striking
24 “\$1,000,000” and inserting in lieu thereof “\$5,000,000”.

1 SEC. 11110. The first proviso under the heading
2 “Millennium Challenge Corporation” in title III of the De-
3 partment of State, Foreign Operations, and Related Pro-
4 grams Appropriations Act, 2020 (division G of Public Law
5 116–94) is amended by striking “\$105,000,000” and in-
6 serting in lieu thereof “\$107,000,000”.

7 SEC. 11111. Notwithstanding any other provision of
8 law, any oath of office required by law may, in particular
9 circumstances that could otherwise pose health risks, be
10 administered remotely, subject to appropriate verification:
11 *Provided*, That prior to exercising the authority of this
12 section, the Secretary of State shall submit a report to
13 the Committee on Appropriations and the Committee on
14 Foreign Relations of the Senate and the Committee on
15 Appropriations and the Committee on Foreign Affairs of
16 the House of Representatives describing the process and
17 procedures for administering such oaths, including appro-
18 priate verification: *Provided further*, That the authority
19 made available pursuant to this section shall expire on
20 September 30, 2021.

21 SEC. 11112. (a) PURPOSES.—For purposes of
22 strengthening the ability of foreign countries to prevent,
23 prepare for, and respond to coronavirus and to the adverse
24 economic impacts of coronavirus, in a manner that would
25 protect the United States from the spread of coronavirus

1 and mitigate an international economic crisis resulting
2 from coronavirus that may pose a significant risk to the
3 economy of the United States, each paragraph of sub-
4 section (b) shall take effect upon enactment of this Act.

5 (b) CORONAVIRUS RESPONSES.—

6 (1) INTERNATIONAL DEVELOPMENT ASSOCIA-
7 TION REPLENISHMENT.—The International Develop-
8 ment Association Act (22 U.S.C. 284 et seq.) is
9 amended by adding at the end the following new sec-
10 tion:

11 **“SEC. 31 NINETEENTH REPLENISHMENT.**

12 “(a) IN GENERAL.—The United States Governor of
13 the International Development Association is authorized
14 to contribute on behalf of the United States
15 \$3,004,200,000 to the nineteenth replenishment of the re-
16 sources of the Association, subject to obtaining the nec-
17 essary appropriations.

18 “(b) AUTHORIZATION OF APPROPRIATIONS.—In
19 order to pay for the United States contribution provided
20 for in subsection (a), there are authorized to be appro-
21 priated, without fiscal year limitation, \$3,004,200,000 for
22 payment by the Secretary of the Treasury.”.

23 (2) INTERNATIONAL FINANCE CORPORATION
24 AUTHORIZATION.—The International Finance Cor-

1 poration Act (22 U.S.C. 282 et seq.) is amended by
2 adding at the end the following new section:

3 **“SEC. 18 CAPITAL INCREASES AND AMENDMENT TO THE**
4 **ARTICLES OF AGREEMENT.**

5 “(a) VOTES AUTHORIZED.—The United States Gov-
6 ernor of the Corporation is authorized to vote in favor of—

7 “(1) a resolution to increase the authorized cap-
8 ital stock of the Corporation by 16,999,998 shares,
9 to implement the conversion of a portion of the re-
10 tained earnings of the Corporation into paid-in cap-
11 ital, which will result in the United States being
12 issued an additional 3,771,899 shares of capital
13 stock, without any cash contribution;

14 “(2) a resolution to increase the authorized cap-
15 ital stock of the Corporation on a general basis by
16 4,579,995 shares; and

17 “(3) a resolution to increase the authorized cap-
18 ital stock of the Corporation on a selective basis by
19 919,998 shares.

20 “(b) AMENDMENT OF THE ARTICLES .—The United
21 States Governor of the Corporation is authorized to agree
22 to and accept an amendment to article II, section 2(c)(ii)
23 of the Articles of Agreement of the Corporation that would
24 increase the vote by which the Board of Governors of the
25 Corporation may increase the capital stock of the Corpora-

1 tion from a four-fifths majority to an eighty-five percent
2 majority.”.

3 (3) AFRICAN DEVELOPMENT BANK.—The Afri-
4 can Development Bank Act (22 U.S.C. 290i et seq.)
5 is amended by adding at the end the following new
6 section:

7 **“SEC. 1345 SEVENTH CAPITAL INCREASE.**

8 “(a) SUBSCRIPTION AUTHORIZED.—

9 “(1) IN GENERAL.—The United States Gov-
10 ernor of the Bank may subscribe on behalf of the
11 United States to 532,023 additional shares of the
12 capital stock of the Bank.

13 “(2) LIMITATION.—Any subscription by the
14 United States to the capital stock of the Bank shall
15 be effective only to such extent and in such amounts
16 as are provided in advance in appropriations Acts.

17 “(b) AUTHORIZATIONS OF APPROPRIATIONS.—

18 “(1) IN GENERAL.—In order to pay for the in-
19 crease in the United States subscription to the Bank
20 under subsection (a), there are authorized to be ap-
21 propriated, without fiscal year limitation,
22 \$7,286,587,008 for payment by the Secretary of the
23 Treasury.

24 “(2) SHARE TYPES.—Of the amount authorized
25 to be appropriated under paragraph (1)—

1 “(A) \$437,190,016 shall be for paid in
2 shares of the Bank; and

3 “(B) \$6,849,396,992 shall be for callable
4 shares of the Bank.”.

5 (4) AFRICAN DEVELOPMENT FUND.—The Afri-
6 can Development Fund Act (22 U.S.C. 290g et seq.)
7 is amended by adding at the end the following new
8 section:

9 **“SEC. 226 FIFTEENTH REPLENISHMENT.**

10 “(a) IN GENERAL.—The United States Governor of
11 the Fund is authorized to contribute on behalf of the
12 United States \$513,900,000 to the fifteenth replenish-
13 ment of the resources of the Fund, subject to obtaining
14 the necessary appropriations.

15 “(b) AUTHORIZATION OF APPROPRIATIONS.—In
16 order to pay for the United States contribution provided
17 for in subsection (a), there are authorized to be appro-
18 priated, without fiscal year limitation, \$513,900,000 for
19 payment by the Secretary of the Treasury.”.

20 (5) INTERNATIONAL MONETARY FUND AUTHOR-
21 IZATION FOR NEW ARRANGEMENTS TO BORROW.—

22 (A) IN GENERAL.—Section 17 of the
23 Bretton Woods Agreements Act (22 U.S.C.
24 286e–2) is amended—

25 (i) in subsection (a)—

1 (I) by redesignating paragraphs
2 (3), (4), and (5) as paragraphs (4),
3 (5), and (6), respectively;

4 (II) by inserting after paragraph
5 (2) the following new paragraph:

6 “(3) In order to carry out the purposes of a
7 one-time decision of the Executive Directors of the
8 International Monetary Fund (the Fund) to expand
9 the resources of the New Arrangements to Borrow,
10 established pursuant to the decision of January 27,
11 1997, referred to in paragraph (1), the Secretary of
12 the Treasury is authorized to make loans, in an
13 amount not to exceed the dollar equivalent of
14 28,202,470,000 of Special Drawing Rights, in addi-
15 tion to any amounts previously authorized under this
16 section, except that prior to activation of the New
17 Arrangements to Borrow, the Secretary of the
18 Treasury shall report to Congress whether supple-
19 mentary resources are needed to forestall or cope
20 with an impairment of the international monetary
21 system and whether the Fund has fully explored
22 other means of funding to the Fund.”; and

23 (III) in paragraph (5), as so re-
24 designated, by striking “paragraph
25 (3)” and inserting “paragraph (4)”.

1 (ii) in paragraph (6), as so redesign-
2 nated, by striking “December 16, 2022”
3 and inserting “December 31, 2025”; and
4 (iii) in subsection (e)(1) by striking
5 “(a)(2),” each place such term appears
6 and inserting “(a)(2), (a)(3)”.

7 (c) The amounts provided by the amendments made
8 by this section are designated by the Congress as being
9 for an emergency requirement pursuant to section
10 251(b)(2)(A)(i) of the Balanced Budget and Emergency
11 Deficit Control Act of 1985.

12 TECHNICAL CORRECTIONS

13 SEC. 11113. (a) ENVIRONMENT COOPERATION COM-
14 MISSIONS; NORTH AMERICAN DEVELOPMENT BANK.—
15 Section 601 of the United States-Mexico-Canada Agree-
16 ment Implementation Act (Public Law 116–113; 134
17 Stat. 78) is amended by inserting “, other than sections
18 532 and 533 of such Act and part 2 of subtitle D of title
19 V of such Act (as amended by section 831 of this Act),”
20 before “is repealed”.

21 (b) PROTECTIVE ORDERS.—Section 422 of the
22 United States-Mexico-Canada Agreement Implementation
23 Act (134 Stat. 64) is amended in subsection (a)(2)(A) by
24 striking “all that follows through ‘, the administering au-
25 thority’ ” and inserting “all that follows through ‘Agree-
26 ment, the administering authority’ ”.

1 (c) DISPUTE SETTLEMENT.—Subsection (j) of sec-
2 tion 504 of the United States-Mexico-Canada Agreement
3 Implementation Act (134 Stat. 76) is amended in the item
4 proposed to be inserted into the table of contents of such
5 Act relating to section 414 by striking “determination”
6 and inserting “determinations”.

7 (d) EFFETIVE DATE.—Each amendment made by
8 this section shall take effect as if included in the enact-
9 ment of the United States-Mexico-Canada Agreement Im-
10 plementation Act.

11 (e) NORTH AMERICAN DEVELOPMENT BANK: LIMI-
12 TATION ON CALLABLE CAPITAL SUBSCRIPTIONS.—The
13 Secretary of the Treasury may subscribe without fiscal
14 year limitation to the callable capital portion of the United
15 States share of capital stock of the North American Devel-
16 opment Bank in an amount not to exceed \$1,020,000,000.
17 The authority in the preceding sentence shall be in addi-
18 tion to any other authority provided by previous Acts.

19 (f) The amounts provided by the amendments made
20 by this section are designated by the Congress as being
21 for an emergency requirement pursuant to section
22 251(b)(2)(A)(i) of the Balanced Budget and Emergency
23 Deficit Control Act of 1985.

24 SEC. 11114. Notwithstanding any other provision of
25 law, funds made available under each heading in this title

- 1 shall only be used for the purposes specifically described
- 2 under that heading.

1 TITLE XII
2 TRANSPORTATION, HOUSING AND URBAN
3 DEVELOPMENT, AND RELATED AGENCIES
4 DEPARTMENT OF TRANSPORTATION
5 OFFICE OF THE SECRETARY
6 SALARIES AND EXPENSES

7 For an additional amount for “Salaries and Ex-
8 penses”, \$1,753,000, to remain available until September
9 30, 2020, to prevent, prepare for, and respond to
10 coronavirus, including necessary expenses for operating
11 costs and capital outlays: *Provided*, That such amounts
12 are in addition to any other amounts made available for
13 this purpose: *Provided further*, That obligations of
14 amounts under this heading in this Act shall not be sub-
15 ject to the limitation on obligations under the heading
16 “Office of the Secretary—Working Capital Fund” in divi-
17 sion H of the Further Consolidated Appropriations Act,
18 2020 (Public Law 116–94): *Provided further*, That such
19 amount is designated by the Congress as being for an
20 emergency requirement pursuant to section
21 251(b)(2)(A)(i) of the Balanced Budget and Emergency
22 Deficit Control Act of 1985.

23 PAYMENT TO AIR CARRIERS

24 In addition to funds made available to the “Payment
25 to Air Carriers” program in Public Law 116–94 to carry

1 out the essential air service program under sections 41731
2 through 41742 of title 49, United States Code,
3 \$100,000,000, to be derived from the general fund and
4 made available to the Essential Air Service and Rural Im-
5 provement Fund, to remain available until expended: *Pro-*
6 *vided*, That in determining between or among carriers
7 competing to provide service to a community, the Sec-
8 retary may consider the relative subsidy requirements of
9 the carriers: *Provided further*, That basic essential air
10 service minimum requirements shall not include the 15-
11 passenger capacity requirement under section 41732(b)(3)
12 of such title: *Provided further*, That none of the funds in
13 this Act or any other Act shall be used to enter into a
14 new contract with a community located less than 40 miles
15 from the nearest small hub airport before the Secretary
16 has negotiated with the community over a local cost share:
17 *Provided further*, That amounts authorized to be distrib-
18 uted for the essential air service program under section
19 41742(b) of title 49, United States Code, shall be made
20 available from amounts otherwise provided to the Admin-
21 istrator of the Federal Aviation Administration: *Provided*
22 *further*, That the Administrator may reimburse such
23 amounts from fees credited to the account established
24 under section 45303 of such title: *Provided further*, That
25 such amount is designated by the Congress as being for

1 an emergency requirement pursuant to section
2 251(b)(2)(A)(i) of the Balanced Budget and Emergency
3 Deficit Control Act of 1985.

4 OFFICE OF AIRLINE INDUSTRY FINANCIAL OVERSIGHT

5 For the necessary expenses of the Office of Airline
6 Industry Financial Oversight, as authorized in [section
7 [301] of title [III of division R]] of the Take Responsi-
8 bility for Workers and Families Act, \$3,000,000: Pro-
9 vided, That such amount is designated by the Congress
10 as being for an emergency requirement pursuant to sec-
11 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
12 gency Deficit Control Act of 1985.

13 AIRLINE ASSISTANCE TO RECYCLE AND SAVE PROGRAM

14 For the necessary expenses of the Airline Assistance
15 to Recycle and Save Program, as authorized in [section
16 702 of title VII of division R] of the Take Responsibility
17 for Workers and Families Act, \$1,000,000,000 to remain
18 available until expended: Provided, That such amount is
19 designated by the Congress as being for an emergency re-
20 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
21 anced Budget and Emergency Deficit Control Act of 1985.

22 PANDEMIC RELIEF FOR AVIATION WORKERS

23 For necessary expenses for providing pandemic relief
24 for aviation workers, \$40,000,000,000, to remain available
25 until September 30, 2021 of which \$37,000,000,000 shall

1 be for the purposes authorized in [section [101(a)(1)(A)]
2 of title [I] of division R] of the Take Responsibility for
3 Workers and Families Act, and \$3,000,000,000, shall be
4 for the purposes authorized in [section [101(a)(1)(B)] of
5 title [I] of division R] of the Take Responsibility for
6 Workers and Families Act: *Provided*, That such amount
7 is designated by the Congress as being for an emergency
8 requirement pursuant to section 251(b)(2)(A)(i) of the
9 Balanced Budget and Emergency Deficit Control Act of
10 1985.

11 In addition, for the cost of making direct loans and
12 loan guarantees in accordance with the terms and condi-
13 tions in [sections [101–103 and 105] of title [I] of divi-
14 sion R] of the Take Responsibility for Workers and Fami-
15 lies Act, such sums as may be necessary to remain avail-
16 able until September 30, 2021: *Provided*, That such costs,
17 including the cost of modifying such loans, shall be defined
18 by section 502 of the Congressional Budget Act of 1974:
19 *Provided further*, That subject to section 502 of the Con-
20 gressional Budget Act of 1974, during fiscal years 2020
21 and 2021, the aggregate sum of the principle for direct
22 loans and guaranteed loans shall not exceed
23 \$21,000,000,000: *Provided further*, That such amount is
24 designated by the Congress as being for an emergency re-

1 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
2 anced Budget and Emergency Deficit Control Act of 1985.

3 FEDERAL AVIATION ADMINISTRATION
4 OPERATIONS
5 (AIRPORT AND AIRWAY TRUST FUND)

6 Of the amounts made available from the Airport and
7 Airway Trust Fund for “Federal Aviation Administra-
8 tion—Operations” in title XI of subdivision 1 of division
9 B of the Bipartisan Budget Act of 2018 (Public Law 115–
10 123), not more than \$25,000,000 may be used to prevent,
11 prepare for, and respond to coronavirus: *Provided*, That
12 amounts repurposed under this heading in this Act that
13 were previously designated by the Congress as an emer-
14 gency requirement pursuant to the Balanced Budget and
15 Emergency Deficit Control Act of 1985 are designated by
16 the Congress as an emergency requirement pursuant to
17 section 251(b)(2)(A)(i) of the Balanced Budget and
18 Emergency Deficit Control Act of 1985.

19 GRANTS-IN-AID FOR AIRPORTS

20 For an additional amount for “Grants-In-Aid for Air-
21 ports”, to enable the Secretary of Transportation to make
22 grants in accordance with the terms and conditions in sec-
23 tion 401 of title IV division R of the Take Responsibility
24 for Workers and Families Act, \$10,000,000,000, to re-
25 main available until expended: *Provided*, That amounts

1 made available under this heading in this Act shall be de-
2 rived from the general fund: *Provided further*, That such
3 amount is designated by the Congress as being for an
4 emergency requirement pursuant to section
5 251(b)(2)(A)(i) of the Balanced Budget and Emergency
6 Deficit Control Act of 1985.

7 RESEARCH, ENGINEERING, AND DEVELOPMENT

8 For an additional amount for “Research, Engineer-
9 ing, and Development”, as authorized in [section 705 of
10 title VII of division R] of the Take Responsibility for
11 Workers and Families Act, \$100,000,000, to remain avail-
12 able until expended: *Provided*, That such amount is des-
13 ignated by the Congress as being for an emergency re-
14 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
15 anced Budget and Emergency Deficit Control Act of 1985.

16 FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

17 MOTOR CARRIER SAFETY OPERATIONS AND PROGRAMS

18 Of prior year unobligated contract authority and liq-
19 uidating cash provided for Motor Carrier Safety in the
20 Transportation Equity Act for the 21st Century (Public
21 Law 105–178), SAFETEA–LU (Public Law 109–59), or
22 any other Act, in addition to amounts already appro-
23 priated in fiscal year 2020 for “Motor Carrier Safety Op-
24 erations and Programs” \$150,000 in additional obligation
25 limitation is provided and repurposed for obligations in-

1 curred to support activities to prevent, prepare for, and
2 respond to coronavirus: *Provided*, That such amount is
3 designated by the Congress as being for an emergency re-
4 quirement pursuant to section 251(b)(2)(A)(i) of the Bal-
5 anced Budget and Emergency Deficit Control Act of 1985.

6 FEDERAL RAILROAD ADMINISTRATION

7 SAFETY AND OPERATIONS

8 For an additional amount for “Safety and Oper-
9 ations”, \$250,000, to remain available until September
10 30, 2021, to prevent, prepare for, and respond to
11 coronavirus: *Provided*, That such amount is designated by
12 the Congress as being for an emergency requirement pur-
13 suant to section 251(b)(2)(A)(i) of the Balanced Budget
14 and Emergency Deficit Control Act of 1985.

15 NORTHEAST CORRIDOR GRANTS TO THE NATIONAL

16 RAILROAD PASSENGER CORPORATION

17 (INCLUDING TRANSFER OF FUNDS)

18 For an additional amount for “Northeast Corridor
19 Grants to the National Railroad Passenger Corporation”,
20 \$492,000,000, to remain available until September 30,
21 2021, to prevent, prepare for, and respond to coronavirus,
22 including to enable the Secretary of Transportation to
23 make or amend existing grants to the National Railroad
24 Passenger Corporation for activities associated with the
25 Northeast Corridor as authorized by section 11101(a) of

1 the Fixing America’s Surface Transportation Act (division
2 A of Public Law 114–94): *Provided*, That amounts made
3 available under this heading in this Act may be trans-
4 ferred to and merged with “National Network Grants to
5 the National Railroad Passenger Corporation” to prevent,
6 prepare for, and respond to coronavirus: *Provided further*,
7 That such amount is designated by the Congress as being
8 for an emergency requirement pursuant to section
9 251(b)(2)(A)(i) of the Balanced Budget and Emergency
10 Deficit Control Act of 1985.

11 NATIONAL NETWORK GRANTS TO THE NATIONAL
12 RAILROAD PASSENGER CORPORATION
13 (INCLUDING TRANSFER OF FUNDS)

14 For an additional amount for “National Network
15 Grants to the National Railroad Passenger Corporation”,
16 \$526,000,000, to remain available until September 30,
17 2021, to prevent, prepare for, and respond to coronavirus,
18 including to enable the Secretary of Transportation to
19 make or amend existing grants to the National Railroad
20 Passenger Corporation for activities associated with the
21 National Network as authorized by section 11101(b) of
22 the Fixing America’s Surface Transportation Act (division
23 A of Public Law 114–94): *Provided*, That a State shall
24 not be required to pay the National Railroad Passenger
25 Corporation more than 80 percent of the amount paid in

1 fiscal year 2019 under section 209 of the Passenger Rail
2 Investment and Improvement Act of 2008 (Public Law
3 110–432) and that not less than \$239,000,000 of the
4 amounts made available under this heading in this Act
5 shall be made available for use in lieu of any increase in
6 a State’s payment: *Provided further*, That amounts made
7 available under this heading in this Act may be trans-
8 ferred to and merged with the “Northeast Corridor Grants
9 to the National Railroad Passenger Corporation” to pre-
10 vent, prepare for, and respond to coronavirus: *Provided*
11 *further*, That such amount is designated by the Congress
12 as being for an emergency requirement pursuant to sec-
13 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
14 gency Deficit Control Act of 1985.

15 FEDERAL TRANSIT ADMINISTRATION

16 TRANSIT INFRASTRUCTURE GRANTS

17 For an additional amount for “Transit Infrastructure
18 Grants” \$25,000,000,000, to remain available until Sep-
19 tember 30, 2021, to prevent, prepare for, and respond to
20 coronavirus: *Provided*, That the Secretary of Transpor-
21 tation shall provide funds appropriated under this heading
22 in this Act as if such funds were provided under section
23 5307 of title 49, United States Code, and apportion such
24 funds in accordance with section 5336 of such title (other
25 than subsections (h)(1) and (h)(4)), sections 5311, 5337,

1 and 5340 of title 49, United States Code, and apportion
2 such funds in accordance with such sections, except that
3 funds apportioned under section 5337 shall be added to
4 funds apportioned under section 5307 for administration
5 under section 5307: *Provided further*, That the Secretary
6 shall allocate the amounts provided in the preceding pro-
7 viso under sections 5307, 5311, 5337, and 5340 of title
8 49, United States Code, among such sections in the same
9 ratio as funds were provided in the fiscal year 2020 appor-
10 tionments: *Provided further*, That funds apportioned
11 under this heading shall be apportioned not later than 7
12 days after the date of enactment of this Act: *Provided fur-*
13 *ther*, That funds shall be apportioned using the fiscal year
14 2020 apportionment formulas: *Provided further*, That not
15 more than three-quarters of 1 percent of the funds for
16 transit infrastructure grants shall be available for admin-
17 istrative expenses and ongoing program management over-
18 sight as authorized under sections 5334 and 5338(f)(2)
19 of title 49, United States Code, and shall be in addition
20 to any other appropriations for such purpose: *Provided*
21 *further*, That notwithstanding subsection (a)(1) or (b) of
22 section 5307 of title 49, United States Code, funds pro-
23 vided under this heading are available for the operating
24 expenses of transit agencies related to the response to a
25 public health emergency as described in section 319 of the

1 Public Health Service Act, including, beginning on Janu-
2 ary 31, 2020, reimbursement for operating costs to main-
3 tain service and lost revenue due to the public health
4 emergency, the purchase of personal protective equipment,
5 and paying the administrative leave of operations per-
6 sonnel due to reductions in service: *Provided further*, That
7 such operating expenses are not required to be included
8 in a transportation improvement program, long-range
9 transportation, statewide transportation plan, or a state-
10 wide transportation improvement program: *Provided fur-*
11 *ther*, That the Secretary shall not waive the requirements
12 of section 5333 of title 49, United States Code, for funds
13 appropriated under this heading or for funds previously
14 made available under section 5307 of title 49, United
15 States Code, or sections 5311, 5337, or 5340 of such title
16 as a result of the coronavirus: *Provided further*, That un-
17 less otherwise specified, applicable requirements under
18 chapter 53 of title 49, United States Code, shall apply to
19 funding made available under this heading, except that the
20 Federal share of the costs for which any grant is made
21 under this heading shall be, at the option of the recipient,
22 up to 100 percent: *Provided further*, That the amount
23 made available under this heading shall be derived from
24 the general fund and shall not be subject to any limitation
25 on obligations for transit programs set forth in any Act:

1 *Provided further*, That such amount is designated by the
2 Congress as being for an emergency requirement pursuant
3 to section 251(b)(2)(A)(i) of the Balanced Budget and
4 Emergency Deficit Control Act of 1985.

5 MARITIME ADMINISTRATION
6 OPERATIONS AND TRAINING

7 For an additional amount for “Operations and Train-
8 ing”, \$3,134,000, to remain available until September 30,
9 2021, to prevent, prepare for, and respond to coronavirus:
10 *Provided*, That of the amounts made available under this
11 heading in this Act, \$1,000,000 shall be for the operations
12 of the United States Merchant Marine Academy: *Provided*
13 *further*, That such amount is designated by the Congress
14 as being for an emergency requirement pursuant to sec-
15 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
16 gency Deficit Control Act of 1985.

17 OFFICE OF INSPECTOR GENERAL
18 SALARIES AND EXPENSES

19 For an additional amount for “Office of Inspector
20 General”, \$5,000,000, to remain available through Sep-
21 tember 30, 2021: *Provided*, That the amount made avail-
22 able under this heading in this Act shall be for necessary
23 expenses of the Office of Inspector General to carry out
24 the provisions of the Inspector General Act of 1978, as
25 amended: *Provided further*, That the amounts made avail-

1 able under this heading in this Act shall be used to con-
2 duct audits and investigations of activities carried out with
3 amounts made available in this Act to the Department of
4 Transportation to prevent, prepare for, and respond to
5 coronavirus: *Provided further*, That the Inspector General
6 shall have all the necessary authority, in carrying out the
7 duties specified in the Inspector General Act, as amended
8 (5 U.S.C. App 3), to investigate allegations of fraud, in-
9 cluding false statements to the Government (18 U.S.C.
10 1001), by any person or entity that is subject to regulation
11 by the Department of Transportation: *Provided further*,
12 That such amount is designated by the Congress as being
13 for an emergency requirement pursuant to section
14 251(b)(2)(A)(i) of the Balanced Budget and Emergency
15 Deficit Control Act of 1985.

16 GENERAL PROVISIONS—DEPARTMENT OF
17 TRANSPORTATION

18 SEC. 11201. For amounts made available by this Act
19 under the headings “Northeast Corridor Grants to the Na-
20 tional Railroad Passenger Corporation” and “National
21 Network Grants to the National Railroad Passenger Cor-
22 poration”, the Secretary of Transportation may not waive
23 the requirements under section 24312 of title 49, United
24 States Code, and section 24305(f) of title 49, United
25 States Code: *Provided*, That for amounts made available

1 by this Act under such headings the Secretary shall re-
2 quire the National Railroad Passenger Corporation to
3 comply with the Railway Retirement Act of 1974 (45
4 U.S.C. 231 et seq.), the Railway Labor Act (45 U.S.C.
5 151 et seq.), and the Railroad Unemployment Insurance
6 Act (45 U.S.C. 351 et seq.): *Provided further*, That not
7 later than 7 days after the date of enactment of this Act
8 and each subsequent 7 days thereafter, the Secretary shall
9 notify the House and Senate Committees on Appropria-
10 tions, the Committee on Transportation and Infrastruc-
11 ture of the House of Representatives, and the Committee
12 on Commerce, Science, and Transportation of the Senate
13 of any National Railroad Passenger Corporation employee
14 furloughs as a result of efforts to prevent, prepare for,
15 and respond to coronavirus: *Provided further*, That in the
16 event of any National Railroad Passenger Corporation em-
17 ployee furloughs as a result of efforts to prevent, prepare
18 for, and respond to coronavirus, the Secretary shall re-
19 quire the National Railroad Passenger Corporation to pro-
20 vide such employees the opportunity to be recalled to their
21 previously held positions as intercity passenger rail service
22 is restored to March 1, 2020 levels and not later than the
23 date on which intercity passenger rail service has been
24 fully restored to March 1, 2020 levels.

1 DEPARTMENT OF HOUSING AND URBAN
2 DEVELOPMENT
3 MANAGEMENT AND ADMINISTRATION
4 ADMINISTRATIVE SUPPORT OFFICES

5 For an additional amount for “Administrative Sup-
6 port Offices”, \$10,000,000, to remain available until Sep-
7 tember 30, 2021, to prevent, prepare for, and respond to
8 coronavirus: *Provided*, That such amount is designated by
9 the Congress as being for an emergency requirement pur-
10 suant to section 251(b)(2)(A)(i) of the Balanced Budget
11 and Emergency Deficit Control Act of 1985.

12 PROGRAM OFFICES

13 For an additional amount for “Program Offices”,
14 \$10,000,000, to remain available until September 30,
15 2030, to prevent, prepare for, and respond to coronavirus:
16 *Provided*, That of the sums appropriated under this head-
17 ing in this Act—

18 (1) \$2,500,000 shall be available for the Office
19 of Public and Indian Housing;

20 (2) \$5,000,000 shall be available for the Office
21 of Community Planning and Development; and

22 (3) \$2,500,000 shall be available for the Office
23 of Housing:

24 *Provided further*, That such amount is designated by the
25 Congress as being for an emergency requirement pursuant

1 to section 251(b)(2)(A)(i) of the Balanced Budget and
2 Emergency Deficit Control Act of 1985.

3 PUBLIC AND INDIAN HOUSING

4 TENANT-BASED RENTAL ASSISTANCE

5 For an additional amount for “Tenant-Based Rental
6 Assistance”, \$1,500,000,000, to remain available until ex-
7 pended, to provide additional funds for public housing
8 agencies to maintain operations and take other necessary
9 actions to prevent, prepare for, and respond to
10 coronavirus: *Provided*, That of the amounts made avail-
11 able under this heading in this Act, \$1,000,000,000 shall
12 be available for additional administrative and other ex-
13 penses of public housing agencies in administering their
14 section 8 programs, including Mainstream vouchers, in re-
15 sponse to coronavirus: *Provided further*, That such other
16 expenses shall be new eligible activities to be defined by
17 the Secretary and shall be activities to support or maintain
18 the health and safety of assisted individuals and families,
19 and costs related to retention and support of current par-
20 ticipating landlords: *Provided further*, That amounts made
21 available under paragraph (3) of this heading in division
22 H of the Further Consolidated Appropriations Act, 2020
23 (Public Law 116–94) may be used for the other expenses
24 as described in the preceding proviso in addition to their
25 other available uses: *Provided further*, That of the

1 amounts made available under this heading in this Act,
2 \$500,000,000 shall be available for adjustments in the cal-
3 endar year 2020 section 8 renewal funding allocations, in-
4 cluding Mainstream vouchers, for public housing agencies
5 that experience a significant increase in voucher per-unit
6 costs due to extraordinary circumstances or that, despite
7 taking reasonable cost savings measures, as determined by
8 the Secretary, would otherwise be required to terminate
9 rental assistance for families as a result of insufficient
10 funding: *Provided further*, That the Secretary shall allo-
11 cate amounts provided in the preceding proviso based on
12 need, as determined by the Secretary: *Provided further*,
13 That for any amounts provided under this heading in prior
14 Acts for tenant-based rental assistance contracts, includ-
15 ing necessary administrative expenses, under section 811
16 of the Cranston-Gonzalez National Affordable Housing
17 Act (42 U.S.C. 8013) that remain available for this pur-
18 pose after funding renewals and administrative expenses,
19 the Secretary shall award no less than 50 percent of the
20 remaining amounts for the same purpose within 60 days
21 of enactment of this Act: *Provided further*, That the Sec-
22 retary may waive, or specify alternative requirements for,
23 any provision of any statute or regulation that the Sec-
24 retary administers in connection with the use of the
25 amounts made available under this heading and the same

1 heading of Public Law 116–94 (except for requirements
2 related to fair housing, nondiscrimination, labor stand-
3 ards, and the environment), upon a finding by the Sec-
4 retary that any such waivers or alternative requirements
5 are necessary for the safe and effective administration of
6 these funds to prevent, prepare for, and respond to
7 coronavirus: *Provided further*, That the Secretary shall no-
8 tify the public through the Federal Register or other ap-
9 propriate means to ensure the most expeditious allocation
10 of this funding of any such waiver or alternative require-
11 ment in order for such waiver or alternative requirement
12 to take effect, and that such public notice may be provided
13 at a minimum on the Internet at the appropriate Govern-
14 ment web site or through other electronic media, as deter-
15 mined by the Secretary: *Provided further*, That any such
16 waivers or alternative requirements shall remain in effect
17 for the time and duration specified by the Secretary in
18 such public notice and may be extended if necessary upon
19 additional notice by the Secretary: *Provided further*, That
20 such amount is designated by the Congress as being for
21 an emergency requirement pursuant to section
22 251(b)(2)(A)(i) of the Balanced Budget and Emergency
23 Deficit Control Act of 1985.

1 PUBLIC HOUSING OPERATING FUND

2 For an additional amount for “Public Housing Oper-
3 ating Fund” for 2020 payments to public housing agen-
4 cies for the operation and management of public housing,
5 as authorized by section 9(e) of the United States Housing
6 Act of 1937 (42 U.S.C. 1437g(e)), \$720,000,000, to re-
7 main available until September 30, 2021: *Provided*, That
8 such amount shall be combined with the amount appro-
9 priated for the same purpose under the same heading of
10 Public Law 116–94, and distributed to all public housing
11 agencies pursuant to the Operating Fund formula at part
12 990 of title 24, Code of Federal Regulations: *Provided fur-*
13 *ther*, That for the period from the enactment of this Act
14 through December 31, 2020, such combined total amount
15 may be used for eligible activities under subsections (d)(1)
16 and (e)(1) of such section 9 and for other expenses to pre-
17 vent, prepare for, and respond to coronavirus, including
18 activities to support or maintain the health and safety of
19 assisted individuals and families, and activities to support
20 education and child care for impacted families: *Provided*
21 *further*, That amounts made available under the headings
22 “Public Housing Operating Fund” and “Public Housing
23 Capital Fund” in prior Acts, except for any set-asides list-
24 ed under such headings, may be used for all of the pur-
25 poses described in the preceding proviso: *Provided further*,

1 That the expanded uses and funding flexibilities described
2 in the previous two provisos shall be available to all public
3 housing agencies through December 31, 2020, except that
4 the Secretary may extend the period under which such
5 flexibilities shall be available in additional 12 month incre-
6 ments upon a finding that individuals and families as-
7 sisted by the public housing program continue to require
8 expanded services due to the coronavirus pandemic: *Pro-*
9 *vided further*, That the Secretary may waive, or specify
10 alternative requirements for, any provision of any statute
11 or regulation that the Secretary administers in connection
12 with the use of such combined total amount of funds made
13 available under the headings “Public Housing Operating
14 Fund” and “Public Housing Capital Fund” in prior Acts
15 (except for requirements related to fair housing, non-
16 discrimination, labor standards, and the environment),
17 upon a finding by the Secretary that any such waivers or
18 alternative requirements are necessary for the safe and ef-
19 fective administration of these funds to prevent, prepare
20 for, and respond to coronavirus: *Provided further*, That the
21 Secretary shall notify the public through the Federal Reg-
22 ister or other appropriate means to ensure the most expe-
23 ditious allocation of this funding of any such waiver or
24 alternative requirement in order for such waiver or alter-
25 native requirement to take effect, and that such public no-

1 tice may be provided at a minimum on the Internet at
2 the appropriate Government web site or through other
3 electronic media, as determined by the Secretary: *Provided*
4 *further*, That any such waivers or alternative requirements
5 shall remain in effect for the time and duration specified
6 by the Secretary in such public notice and may be ex-
7 tended if necessary upon additional notice by the Sec-
8 retary: *Provided further*, That amounts repurposed under
9 this heading that were previously designated by the Con-
10 gress as an emergency requirement pursuant to the Bal-
11 anced Budget and Emergency Deficit Control Act of 1985
12 are designated by the Congress as an emergency require-
13 ment pursuant to section 251(b)(2)(A)(i) of the Balanced
14 Budget and Emergency Deficit Control Act of 1985 *Pro-*
15 *vided further*, That such amount is designated by the Con-
16 gress as being for an emergency requirement pursuant to
17 section 251(b)(2)(A)(i) of the Balanced Budget and
18 Emergency Deficit Control Act of 1985.

19 NATIVE AMERICAN PROGRAMS

20 For an additional amount for “Native American Pro-
21 grams”, \$350,000,000, to remain available until Sep-
22 tember 30, 2024, to prevent, prepare for, and respond to
23 coronavirus, of which—

24 (1) \$250,000,000 shall be for the Native Amer-
25 ican Housing Block Grants program, as authorized

1 under title I of the Native American Housing Assist-
2 ance and Self-Determination Act of 1996
3 (“NAHASDA”) (25 U.S.C. 4111 et seq.): *Provided*,
4 That amounts made available in this paragraph shall
5 be distributed according to the same funding for-
6 mula used in fiscal year 2020: *Provided further*,
7 That such amounts may be used to cover the cost
8 of and reimbursement of allowable costs to prevent,
9 prepare for, and respond to coronavirus incurred by
10 a recipient regardless of the date on which such
11 costs were incurred: *Provided further*, That the Sec-
12 retary may waive, or specify alternative require-
13 ments for, any provision of any statute or regulation
14 that the Secretary administers in connection with
15 the use of amounts made available in this paragraph
16 and in paragraph (1) under this heading in division
17 H of the Further Consolidated Appropriations Act,
18 2020 (Public Law 116–94) (except for requirements
19 related to fair housing, nondiscrimination, labor
20 standards, and the environment), upon a finding by
21 the Secretary that any such waivers or alternative
22 requirements are necessary to expedite or facilitate
23 the use of such amounts, including to prevent, pre-
24 pare for, and respond to coronavirus: *Provided fur-*
25 *ther*, That any such waivers shall apply retroactively

1 to activities to prevent, prepare for, and respond to
2 coronavirus carried out with any amounts described
3 in the preceding proviso; and

4 (2) \$100,000,000 shall be for grants to Indian
5 tribes for carrying out the Indian Community Devel-
6 opment Block Grant program, as authorized under
7 title I of the Housing and Community Development
8 Act of 1974 (42 U.S.C. 5301 et seq.) with respect
9 to Indian tribes for use to respond to emergencies
10 that constitute imminent threats to health and safe-
11 ty: *Provided*, That, notwithstanding section
12 106(a)(1) of such Act, the Secretary shall prioritize,
13 without competition, allocations of such amounts for
14 activities and projects to prevent, prepare for, and
15 respond to coronavirus: *Provided further*, That not
16 to exceed 20 percent of any grant made with
17 amounts made available in this paragraph shall be
18 expended for planning and management development
19 and administration: *Provided further*, That such
20 amounts may be used to cover the cost of and reim-
21 bursement of allowable costs to prevent, prepare for,
22 and respond to coronavirus incurred by a recipient
23 regardless of the date on which such costs were in-
24 curred: *Provided further*, That, notwithstanding sec-
25 tion 105(a)(8) of the Housing and Community De-

1 velopment Act of 1974 (42 U.S.C. 5301 et seq.),
2 there shall be no percent limitation on the use of
3 amounts for public services activities to prevent, pre-
4 pare for, and respond to coronavirus: *Provided fur-*
5 *ther*, That the preceding proviso shall apply to all
6 such activities funded with amounts made available
7 in this paragraph and in paragraph (4) under this
8 heading in division H of the Further Consolidated
9 Appropriations Act, 2020 (Public Law 116–94):
10 *Provided further*, That the Secretary may waive, or
11 specify alternative requirements for, any provision of
12 any statute or regulation that the Secretary admin-
13 isters in connection with the use of amounts made
14 available in this paragraph and in paragraph (4)
15 under this heading in division H of the Further Con-
16 solidated Appropriations Act, 2020 (Public Law
17 116–94) (except for requirements related to fair
18 housing, nondiscrimination, labor standards, and the
19 environment), upon a finding by the Secretary that
20 any such waivers or alternative requirements are
21 necessary to expedite or facilitate the use of such
22 amounts, including to prevent, prepare for, and re-
23 spond to coronavirus: *Provided further*, That any
24 such waivers shall apply retroactively to activities to
25 prevent, prepare for, and respond to coronavirus car-

1 ried out with any amounts described in the pre-
2 ceding proviso:

3 *Provided further*, That such amount is designated by the
4 Congress as being for an emergency requirement pursuant
5 to section 251(b)(2)(A)(i) of the Balanced Budget and
6 Emergency Deficit Control Act of 1985.

7 COMMUNITY PLANNING AND DEVELOPMENT

8 HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

9 For an additional amount for carrying out the
10 “Housing Opportunities for Persons with AIDS” pro-
11 gram, as authorized by the AIDS Housing Opportunity
12 Act (42 U.S.C. 12901 et seq.), \$130,000,000, to remain
13 available until September 30, 2021, except that amounts
14 allocated pursuant to section 854(c)(5) of such Act shall
15 remain available until September 30, 2022, to provide ad-
16 ditional funds to maintain operations and for rental assist-
17 ance, supportive services, and other necessary actions, in
18 order to prevent, prepare for, and respond to the
19 coronavirus: *Provided*, That not less than \$100,000,000
20 of the amount provided under this heading in this Act
21 shall be allocated pursuant to the formula in section 854
22 of such Act using the same data elements as utilized pur-
23 suant to that same formula in fiscal year 2020: *Provided*
24 *further*, That up to \$20,000,000 of the amount provided
25 under this heading in this Act shall be to provide an addi-

1 tional one-time, non-renewable award to grantees cur-
2 rently administering existing contracts for permanent sup-
3 portive housing that initially were funded under section
4 854(c)(5) of such Act from funds made available under
5 this heading in fiscal year 2010 and prior years: *Provided*
6 *further*, That such awards shall be made proportionally to
7 their existing grants: *Provided further*, That, notwith-
8 standing section 858(b)(3)(B) of such Act (42 U.S.C.
9 12907(b)(3)(B)), housing payment assistance for rent,
10 mortgage, or utilities payments may be provided for a pe-
11 riod of up to 24 months: *Provided further*, That such
12 awards are not required to be spent on permanent sup-
13 portive housing: *Provided further*, That, to protect persons
14 who are living with HIV/AIDS, such amounts provided
15 under this heading in this Act may be used to self-isolate,
16 quarantine, or to provide other coronavirus infection con-
17 trol services as recommended by the Centers for Disease
18 Control and Prevention for household members not living
19 with HIV/AIDS: *Provided further*, That such amounts
20 may be used to provide relocation services, including to
21 provide lodging at hotels, motels, or other locations in
22 order to satisfy the objectives of the preceding proviso:
23 *Provided further*, That, notwithstanding section 856(g) of
24 such Act (42 U.S.C. 12905(g)), a grantee may use up to
25 6 percent of its award under this Act for administrative

1 purposes, and a project sponsor may use up to 10 percent
2 of its sub-award under this Act for administrative pur-
3 poses: *Provided further*, That such amounts provided
4 under this heading in this Act may be used to reimburse
5 allowable costs consistent with the purposes of this head-
6 ing incurred by a grantee or project sponsor regardless
7 of the date on which such costs were incurred: *Provided*
8 *further*, That any regulatory waivers the Secretary may
9 issue may be deemed to be effective as of the date a grant-
10 ee began preparing for coronavirus: *Provided further*, That
11 any additional activities or authorities authorized under
12 this heading in this Act may also apply at the discretion
13 and upon notice of the Secretary to all amounts made
14 available under this same heading in Public Law 116–94
15 if such amounts are used by grantees for the purposes de-
16 scribed under this heading: *Provided further*, That up to
17 2 percent of amounts made available under this heading
18 in this Act may be used, without competition, to increase
19 prior awards made to existing technical assistance pro-
20 viders to provide an immediate increase in capacity build-
21 ing and technical assistance available to grantees under
22 this heading and under the same heading in prior Acts:
23 *Provided further*, That such amount is designated by the
24 Congress as being for an emergency requirement pursuant

1 to section 251(b)(2)(A)(i) of the Balanced Budget and
2 Emergency Deficit Control Act of 1985.

3 COMMUNITY DEVELOPMENT FUND

4 For an additional amount for “Community Develop-
5 ment Fund”, \$15,000,000,000, for assistance under the
6 community development block grant program under title
7 I of the Housing and Community Development Act of
8 1974 (42 U.S.C. 5301 et seq.) to prevent, prepare for,
9 and respond to coronavirus, to remain available until Sep-
10 tember 30, 2022: *Provided*, That up to \$8,000,000,000
11 of the amount made available under this heading shall be
12 distributed pursuant to section 106 of such Act (42 U.S.C.
13 5306) to grantees that received allocations pursuant to
14 that same formula in fiscal year 2020, and that such allo-
15 cations shall be made within 30 days of enactment of this
16 Act: *Provided further*, That, in addition to amounts allo-
17 cated pursuant to the preceding proviso, an additional
18 \$5,000,000,000 shall be allocated directly to States to pre-
19 vent, prepare for, and respond to coronavirus within the
20 State, including activities within entitlement and non-
21 entitlement communities, based on public health needs,
22 risk of transmission of coronavirus, number of coronavirus
23 cases compared to the national average, and economic and
24 housing market disruptions, and other factors, as deter-
25 mined by the Secretary, using best available data and that

1 such allocations shall be made within 45 days of enact-
2 ment of this Act: *Provided further*, That any remaining
3 amounts shall be distributed directly to the State or unit
4 of general local government, at the discretion of the Sec-
5 retary, according to a formula based on factors to be de-
6 termined by the Secretary, prioritizing risk of trans-
7 mission of coronavirus, number of coronavirus cases com-
8 pared to the national average, and economic and housing
9 market disruptions resulting from coronavirus: *Provided*
10 *further*, That such allocations may be made on a rolling
11 basis as additional needs develop and data becomes avail-
12 able: *Provided further*, That the Secretary shall make all
13 such allocations based on the best available data at the
14 time of allocation: *Provided further*, That amounts made
15 available in the preceding provisos may be used to reim-
16 burse allowable costs consistent with the purposes of this
17 heading in this Act incurred by a State or locality regard-
18 less of the date on which such costs were incurred: *Pro-*
19 *vided further*, That section 116(b) of such Act (42 U.S.C.
20 5316(b)) and any implementing regulations, which require
21 grantees to submit their final statements of activities no
22 later than August 16 of a given fiscal year, shall not apply
23 to final statements submitted in accordance with sections
24 104(a)(2) and (a)(3) of such Act (42 U.S.C. 5304(a)(2)
25 and (a)(3)) and comprehensive housing affordability strat-

egies submitted in accordance with section 105 of the
Cranston-Gonzalez National Affordable Housing Act (42
U.S.C. 12705) for fiscal years 2019 and 2020: *Provided*
further, That such final statements and comprehensive
housing affordability strategies shall instead be submitted
not later than August 16, 2021: *Provided further*, That
the Secretary may waive, or specify alternative require-
ments for, any provision of any statute or regulation that
the Secretary administers in connection with the use of
amounts made available under this heading and for fiscal
years 2019 and 2020 (except for requirements related to
fair housing, nondiscrimination, labor standards, and the
environment), if the Secretary finds that good cause exists
for the waiver or alternative requirement and such waiver
or alternative requirement would not be inconsistent with
the overall purpose of title I of the Housing and Commu-
nity Development Act of 1974 , including for the purposes
of addressing the impact of coronavirus: *Provided further*,
That any such waiver or alternative requirement shall not
take effect before the expiration of the 5-day period that
begins on the date on which the Secretary notifies the pub-
lic through the Federal Register or other appropriate
means, including by means of the Internet at the appro-
priate Government web site or through other electronic
media, as determined by the Secretary: *Provided further*,

1 That of the amounts made available under this heading,
2 up to \$10,000,000 shall be made available for capacity
3 building and technical assistance to support the use of
4 such amounts to expedite or facilitate infectious disease
5 response: *Provided further*, That, notwithstanding sections
6 104(a)(2), (a)(3), and (c) of the Housing and Community
7 Development Act of 1974 (42 U.S.C. 5304(a)(2), (a)(3),
8 and (c)) and section 105 of the Cranston-Gonzalez Na-
9 tional Affordable Housing Act (42 U.S.C. 12705), a
10 grantee may not be required to amend its statement of
11 activities in order to engage in activities to prevent, pre-
12 pare, and respond to coronavirus or the economic and
13 housing disruption caused by such virus, but shall make
14 public a report within 180 days of the end of the crisis
15 which fully accounts for those activities: *Provided further*,
16 That a grantee may not be required to hold in-person pub-
17 lic hearings in connection with citizen participation plan,
18 but shall provide citizens with notice and a reasonable op-
19 portunity to comment of no less than 15 days: *Provided*
20 *further*, That such procedures shall apply to grants from
21 amounts made available under this heading and for fiscal
22 years 2019 and 2020: *Provided further*, That, during the
23 period that national or local health authorities recommend
24 social distancing and limiting public gatherings for public
25 health reasons, a grantee may carry out virtual public

1 hearings to fulfill applicable public hearing requirements
2 for all grants from funds made available under this head-
3 ing in this and prior Acts: *Provided further*, That any such
4 virtual hearings shall provide reasonable notification and
5 access for citizens in accordance with the grantee's certifi-
6 cations, timely responses from local officials to all citizen
7 questions and issues, and public access to all questions
8 and responses: *Provided further*, That, notwithstanding
9 subsection 105(a)(8) of the Housing and Community De-
10 velopment Act of 1974 (42 U.S.C. 5305(a)(8)), there shall
11 be no percent limitation for the use of funds for public
12 services activities to prevent, prepare, and respond to
13 coronavirus or the economic and housing disruption
14 caused by it: *Provided further*, That the preceding proviso
15 shall apply to all such activities carried out with grants
16 of funds made available under this heading and for fiscal
17 years 2019 and 2020: *Provided further*, That the Sec-
18 retary shall ensure there are adequate procedures in place
19 to prevent any duplication of benefits as defined by section
20 312 of the Robert T. Stafford Disaster Relief and Emer-
21 gency Assistance Act (42 U.S.C. 5155) and act in accord-
22 ance with section 1210 of the Disaster Recovery Reform
23 Act of 2018 (division D of Public Law 115–254; 132 Stat.
24 3442) and section 312 of the Robert T. Stafford Disaster
25 Relief and Emergency Assistance Act (42 U.S.C. 5115):

1 *Provided further*, That such amount is designated by the
2 Congress as being for an emergency requirement pursuant
3 to section 251(b)(2)(A)(i) of the Balanced Budget and
4 Emergency Deficit Control Act of 1985.

5 HOMELESS ASSISTANCE GRANTS

6 For an additional amount for “Homeless Assistance
7 Grants”, \$5,000,000,000, to remain available until Sep-
8 tember 30, 2022, for the Emergency Solutions Grants pro-
9 gram as authorized under subtitle B of title IV of the
10 McKinney-Vento Homeless Assistance Act (42 U.S.C.
11 11371 et seq.), as amended, to prevent, prepare for, and
12 respond to coronavirus among individuals and families
13 who are homeless, receiving homeless assistance, or at risk
14 of homelessness and to support additional homeless assist-
15 ance and homelessness prevention activities to mitigate the
16 impacts created by coronavirus: *Provided*, That up to
17 \$1,500,000,000 of the amount appropriated under this
18 heading in this Act shall be distributed pursuant to 24
19 CFR 576.3 to grantees that received allocations pursuant
20 to that same formula in fiscal year 2020, and that such
21 allocations shall be made within 30 days of enactment of
22 this Act: *Provided further*, That, in addition to amounts
23 allocated in the preceding proviso, an additional
24 \$1,500,000,000 shall be allocated directly to a State or
25 unit of general local government by a formula to be devel-

1 oped by the Secretary and that such allocations shall be
2 made within 45 days of enactment of this Act: *Provided*
3 *further*, That such formula shall allocate such amounts for
4 the benefit of unsheltered homeless, sheltered homeless,
5 and those at risk of homelessness to geographical areas
6 with the greatest need based on the risk of increasing
7 transmission of coronavirus, rising rates of sheltered and
8 unsheltered homelessness, and disruptions to economic
9 and housing markets and other factors, as determined by
10 the Secretary: *Provided further*, That not less than every
11 60 days thereafter, the Secretary shall allocate a minimum
12 of an additional \$500,000,000: *Provided further*, That
13 amounts in the preceding proviso shall be allocated by a
14 formula to be developed by the Secretary which takes into
15 consideration the factors contained in the third proviso
16 under this heading, in addition to the best available data
17 on the number of coronavirus cases and disruptions in eco-
18 nomic and housing markets, and other factors as deter-
19 mined by the Secretary: *Provided further*, That such
20 amounts may be used to reimburse allowable costs con-
21 sistent with the purposes of this heading incurred by a
22 State or locality regardless of the date on which such costs
23 were incurred: *Provided further*, That individuals and fam-
24 ilies who are very low-income (as such term is defined in
25 section 3(b) of the United States Housing Act of 1937

1 (42 U.S.C. 1437a(b)) shall be considered “at risk of home-
2 lessness” and eligible for homelessness prevention assist-
3 ance if they meet the criteria in subparagraphs (B) and
4 (C) of section 401(1) of the McKinney-Vento Homeless
5 Act (42 U.S.C. 11360(1)(B) and (C)): *Provided further*,
6 That any individuals and families who are low-income (as
7 such term is defined in section 3(b) of the United States
8 Housing Act of 1937 (42 U.S.C. 1437a(b)) shall be eligi-
9 ble for rental assistance: *Provided further*, That recipients
10 may deviate from applicable procurement standards when
11 procuring goods and services consistent with the purposes
12 of this heading: *Provided further*, That a recipient may
13 use up to 10 percent of its allocation for administrative
14 purposes: *Provided further*, That the use of such amounts
15 shall not be subject to the consultation, citizen participa-
16 tion, or match requirements that otherwise apply to the
17 Emergency Solutions Grants program, except that a re-
18 cipient must publish how it has and will utilize its alloca-
19 tion at a minimum on the Internet at the appropriate Gov-
20 ernment web site or through other electronic media: *Pro-*
21 *vided further*, That the spending cap established pursuant
22 to section 415(b) of the McKinney-Vento Homeless Act
23 (42 U.S.C. 11374) shall not apply to such amounts: *Pro-*
24 *vided further*, That such amounts may be used to provide
25 temporary emergency shelters (through leasing of existing

1 property, temporary structures, or other means) for the
2 purposes described under this heading, and that such tem-
3 porary emergency shelters shall not be subject to the min-
4 imum periods of use required by section 416(c)(1) of such
5 Act (42 U.S.C. 11375(c)(1)): *Provided further*, That Fed-
6 eral habitability and environmental review standards and
7 requirements shall not apply to the use of such amounts
8 for those temporary emergency shelters that have been de-
9 termined by Federal, State, or local health officials to be
10 necessary to prevent and mitigate the spread of
11 coronavirus: *Provided further*, That such amounts may be
12 used for training on infectious disease prevention and
13 mitigation and to provide hazard pay, including for time
14 worked prior to enactment of this Act, for staff working
15 directly to prevent and mitigate the spread of coronavirus
16 among persons who are homeless or at risk of homeless-
17 ness, and that such activities shall not be considered ad-
18 ministrative costs for purposes of the 10 percent cap: *Pro-*
19 *vided further*, That in administering the amounts made
20 available under this heading in this Act, the Secretary may
21 waive, or specify alternative requirements for, any provi-
22 sion of any statute or regulation (except for any require-
23 ments related to fair housing, nondiscrimination, labor
24 standards, and the environment) that the Secretary ad-
25 ministers in connection with the obligation or use by the

1 recipient of these amounts, if the Secretary finds that
2 good cause exists for the waiver or alternative requirement
3 and such waiver or alternative requirement is consistent
4 with the purposes described under this heading: *Provided*
5 *further*, That any such waivers shall be deemed to be effective as of the date a State or unit of local government
6 began preparing for coronavirus and shall apply to the use
7 of amounts provided under this heading and amounts provided under the same heading in fiscal year 2020 used
8 by recipients for the purposes described under this heading: *Provided further*, That the Secretary shall notify the
9 public through the Federal Register or other appropriate
10 means, 5 days before the effective date, of any such waiver
11 or alternative requirement, and that such public notice
12 may be provided on the Internet at the appropriate Government web site or through other electronic media, as
13 determined by the Secretary: *Provided further*, That up
14 to 1 percent of amounts made available under this heading
15 in this Act may be used to increase prior awards made
16 to existing technical assistance providers with experience
17 in providing health care services in order to provide an
18 immediate increase in capacity building and technical assistance to recipients of the Emergency Solutions Grants
19 program under this heading and under the same heading
20 in fiscal years 2018, 2019 and 2020: *Provided further*,

1 That none of the funds provided under this heading may
2 be used to require people experiencing homelessness to re-
3 ceive treatment or perform any other prerequisite activi-
4 ties as a condition for receiving shelter, housing, or other
5 services: *Provided further*, That such amount is designated
6 by the Congress as being for an emergency requirement
7 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
8 et and Emergency Deficit Control Act of 1985.

9 EMERGENCY RENTAL ASSISTANCE

10 For and additional amount for “Emergency Rental
11 Assistance”, as authorized in section 105 of title I of divi-
12 sion I of the Take Responsibility for Workers and Families
13 Act, \$100,000,000,000, to remain available until ex-
14 pended: *Provided*, That such amount is designated by the
15 Congress as being for an emergency requirement pursuant
16 to section 251(b)(2)(A)(i) of the Balanced Budget and
17 Emergency Deficit Control Act of 1985.

18 HOUSING ASSISTANCE FUND

19 For an additional amount for the “Housing Assist-
20 ance Fund”, as authorized in section 108 of title I of divi-
21 sion I of the Take Responsibility for Workers and Families
22 Act, \$35,000,000,000, to remain available until expended:
23 *Provided*, That such amount is designated by the Congress
24 as being for an emergency requirement pursuant to sec-

tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOUSING PROGRAMS

ASSISTED HOUSING STABILITY

For an additional amount for assistance to owners or sponsors of properties receiving project-based assistance pursuant to section 202 of the Housing Act of 1959 (12 U.S.C. 17012), section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), or section 8 of the United States Housing Act of 1937, as amended, (42 U.S.C. 1437f), \$1,100,000,000, to remain available until expended, unless otherwise specified: *Provided*, That such amounts shall be used to prevent, prepare for, and respond to coronavirus: *Provided further*, That of the amounts made available under this heading in this Act:

(1) \$1,000,000,000 shall be for “Project-Based Rental Assistance” to supplement funds already available for expiring or terminating section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for amendments to section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for contracts entered into pursuant to section 441 of the McKinney-Vento Homeless Assistance Act (42

1 U.S.C. 11401), for renewal of section 8 contracts for
2 units in projects that are subject to approved plans
3 of action under the Emergency Low Income Housing
4 Preservation Act of 1987 or the Low-Income Hous-
5 ing Preservation and Resident Homeownership Act
6 of 1990, and for administrative and other expenses
7 associated with project-based activities and assist-
8 ance funded under this paragraph;

9 (2) \$75,000,000, to remain available until Sep-
10 tember 30, 2022, shall be for “Housing for the El-
11 derly” to supplement funds already available for
12 project rental assistance for the elderly under section
13 202(c)(2) of such Housing Act of 1959, including
14 amendments to contracts for such assistance and re-
15 newal of expiring contracts for such assistance for
16 up to a 1-year term, for senior preservation rental
17 assistance contracts, including renewals, as author-
18 ized by section 811(e) of the American Housing and
19 Economic Opportunity Act of 2000, as amended,
20 and for supportive services associated with the hous-
21 ing for the elderly as authorized by such section
22 202: *Provided further*, That funds made available
23 under this paragraph shall be used to provide emer-
24 gency assistance for continuation of contracts for
25 project rental assistance and amendment to such

1 contracts, supportive services, existing service coordi-
2 nators, one-time grants to hire additional service co-
3 ordinators, other staffing, rent supports, and emer-
4 gency preparedness relating to coronavirus; and

5 (3) \$25,000,000, to remain available until Sep-
6 tember 30, 2023, shall be for “Housing for Persons
7 with Disabilities” to supplement funds already avail-
8 able for project rental assistance for supportive
9 housing for persons with disabilities under section
10 811(d)(2) of such Cranston-Gonzalez National Af-
11 fordable Housing Act, for project assistance con-
12 tracts pursuant to section 202(h) of the Housing
13 Act of 1959 (Public Law 86–372; 73 Stat. 667), in-
14 cluding amendments to contracts for such assistance
15 and renewal of expiring contracts for such assistance
16 for up to a 1-year term, for project rental assistance
17 to State housing finance agencies and other appro-
18 priate entities as authorized under section 811(b)(3)
19 of the Cranston-Gonzalez National Housing Act, and
20 for supportive services associated with the housing
21 for persons with disabilities as authorized by section
22 811(b)(1) of such Act:

23 *Provided further*, That for the purposes of addressing the
24 impact of coronavirus, the Secretary may waive, or specify
25 alternative requirements for, any provision of any statute

1 or regulation that the Secretary administers in connection
2 with the use of amounts made available under this heading
3 in this Act (except for requirements related to fair hous-
4 ing, nondiscrimination, labor standards, and the environ-
5 ment) upon a finding by the Secretary that any such waiv-
6 ers or alternative requirements are necessary to expedite
7 or facilitate the use of such amounts: *Provided further*,
8 That the Secretary shall notify the public through the
9 Federal Register or other appropriate means of any such
10 waiver or alternative requirement in order for such waiver
11 or alternative requirement to take effect, and that such
12 public notice may be provided at minimum on the Internet
13 at the appropriate Government web site or through other
14 electronic media, as determined by the Secretary: *Provided*
15 *further*, That up to 1 percent of the amounts provided
16 under paragraphs (1), (2) and (3) may be used to make
17 new awards or increase prior awards made to existing
18 technical assistance providers, without competition, to pro-
19 vide an immediate increase in capacity building and tech-
20 nical assistance available to recipients of amounts identi-
21 fied in the preceding proviso, to remain available until
22 September 30, 2024: *Provided further*, That such amount
23 is designated by the Congress as being for an emergency
24 requirement pursuant to section 251(b)(2)(A)(i) of the

1 Balanced Budget and Emergency Deficit Control Act of
2 1985.

3 FAIR HOUSING AND EQUAL OPPORTUNITY

4 FAIR HOUSING ACTIVITIES

5 For an additional amount for “Fair Housing Activi-
6 ties”, \$7,000,000, to remain available until September 30,
7 2021, for contracts, grants, and other assistance, as au-
8 thorized by title VIII of the Civil Rights Act of 1968, as
9 amended by the Fair Housing Amendments Act of 1988,
10 and section 561 of the Housing and Community Develop-
11 ment Act of 1987, to prevent, prepare for, and respond
12 to coronavirus, of which \$4,000,000 shall be for the Fair
13 Housing Assistance Program Partnership for Special En-
14 forcement grants to address fair housing issues relating
15 to coronavirus, and \$3,000,000 shall be for the Fair Hous-
16 ing Initiatives Program for education and outreach activi-
17 ties under such section 561 to educate the public about
18 fair housing issues related to coronavirus: *Provided*, That
19 such amount is designated by the Congress as being for
20 an emergency requirement pursuant to section
21 251(b)(2)(A)(i) of the Balanced Budget and Emergency
22 Deficit Control Act of 1985.

23 OFFICE OF INSPECTOR GENERAL

24 For an additional amount for “Office of Inspector
25 General”, \$5,000,000, to remain available until September

1 30, 2021: *Provided*, That the amount made available
2 under this heading in this Act shall be for necessary sala-
3 ries and expenses of the Office of Inspector General in
4 carrying out the Inspector General Act of 1978 and to
5 conduct audits and investigations of activities carried out
6 with amounts made available in this Act to the Depart-
7 ment of Housing and Urban Development to prevent, pre-
8 pare for, and respond to coronavirus: *Provided further*,
9 That the Inspector General shall have independent author-
10 ity over all personnel issues within this office: *Provided*
11 *further*, That such amount is designated by the Congress
12 as being for an emergency requirement pursuant to sec-
13 tion 251(b)(2)(A)(i) of the Balanced Budget and Emer-
14 gency Deficit Control Act of 1985.

1 TITLE XIII

2 GENERAL PROVISIONS—THIS DIVISION

3 SEC. 11301. Not later than 30 days after the date
4 of enactment of this Act, the head of each executive agen-
5 cy that receives funding in this Act, or that received fund-
6 ing in the Coronavirus Preparedness and Response Sup-
7 plemental Appropriations Act, 2020 (division A of Public
8 Law 116–123) or the Second Coronavirus Preparedness
9 and Response Supplemental Appropriations Act, 2020 (di-
10 vision A of Public Law 116–127), shall provide a report
11 detailing the anticipated uses of all such funding to the
12 Committees on Appropriations of the House of Represent-
13 atives and the Senate: *Provided*, That each report shall
14 include estimated personnel and administrative costs, as
15 well as the total amount of funding apportioned, allotted,
16 obligated, and expended, to date: *Provided further*, That
17 each such report shall be updated and submitted to such
18 Committees every 60 days until all funds are expended
19 or expire: *Provided further*, That reports submitted pursu-
20 ant to this section shall satisfy the requirements of section
21 1701 of division A of Public Law 116–127.

22 SEC. 11302. Each amount appropriated or made
23 available by this Act is in addition to amounts otherwise
24 appropriated for the fiscal year involved.

1 SEC. 11303. In this Act, the term “coronavirus”
2 means SARS-CoV-2 or another coronavirus with pan-
3 demic potential.

4 SEC. 11304. No part of any appropriation contained
5 in this Act shall remain available for obligation beyond
6 the current fiscal year unless expressly so provided herein.

7 SEC. 11305. Unless otherwise provided for by this
8 Act, the additional amounts appropriated by this Act to
9 appropriations accounts shall be available under the au-
10 thorities and conditions applicable to such appropriations
11 accounts for fiscal year 2020.

12 SEC. 11306. Each amount designated in this Act by
13 the Congress as being for an emergency requirement pur-
14 suant to section 251(b)(2)(A)(i) of the Balanced Budget
15 and Emergency Deficit Control Act of 1985 shall be avail-
16 able (or rescinded or transferred, if applicable) only if the
17 President subsequently so designates all such amounts
18 and transmits such designations to the Congress.

19 SEC. 11307. Any amount appropriated by this Act,
20 designated by the Congress as an emergency requirement
21 pursuant to section 251(b)(2)(A)(i) of the Balanced Budg-
22 et and Emergency Deficit Control Act of 1985 and subse-
23 quently so designated by the President, and transferred
24 pursuant to transfer authorities provided by this Act shall
25 retain such designation.

1 SEC. 11308. Notwithstanding any other provision of
2 law, and subject to the availability of appropriations,
3 funds made available by this Act or any other Act may
4 be used to modify the terms and conditions of a contract,
5 or other agreement, without consideration, to authorize a
6 federal agency to reimburse at contract billing rates not
7 to exceed an average of 40 hours per week any contractor
8 paid leave, including sick leave, the contractor provides to
9 its employees to ensure the effective response to the de-
10 clared national emergency for the coronavirus pandemic
11 event. Such authority shall apply only to a contractor
12 whose employees cannot perform work on a federally-
13 owned or leased facility or site due to federal government
14 directed closures or other restrictions, and who cannot
15 telework because their job duties cannot be performed re-
16 motely during the declared national emergency for the
17 coronavirus pandemic event. This authority also shall
18 apply to subcontractors. The amounts made available by
19 this section are designated by the Congress as an emer-
20 gency requirement pursuant to section 251(b)(2)(A)(i) of
21 the Balanced Budget and Emergency Deficit Control Act
22 of 1985.

23 This division may be cited as the “Emergency Pen-
24 sion Plan Relief Act of 2020”.

1 **DIVISION B—EMERGENCY FAM-**
2 **ILY AND MEDICAL LEAVE EX-**
3 **PANSION ACT**

4 REFERENCES

5 SEC. 20001.

6 Except as otherwise expressly provided, whenever in
7 this division an amendment or repeal is expressed in terms
8 of an amendment to, or repeal of, a section or other provi-
9 sion, the reference shall be considered to be made to a
10 section or other provision of the Family and Medical Leave
11 Act of 1993 (29 U.S.C. 2601 et seq.), as amended by the
12 Emergency Family and Medical Leave Expansion Act
13 (Public Law 116–127).

14 EMPLOYER CLARIFICATION

15 SEC. 20002.

16 Section 101(4) is amended by adding at the end the
17 following:

18 “(C) CLARIFICATION.—Subparagraph
19 (A)(i) shall not apply with respect to a public
20 agency described in subparagraph (A)(iii).”.

21 EMERGENCY LEAVE EXTENSION

22 SEC. 20003.

23 Section 102(a)(1)(F) is amended by striking “De-
24 cember 31, 2020” and inserting “December 31, 2021”.

25 EMERGENCY LEAVE DEFINITIONS

26 SEC. 20004.

1 (a) ELIGIBLE EMPLOYEE.—Section 110(a)(1) is
2 amended in subparagraph (A), by striking “sections
3 101(2)(A) and 101(2)(B)(ii)” and inserting “section
4 101(2)”.

5 (b) EMPLOYER THRESHOLD.—Section 110(a)(1)(B)
6 is amended by striking “fewer than 500 employees” and
7 inserting “1 or more employees”.

8 (c) PARENT.—Section 110(a)(1) is amended by add-
9 ing at the end the following:

10 “(C) PARENT.—In lieu of the definition in
11 section 101(7), the term ‘parent’, with respect
12 to an employee, means any of the following:

13 “(i) A biological, foster, or adoptive
14 parent of the employee.

15 “(ii) A stepparent of the employee.

16 “(iii) A parent-in-law of the employee.

17 “(iv) A parent of a domestic partner
18 of the employee.

19 “(v) A legal guardian or other person
20 who stood in loco parentis to an employee
21 when the employee was a child.”.

22 (d) QUALIFYING NEED RELATED TO A PUBLIC
23 HEALTH EMERGENCY.—Section 110(a)(2)(A) is amended
24 to read as follows:

1 “(A) QUALIFYING NEED RELATED TO A
2 PUBLIC HEALTH EMERGENCY.—The term
3 ‘qualifying need related to a public health emer-
4 gency’, with respect to leave, means that the
5 employee is unable to perform the functions of
6 the position of such employee due to a need for
7 leave for any of the following:

8 “(i) To comply with a recommenda-
9 tion or order by a public official having ju-
10 risdiction or a health care provider on the
11 basis that the physical presence of the em-
12 ployee on the job would jeopardize the
13 health of others because of—

14 “(I) the exposure of the employee
15 to COVID-19; or

16 “(II) exhibition of symptoms of
17 COVID-19 by the employee.

18 “(ii) To care for a family member of
19 an eligible employee with respect to whom
20 a public official having jurisdiction or a
21 health care provider makes a determina-
22 tion that the presence of such family mem-
23 ber in the community would jeopardize the
24 health of other individuals in the commu-
25 nity because of—

1 “(I) the exposure of the family
2 member to COVID–19; or

3 “(II) exhibition of symptoms of
4 COVID–19 by the family member.

5 “(iii) To care for the son or daughter
6 of such employee if the school or place of
7 care has been closed, or the child care pro-
8 vider of such son or daughter is unavail-
9 able, due to a public health emergency.

10 “(iv) To care for a family member
11 who meets criteria of 101(12)(B) or is a
12 senior citizen, if the place of care for such
13 family member is closed, or the direct care
14 provider is unavailable, due to a public
15 health emergency.”.

16 (e) FAMILY MEMBER.—Section 110(a)(2) is amended
17 by adding at the end the following:

18 “(E) FAMILY MEMBER.—The term ‘family
19 member’, with respect to an employee, means
20 any of the following:

21 “(i) A parent of the employee.

22 “(ii) A spouse of the employee.

23 “(iii) A sibling of the employee.

1 “(iv) Next of kin of the employee or
2 a person for whom the employee is next of
3 kin.

4 “(v) A son or daughter of the em-
5 ployee.

6 “(vi) A grandparent or grandchild of
7 the employee.

8 “(vii) An domestic partner of the em-
9 ployee.

10 “(F) DOMESTIC PARTNER.—

11 “(i) IN GENERAL.—The term ‘domes-
12 tic partner’, with respect to an individual,
13 means another individual with whom the
14 individual is in a committed relationship.

15 “(ii) COMMITTED RELATIONSHIP DE-
16 FINED.—The term ‘committed relationship’
17 means a relationship between 2 individuals,
18 each at least 18 years of age, in which
19 each individual is the other individual’s
20 sole domestic partner and both individuals
21 share responsibility for a significant meas-
22 ure of each other’s common welfare. The
23 term includes any such relationship be-
24 tween 2 individuals that is granted legal
25 recognition by a State or political subdivi-

1 sion of a State as a marriage or analogous
2 relationship, including a civil union or do-
3 mestic partnership.”.

4 REGULATORY AUTHORITIES

5 SEC. 20005.

6 (a) IN GENERAL.—Section 110(a) is amended by
7 striking paragraph (3).

8 (b) FORCE OR EFFECT OF REGULATIONS.—Any reg-
9 ulation issued under section 110(a)(3), as in effect on the
10 day before the date of the enactment of this Act, shall
11 have no force or effect.

12 RELATIONSHIP TO PAID LEAVE

13 SEC. 20006.

14 Section 110(b) is amended—

15 (1) in paragraph (1)—

16 (A) in the header, by striking “10 DAYS”
17 and inserting “2 WORKWEEKS”; and

18 (B) in subparagraph (A), by striking “10
19 days” and inserting “2 workweeks”;

20 (C) in subparagraph (B), by inserting, “,
21 including leave provided under section 5102 of
22 the Emergency Paid Sick Leave Act (Public
23 Law 116–127),” after “medical or sick leave”;
24 and

25 (D) by inserting at the end the following:

1 “(C) EMPLOYER REQUIREMENT.—An em-
2 ployer may not require an employee to sub-
3 stitute any leave described in subparagraph (B)
4 for leave under section 102(a)(1)(F).

5 “(D) RELATIONSHIP TO OTHER FAMILY
6 AND MEDICAL LEAVE.—Leave taken under sub-
7 paragraph (F) of section 102(a)(1) shall not
8 count towards the 12 weeks of leave to which
9 an employee is entitled under subparagraphs
10 (A) through (E) of such section.”; and
11 (2) in paragraph (2)(A), by striking “10 days”
12 and inserting “2 workweeks”.

13 WAGE RATE

14 SEC. 20007.

15 Section 110(2)(B)(I) is amended to read as follows:

16 “(I) an amount that is not less
17 than the greater of—

18 “(aa) the minimum wage
19 rate in effect under section
20 6(a)(1) of the Fair Labor Stand-
21 ards Act of 1938 (29 U.S.C.
22 206(a)(1));

23 “(bb) the minimum wage
24 rate in effect for such employee
25 in the applicable State or locality,

1 whichever is greater, in which the
2 employee is employed; or

3 “(cc) two thirds of an em-
4 ployee’s regular rate of pay (as
5 determined under section 7(e) of
6 the Fair Labor Standards Act of
7 1938 (29 U.S.C. 207(e)); and”.

8 NOTICE

9 SEC. 20008.

10 Section 110(c) is amended by inserting “or sub-
11 section (a)(2)(A)(iv)” after “for the purpose described in
12 subsection (a)(2)(A)(iii)”.

13 CERTIFICATION

14 SEC. 20009.

15 Section 110 is amended by adding at the end the fol-
16 lowing:

17 “(e) CERTIFICATION.—

18 “(1) IN GENERAL.—An employer may require
19 that a request for leave under section 102(a)(1)(F)
20 be supported by documentation described in para-
21 graph (2). An employer may not require such docu-
22 mentation before the date that is 3 weeks after the
23 date on which the employee takes such leave.

24 “(2) SUFFICIENT CERTIFICATION.—The fol-
25 lowing documentation shall be sufficient certifi-
26 cation:

1 “(A) With respect to leave taken for the
2 purposes described in clause (i) or (ii) of sub-
3 section (a)(2)(A)—

4 “(i) a recommendation or order from
5 a public official having jurisdiction or a
6 health care provider that the relevant indi-
7 vidual has symptoms of COVID–19 or
8 should be quarantined; or

9 “(ii) documentation or evidence that
10 the relevant individual has been exposed to
11 COVID–19.

12 “(B) With respect to leave taken for pur-
13 poses described in clause (iii) or (iv) of such
14 subsection, notice of closure or unavailability
15 from the school, place of care, child care pro-
16 vider, or direct care provider of the family
17 member.”.

18 AMENDMENTS TO THE EMERGENCY FAMILY AND

19 MEDICAL LEAVE EXPANSION ACT

20 SEC. 20010.

21 The Emergency Family and Medical Leave Expan-
22 sion Act (Public Law 116–127) is amended—

23 (1) in section 3103(b), by striking “Employees”
24 and inserting, “Notwithstanding section
25 102(a)(1)(A) of the Family and Medical Leave Act
26 of 1993 (29 U.S.C. 2612(a)(1)(A)), employees”; and

1 (2) by striking sections 3104 and 3105.

1 **DIVISION C—EMERGENCY PAID**
2 **SICK LEAVE ACT AMENDMENTS**

3 **SEC. 30001. REFERENCES.**

4 Except as otherwise expressly provided, whenever in
5 this division an amendment or repeal is expressed in terms
6 of an amendment to, or repeal of, a section or other provi-
7 sion, the reference shall be considered to be made to a
8 section or other provision of division E of the Families
9 First Coronavirus Response Act (Public Law 116–127).

10 **SEC. 30002. PAID SICK TIME REQUIREMENT.**

11 (a) USES.—Section 5102(a) is amended to read as
12 follows:

13 “(a) IN GENERAL.—An employer shall provide to
14 each employee employed by the employer paid sick time
15 for any of the following uses:

16 “(1) To self-isolate because the employee is di-
17 agnosed with COVID–19.

18 “(2) To obtain a medical diagnosis or care if
19 such employee is experiencing the symptoms of
20 COVID–19.

21 “(3) To comply with a recommendation or
22 order by a public official with jurisdiction or a
23 health care provider on the basis that the physical
24 presence of the employee on the job would jeopardize
25 the health of others because of—

1 “(A) the exposure of the employee to
2 COVID-19; or

3 “(B) exhibition of symptoms of COVID-19
4 by the employee.

5 “(4) To care for or assist a family member of
6 the employee—

7 “(A) who—

8 “(i) is self-isolating because such fam-
9 ily member has been diagnosed with
10 COVID-19; or

11 “(ii) is experiencing symptoms of
12 COVID-19 and needs to obtain medical di-
13 agnosis or care.

14 “(B) with respect to whom a public official
15 with jurisdiction or a health care provider
16 makes a determination that the presence of the
17 family member in the community would jeop-
18 ardize the health of other individuals in the
19 community because of—

20 “(i) the exposure of such family mem-
21 ber to the COVID-19; or

22 “(ii) exhibition of symptoms of
23 COVID-19 by such family member.

24 “(5) To care for the son or daughter of such
25 employee if the school or place of care has been

1 closed, or the child care provider of such son or
2 daughter is unavailable, due to COVID-19.”.

3 (b) EMPLOYERS WITH EXISTING POLICIES.—Section
4 5102 by adding at the end the following:

5 “(f) EMPLOYERS WITH EXISTING POLICIES.—With
6 respect to an employer that provides paid leave on the day
7 before the date of enactment of this Act—

8 “(1) the paid sick time under this Act shall be
9 made available to employees of the employer in addi-
10 tion to such paid leave; and

11 “(2) the employer may not change such paid
12 leave on or after such date of enactment to avoid
13 being subject to paragraph (1).”.

14 **SEC. 30003. PROHIBITED ACTS.**

15 Section 5104(1) is amended by striking “and” at the
16 end and inserting “or”.

17 **SEC. 30004. SUNSET.**

18 Section 5109 is amended by striking “December 31,
19 2020” and inserting “December 31, 2021”.

20 **SEC. 30005. DEFINITIONS.**

21 (a) EMPLOYEE.—Section 5110(1)(A)(i) is amended
22 by striking “ paragraph (5)(A)” and inserting “paragraph
23 (2)(A)”;

24 (b) EMPLOYER.—Section 5110(2)(B) is amended—

1 (1) by amending subclause (I) of clause (i) to
2 read as follows:

3 “(I) means any person engaged
4 in commerce or in any industry or ac-
5 tivity affecting commerce that employs
6 1 or more employees;”; and

7 (2) by amending clause (ii) to read as follows:

8 “(ii) PUBLIC AGENCY AND NON-PROF-
9 IT ORGANIZATIONS.—For purposes of
10 clause (i)(I), a public agency and a non-
11 profit organization shall be considered to
12 be a person engaged in commerce or in an
13 industry or activity affecting commerce.”.

14 (c) FMLA TERMS.—Section 5110(4) is amended to
15 read as follows:

16 “(4) FMLA TERMS.—The terms ‘health care
17 provider’, ‘next of kin’, ‘son or daughter’, and
18 ‘spouse’ have the meanings given such terms in sec-
19 tion 101 of the Family and Medical Leave Act of
20 1993 (29 U.S.C. 2611).”.

21 (d) PAID SICK LEAVE.—Section 5110(5) is amend-
22 ed—

23 (1) in subparagraph (A)—

24 (A) in clause (i), by striking “section 2(a)”
25 and inserting “section 5102(a)”; and

1 (B) in clause (ii), by striking “exceed” and
2 all that follows and inserting “exceed \$511 per
3 day and \$5,110 in the aggregate.”;

4 (2) in subparagraph (B)—

5 (A) by striking the following:

6 “(B) REQUIRED COMPENSATION.—

7 “(i) IN GENERAL.—Subject to sub-
8 paragraph (A)(ii),”; and inserting the fol-
9 lowing:

10 “(B) REQUIRED COMPENSATION.—Subject
11 to subparagraph (A)(ii),”; and

12 (B) by striking clause (ii); and

13 (3) in subparagraph (C), by striking “ section
14 2(a)” and inserting “section 5102(a)”.

15 (a) ADDITIONAL DEFINITIONS.—Section 5110 is
16 amended by adding at the end the following:

17 “(6) DOMESTIC PARTNER.—

18 “(A) IN GENERAL.—The term ‘domestic
19 partner’, with respect to an individual, means
20 another individual with whom the individual is
21 in a committed relationship.

22 “(B) COMMITTED RELATIONSHIP DE-
23 FINED.—The term ‘committed relationship’
24 means a relationship between 2 individuals,
25 each at least 18 years of age, in which each in-

1 dividual is the other individual's sole domestic
2 partner and both individuals share responsi-
3 bility for a significant measure of each other's
4 common welfare. The term includes any such
5 relationship between 2 individuals that is grant-
6 ed legal recognition by a State or political sub-
7 division of a State as a marriage or analogous
8 relationship, including a civil union or domestic
9 partnership.

10 “(7) FAMILY MEMBER.—The term ‘family
11 member’, with respect to an employee, means any of
12 the following:

13 “(A) A parent of the employee.

14 “(B) A spouse of the employee.

15 “(C) A son or daughter of the employee.

16 “(D) A sibling of the employee;

17 “(E) A next of kin of the employee or a
18 person for whom the employee is next of kin;

19 “(F) A grandparent or grandchild of the
20 employee; or

21 “(G) A domestic partner of the employee.

22 “(8) FFCRA TERMS.—The terms ‘child care
23 provider’ and ‘school’ have the meanings given such
24 terms in section 110(a)(2) of the Family and Med-
25 ical and Leave Act of 1993.

1 “(9) PARENT.—The term ‘parent’, with respect
2 to an employee, means any of the following:

3 “(A) A biological, foster, or adoptive par-
4 ent of the employee.

5 “(B) A stepparent of the employee.

6 “(C) A parent-in-law of the employee.

7 “(D) A parent of a domestic partner of the
8 employee.

9 “(E) A legal guardian or other person who
10 stood in loco parentis to an employee when the
11 employee was a child.”.

12 **SEC. 30006. REGULATORY AUTHORITIES.**

13 (a) IN GENERAL.—Division E is amended by striking
14 section 5111.

15 (b) FORCE OR EFFECT OF REGULATIONS.—Any reg-
16 ulation issued under section 5111 of division E of the
17 Families First Coronavirus Response Act (Public Law
18 116–127), as in effect on the day before the date of the
19 enactment of this Act, shall have no force or effect.

1 **DIVISION D—COVID-19 WORK-**
2 **ERS FIRST PROTECTION ACT**
3 **OF 2020**

4 **SEC. 40001. SHORT TITLE.**

5 This division may be cited as the “COVID–19 Work-
6 ers First Protection Act of 2020”.

7 **SEC. 40002. EMERGENCY TEMPORARY AND PERMANENT**
8 **STANDARDS.**

9 (a) EMERGENCY TEMPORARY STANDARD.—

10 (1) IN GENERAL.—In consideration of the grave
11 risk presented by COVID–19 and the need to
12 strengthen protections for employees, pursuant to
13 section 6(c)(1) of the Occupational Safety and
14 Health Act of 1970 (29 U.S.C. 655(c)(1)) and not-
15 withstanding the provisions of law and the Executive
16 Order listed in paragraph (7), not later than 7 days
17 after the date of enactment of this Act, the Sec-
18 retary of Labor shall, in consultation with the Direc-
19 tor of the Centers for Disease Control and Preven-
20 tion, the Director of the National Institute for Occu-
21 pational Safety and Health, the Commissioner of the
22 Food and Drug Administration, and the persons de-
23 scribed in paragraph (2), promulgate an emergency
24 temporary standard to protect from occupational ex-
25 posure to SARS–CoV–2—

1 (A) employees of health care sector em-
2 ployers;

3 (B) employees of employers in the para-
4 medic and emergency medical services, includ-
5 ing such services provided by firefighters and
6 other emergency responders; and

7 (C) employees in other sectors and occupa-
8 tions whom the Centers for Disease Control and
9 Prevention or the Occupational Safety and
10 Health Administration identifies as having ele-
11 vated risk.

12 (2) CONSULTATION.—In developing the stand-
13 ard under this subsection, the Secretary shall con-
14 sult with professional associations and representa-
15 tives of the employees in the occupations and sectors
16 described in subparagraphs (A) through (C) of para-
17 graph (1) and the employers of such employees.

18 (3) ENFORCEMENT DISCRETION.—If the Sec-
19 retary of Labor determines it is not feasible for an
20 employer to comply with a requirement of the stand-
21 ard promulgated under this subsection (such as a
22 shortage of the necessary personal protective equip-
23 ment), the Secretary may exercise discretion in the
24 enforcement of such requirement if the employer
25 demonstrates that the employer—

1 (A) is exercising due diligence to come into
2 compliance with such requirement; and

3 (B) is implementing alternative methods
4 and measures to protect employees.

5 (4) EXTENSION OF STANDARD.—Notwith-
6 standing paragraphs (2) and (3) of section 6(c) of
7 the Occupational Safety and Health Act of 1970 (29
8 U.S.C. 655(c)), the emergency temporary standard
9 promulgated under this subsection shall be in effect
10 until the date on which the final standard promul-
11 gated under subsection (b) is in effect.

12 (5) STATE PLAN ADOPTION.—With respect to a
13 State with a State plan that has been approved by
14 the Secretary of Labor under section 18 of the Oc-
15 cupational Safety and Health Act of 1970 (29
16 U.S.C. 667), not later than 14 days after the date
17 of enactment of this Act, such State shall promul-
18 gate an emergency temporary standard that is at
19 least as effective in protecting from occupational ex-
20 posure to SARS-CoV-2 the employees in the occu-
21 pations and sectors described in subparagraphs (A)
22 through (C) of paragraph (1) as the emergency tem-
23 porary standard promulgated under this subsection.

24 (6) EMPLOYER DEFINED.—For purposes of the
25 standard promulgated under this subsection, the

1 term “employer” under section 3 of the Occupa-
2 tional Safety and Health Act of 1970 (29 U.S.C.
3 652) includes any State or political subdivision of a
4 State, except for those already subject to the juris-
5 diction of a State plan approved under Section 18(b)
6 of the Occupational Safety and Health Act of 1970.

7 (7) INAPPLICABLE PROVISIONS OF LAW AND
8 EXECUTIVE ORDER.—The requirements of chapter 6
9 of title V, United States Code (commonly referred to
10 as the “Regulatory Flexibility Act”), subchapter I of
11 chapter 35 of title 44, United States Code (com-
12 monly referred to as the “Paperwork Reduction
13 Act”), and Executive Order 12866 (58 Fed. Reg.
14 190; relating to regulatory planning and review), as
15 amended, shall not apply to the standard promul-
16 gated under this subsection.

17 (b) PERMANENT STANDARD.—Not later than 24
18 months after the date of enactment of this Act, the Sec-
19 retary of Labor shall promulgate a final standard—

20 (1) to protect employees from occupational ex-
21 posure to infectious pathogens, including novel
22 pathogens; and

23 (2) that shall be effective and enforceable in the
24 same manner and to the same extent as a standard

1 promulgated under section 6(b) of the Occupational
2 Safety and Health Act of 1970 (29 U.S.C. 655(b)).

3 (c) REQUIREMENTS.—Each standard promulgated
4 under this section shall—

5 (1) require the employers of the employees in
6 the occupations and sectors described in subpara-
7 graphs (A) through (C) of subsection (a)(1) to de-
8 velop and implement a comprehensive infectious dis-
9 ease exposure control plan;

10 (2) provide no less protection for novel patho-
11 gens than precautions mandated by standards
12 adopted by a State plan that has been approved by
13 the Secretary of Labor under section 18 of the Oc-
14 cupational Safety and Health Act of 1970 (29
15 U.S.C. 667); and

16 (3) incorporate, as appropriate—

17 (A) guidelines issued by the Centers for
18 Disease Control and Prevention, and the Na-
19 tional Institute for Occupational Safety and
20 Health, which are designed to prevent the
21 transmission of infectious agents in healthcare
22 settings; and

23 (B) relevant scientific research on novel
24 pathogens.

1 **SEC. 40003. SURVEILLANCE, TRACKING, AND INVESTIGA-**
2 **TION OF WORK-RELATED CASES OF COVID-19**
3 **AMONG HEALTH CARE WORKERS.**

4 The Director of the Centers for Disease Control and
5 Prevention, in conjunction with the Director of the Na-
6 tional Institute for Occupational Safety and Health,
7 shall—

8 (1) collect and analyze case reports and other
9 data on COVID-19, to identify and evaluate the ex-
10 tent, nature, and source of COVID-19 among em-
11 ployees in the occupations and sectors described in
12 subparagraphs (A) through (C) of section 2(a)(1);

13 (2) investigate, as appropriate, individual cases
14 of COVID-19 among such employees to evaluate the
15 source of exposure and adequacy of infection and ex-
16 posure control programs and measures;

17 (3) provide regular periodic reports on COVID-
18 19 disease among such employees to the public; and

19 (4) based on such reports and investigations
20 make recommendations on needed actions or guid-
21 ance to protect such employees from COVID-19.

22 **DIVISION E—COVID-19 WORK-**
23 **FORCE EMERGENCY RE-**
24 **SPONSE ACT OF 2020**

25 **SEC. 50001. SHORT TITLE.**

26 (a) **SHORT TITLE.**—This Act may be cited as the .

1 **SEC. 50002. DEFINITIONS.**

2 In this Act:

3 (1) CORONAVIRUS.—The term “coronavirus”
4 means coronavirus as defined in section 506 of the
5 Coronavirus Preparedness and Response Supple-
6 mental Appropriations Act, 2020 (Public Law 116–
7 123).

8 (2) COVID–19 NATIONAL EMERGENCY.—The
9 term “COVID–19 national emergency” means the
10 national emergency declared by the President under
11 the National Emergencies Act (50 U.S.C. 1601 et
12 seq.) on March 13, 2020, with respect to the
13 coronavirus.

14 (3) SECRETARY.—The term “Secretary” means
15 the Secretary of Labor.

16 (4) WIOA TERMS.—Except as otherwise pro-
17 vided, the terms in this Act have the meanings given
18 the terms in section 3 of the Workforce Innovation
19 and Opportunity Act (29 U.S.C. 3102).

20 **SEC. 50003. WORKFORCE RESPONSE ACTIVITIES.**

21 (a) IN GENERAL.—The purpose of this section is to
22 provide the increased flexibility needed for State and local
23 areas to provide continuity of services during the COVID–
24 19 national emergency.

25 (b) ADMINISTRATIVE COSTS.—Notwithstanding sec-
26 tion 128(b)(4) of the Workforce Innovation and Oppor-

1 tunity Act (29 U.S.C. 3163(b)(4)), of the funds allocated
2 to a local area, including a single State local area, under
3 subtitle B of title I of such Act (29 U.S.C. 3151 et seq.)
4 that remain unobligated for program year 2019, an
5 amount up to 20 percent may be used for the administra-
6 tive costs of carrying out local workforce investment activi-
7 ties under chapter 2 or chapter 3 of subtitle B of title
8 I of such Act (29 U.S.C. 3151 et seq.), as long as any
9 amount used under this subsection that exceeds the
10 amount authorized for administrative costs under section
11 128(b)(4)(A) of such Act (29 U.S.C. 3163(b)(4)) is used
12 to respond to the COVID–19 national emergency.

13 (c) RAPID RESPONSE ACTIVITIES.—

14 (1) STATEWIDE RAPID RESPONSE.—Of the re-
15 served by a Governor under section 128(a) of the
16 Workforce Innovation and Opportunity Act (29
17 U.S.C. 3163(a)) for statewide activities that remain
18 unobligated for program year 2019, such funds may
19 be used for the statewide rapid response activities
20 described in section 134(a)(2)(A) of such Act (29
21 U.S.C. 3174(a)(2)(A)) for responding to the
22 COVID–19 national emergency.

23 (2) LOCAL BOARDS.—Of the funds reserved by
24 a Governor under section 133(a)(2) of such Act (29
25 U.S.C. 3173(a)(2)) that remain unobligated for pro-

1 gram year 2019, such funds may be distributed by
2 the Governor not later than 30 days after the date
3 of enactment of this Act to local boards most im-
4 pacted by the coronavirus, at the determination of
5 the Governor, for rapid response activities related to
6 responding to the COVID–19 national emergency.

7 **SEC. 50004. NATIONAL DISLOCATED WORKER GRANTS.**

8 (a) IN GENERAL.—The Secretary shall award grants
9 under section 170 of the Workforce Innovation and Oppor-
10 tunity Act (29 U.S.C. 3225) for the purposes—

11 (1) described subsections (b)(1) and (d) of such
12 section 170 related to the COVID–19 national emer-
13 gency; and

14 (2) of responding to subsequent emergency or
15 disasters or mass layoffs as described in section
16 170(a)(1) of such Act.

17 (b) COVID–19 NATIONAL EMERGENCY RE-
18 SPONSE.—

19 (1) IN GENERAL.—Of funds made available
20 under this section, national dislocated worker grants
21 may be awarded by the Secretary as described in
22 section 170 of the Workforce Innovation and Oppor-
23 tunity Act (29 U.S.C. 3225) to respond to the
24 COVID–19 national emergency.

1 (2) USES OF FUNDS.—Any grant awarded
2 under this section shall used for activities directly
3 supporting the response to the COVID–19 national
4 emergency, and recovery efforts related to such
5 emergency, which shall include the following:

6 (A) TRAINING AND TEMPORARY EMPLOY-
7 MENT.—Training and temporary employment to
8 respond to the COVID–19 national emergency,
9 such as positions or assignments—

10 (i) delivering medicine, food, or other
11 supplies to older individuals, individuals
12 with disabilities, and other individuals with
13 respiratory conditions and other chronic
14 medical disorders;

15 (ii) helping set up quarantine areas
16 and providing assistance to quarantined in-
17 dividuals, including transportation;

18 (iii) organizing and coordinating re-
19 covery, quarantine, or other related activi-
20 ties;

21 (iv) cleaning public buildings, public
22 transportation facilities or equipment, or
23 sanitizing quarantine or treatment areas
24 after their use, or other related cleanup or
25 sanitizing activities; and

1 (v) in the sector directly responding to
2 the COVID–19 national emergency such as
3 childcare, health care, public service, and
4 transportation.

5 (B) LAYOFF RESPONSE.—Activities re-
6 sponding to layoffs of 50 or more individuals
7 laid off by one employer, or areas where there
8 are significant layoffs that significantly increase
9 unemployment in a given community, such as in
10 the hospitality, transportation, manufacturing,
11 and retail industry sectors or occupations.

12 (c) PRIORITY.—In awarding grants under this sec-
13 tion, the Secretary shall give priority to State or local
14 areas most impacted by the COVID–19 national emer-
15 gency as determined by the Secretary.

16 (d) AUTHORIZATION OF APPROPRIATIONS.—There
17 are authorized to be appropriated to carry this section
18 \$500,000,000 to be expended through fiscal year 2022.

19 **SEC. 50005. STATE DISLOCATED WORKER GRANTS RE-**
20 **SPONDING TO THE COVID–19 EMERGENCY.**

21 (a) DISTRIBUTION OF FUNDS.—

22 (1) STATES.—From the amounts appropriated
23 under subsection (d), the Secretary shall make allot-
24 ments to States in accordance with section 132(b)(2)
25 of the Workforce Innovation and Opportunity Act.

1 (2) LOCAL AREAS.—Not later than 30 days
2 after a State receives an allotment under paragraph
3 (1), the State shall allocate such funds to local areas
4 in accordance with section 133(b)(2)(B) of the
5 Workforce Innovation and Opportunity Act.

6 (b) REQUIRED USES.—Each State and local area
7 shall use the funds received under this section to engage
8 in the dislocated worker response activities described in
9 section 133(b)(2)(B) of the Workforce Innovation and Op-
10 portunity Act (29 U.S.C. 3173(b)(2)(B)) to support layoff
11 aversion and provide necessary supports to unemployed in-
12 dividuals and to employers facing layoffs due to the im-
13 pacts of the COVID–19 national emergency.

14 (c) COVID–19 DISLOCATED WORKER EMERGENCY
15 RESPONSE.—The dislocated worker response activities
16 shall include the following:

17 (1) RAPID RESPONSE ACTIVITIES.—The State,
18 in coordination with impacted local areas, shall carry
19 out rapid response activities as described in section
20 134(a)(2)(A) of the Workforce Innovation and Op-
21 portunity Act (29 U.S.C. 3174) to engage with em-
22 ployers and employees where layoffs have occurred
23 or are occurring as a result of the COVID–19 na-
24 tional emergency, such as short-time compensation
25 programs.

1 (2) DISLOCATED WORKER ACTIVITIES.—Coordi-
2 nating projects for individuals impacted by mass lay-
3 offs as a result of the COVID–19 national emer-
4 gency, including activities targeted at immediate re-
5 employment, career navigation services, supportive
6 services, provision of information on in-demand and
7 declining industries, access to digital literacy skills
8 training, and other layoff support or further layoff
9 aversion strategies through adult employment and
10 training activities.

11 (d) AUTHORIZATION OF APPROPRIATIONS.—There
12 are authorized to be appropriated to carry out the activi-
13 ties described in this section \$2,000,000,000 to be ex-
14 pended through the end of fiscal year 2022.

15 **SEC. 50006. YOUTH WORKFORCE INVESTMENT ACTIVITIES**
16 **RESPONDING TO THE COVID-19 NATIONAL**
17 **EMERGENCY.**

18 (a) DISTRIBUTION OF FUNDS.—

19 (1) STATES.—From the amounts appropriated
20 under subsection (d), the Secretary shall make allot-
21 ments to States in accordance with section 127(b) of
22 the Workforce Innovation and Opportunity Act.

23 (2) LOCAL AREAS.—Not later than 30 days
24 after a State receives an allotment under paragraph
25 (1), the State shall allocate such funds to local areas

1 in accordance with section 128 of the Workforce In-
2 novation and Opportunity Act.

3 (b) USES OF FUNDS.—

4 (1) IN GENERAL.—In using the funds received
5 under this section, each State and local area shall
6 prioritize providing summer and year-round employ-
7 ment for youth, especially for youth age 21 and
8 under, who may be disproportionately impacted by
9 diminished labor market opportunities for summer
10 jobs or year round employment due to the economic
11 impacts of the COVID–19 national emergency.

12 (2) YOUTH WORKFORCE INVESTMENT ACTIVI-
13 TIES.—

14 (A) SUMMER EMPLOYMENT OPPORTUNI-
15 TIES FOR AT-RISK YOUTH.—Of the funds re-
16 ceived under this section, not less than 50 per-
17 cent of funds shall be used to support summer
18 youth employment for in-school and out-of-
19 school youth with a priority for out-of-school
20 youth and youth with multiple barriers to em-
21 ployment, and shall include support for em-
22 ployer partnerships for youth employment and
23 subsidized youth employment.

24 (B) OTHER ACTIVITIES.—Any amounts not
25 used to carry out the activities described in sub-

1 paragraph (A) shall be used by State and local
2 boards for purposes of—

3 (i) supporting in-school and out-of-
4 school youth attach or reattach to edu-
5 cation and career pathways

6 (ii) education and training activities
7 to support credential attainment;

8 (iii) subsidized employment;

9 (iv) work-readiness training and edu-
10 cational programs aligned to career path-
11 ways;

12 (v)(I) engage or establish industry or
13 sector partnerships to determine job needs
14 for youth employment; and

15 (II) conducting outreach to youth and
16 employers;

17 (vi) coaching and mentoring services
18 for participating youth, including career
19 exploration, career counseling, career plan-
20 ning, and college planning services for par-
21 ticipating youth;

22 (vii) coaching and mentoring services
23 for employers on how to successfully em-
24 ploy each participating youth in meaning-
25 ful work;

1 (viii) providing supportive services to
2 youth to enable participation in the pro-
3 gram, including follow-up services for not
4 less than 12 months after the completion
5 of participation, as appropriate;

6 (ix) coordinating activities under this
7 section with State and local education
8 agencies around academic calendars in re-
9 sponse to the COVID-19 national emer-
10 gency; and

11 (x) the activities described in section
12 129(b) of the Workforce Innovation and
13 Opportunity Act (29 U.S.C. 3164).

14 (c) GENERAL PROVISIONS.—

15 (1) LOCAL PLAN.—Activities carried out under
16 this section shall not conflict with the local plan sub-
17 mitted by the local board under section 108 of the
18 Workforce Innovation and Opportunity Act (29
19 U.S.C. 3123), as determined by the Governor.

20 (2) EMPLOYER SHARE OF WAGES.—Any funds
21 dedicated to youth placement in summer or year-
22 round employment under this section shall require
23 not less than 25 percent of the wages of each eligible
24 youth participating in the program to be paid by the
25 employer, except this requirement may be waived for

1 not more than 10 percent of eligible youth partici-
2 pating in the program that have a barrier to employ-
3 ment, which may waived for employers facing finan-
4 cial hardship due to the COVID–19 national emer-
5 gency.

6 (d) AUTHORIZATION OF APPROPRIATIONS.—There
7 are authorized to be appropriated to carry out the activi-
8 ties described in this section \$1,500,000,000 to be ex-
9 pended through the end of fiscal year 2022.

10 **SEC. 50007. ADULT EMPLOYMENT AND TRAINING ACTIVI-**
11 **TIES RESPONDING TO THE COVID–19 NA-**
12 **TIONAL EMERGENCY.**

13 (a) DISTRIBUTION OF FUNDS.—

14 (1) STATES.—From the amounts appropriated
15 under subsection (d), the Secretary shall make allot-
16 ments to States in accordance with section 132(b)(1)
17 of the Workforce Innovation and Opportunity Act.

18 (2) LOCAL AREAS.—Not later than 30 days
19 after a State receives an allotment under paragraph
20 (1), the State shall allocate such funds to local areas
21 in accordance with section 128 of the Workforce In-
22 novation and Opportunity Act.

23 (b) USES OF FUNDS.—

24 (1) IN GENERAL.—Each State and local area
25 shall use the funds received under this section to en-

1 gage in adult employment and training activities as
2 described in section 134 of the Workforce Innovation
3 and Opportunity Act (29 U.S.C. 3174) to provide
4 necessary supports to workers underemployed or
5 most at-risk of unemployment, and coordinate with
6 employers facing economic hardship or employment
7 challenges due to the economic impacts of the
8 COVID–19 national emergency.

9 (2) COVID–19 ADULT EMPLOYMENT AND
10 TRAINING ACTIVITIES.—

11 (A) PRIORITY.—In using funds received
12 under this section, a State and local area shall
13 prioritize training and employment and layoff
14 aversion strategies and services for workers and
15 employers facing economic hardships due to the
16 COVID–19 national emergency, including sup-
17 portive services and career planning by carrying
18 out the activities described in subparagraphs
19 (B) and (C).

20 (B) SERVICES TO EMPLOYERS IMPACTED
21 BY THE COVID–19 NATIONAL EMERGENCY.—

22 The activities described in this subparagraph
23 are activities supporting employee retention
24 strategies for employers facing economic hard-
25 ship as a result of the COVID–19 national

1 emergency, such as on-the-job training, cus-
2 tomized training, and incumbent worker train-
3 ing, with funds used to reimburse employers for
4 50 percent of wages while incumbent workers
5 are in training, and Short-Time Compensation
6 programs.

7 (C) UNDEREMPLOYMENT AND EMPLOY-
8 MENT SUPPORTS.—The activities described in
9 this subparagraph are activities supporting
10 strategies to provide support to workers facing
11 underemployment, individuals seeking work, or
12 who are adversely impacted by economic
13 changes within their communities due to the
14 COVID–19 national emergency, including—

15 (i) work-based learning opportunities
16 including internships, paid work experience
17 opportunities, transitional employment, or
18 apprenticeships;

19 (ii) career navigation supports to en-
20 able workers to find new potential path-
21 ways to in-demand careers and the nec-
22 essary training to support those career
23 pathways;

24 (iii) provision of virtual services and
25 employment and training activities during

1 the period of the COVID–19 national
2 emergency; and

3 (iv) other services and activities as de-
4 scribed under section 134 of the Workforce
5 Innovation and Opportunity Act (29
6 U.S.C. 3174).

7 (c) LOCAL PLAN.—Activities carried out under this
8 section shall not conflict with the local plan submitted by
9 the local board under section 108 of the Workforce Inno-
10 vation and Opportunity Act (29 U.S.C. 3123), as deter-
11 mined by the Governor.

12 (d) AUTHORIZATION OF APPROPRIATIONS.—There
13 are authorized to be appropriated to carry out this section
14 \$1,000,000,000 to be expended through the end of fiscal
15 year 2022.

16 **SEC. 50008. EMPLOYMENT SERVICE COVID–19 NATIONAL**
17 **EMERGENCY RESPONSE FUND.**

18 (a) IN GENERAL.—From the funds appropriated
19 under subsection (c), the Secretary make allotments to
20 States in accordance with section 6 of the Wagner-Peyser
21 Act (29 U.S.C. 49e)

22 (b) USES OF FUNDS.—Funds under this section will
23 provide States additional supports for supporting employ-
24 ment service public employees in providing reemployment
25 services for unemployed and underemployed workers em-

1 ployers impacted by the COVID–19 national emergency,
2 including those receiving unemployment insurance as a re-
3 sult of the emergency, providing for services such as reem-
4 ployment services, job search assistance, job matching
5 services based on experience of workers, and helping em-
6 ployers dealing with layoffs.

7 (c) AUTHORIZATION OF APPROPRIATIONS.—There
8 are authorized to be appropriated to carry out the activi-
9 ties described in this section \$50,000,000 to be expended
10 through the end of fiscal year 2022 and distributed as de-
11 scribed in.

12 **SEC. 50009. GENERAL PROVISION.**

13 (a) SUPPLEMENT AND NOT SUPPLANT.—Any funds
14 made available for this Act shall supplement and not sup-
15 plant other State or local public funds expended for em-
16 ployment and training programs or other activities funded
17 under the Workforce Innovation and Opportunity Act (29
18 U.S.C. 3164).

19 (b) EVALUATIONS.—All activities carried out under
20 this Act shall be subject to—

21 (1) performance accountability as described in
22 section 116 of the Workforce Innovation and Oppor-
23 tunity Act (29 U.S.C. 3141); and

24 (2) rigorous evaluation of such program using
25 research approaches appropriate to the level of de-

1 velopment and maturity of the program, including
2 random assignment or quasi-experimental impact
3 evaluations, implementation evaluations, pre-experi-
4 mental studies, and feasibility studies.

5 (c) AUTHORIZATION OF APPROPRIATIONS.—There
6 are authorized to be appropriated such sums as necessary
7 for Program Administration and Departmental Manage-
8 ment of the Department of Labor to support the adminis-
9 tration of the funds for this Act.

1 **DIVISION F—FAMILY SUPPORT**
2 **PROVISIONS**

3 **SEC. 60001. CONTINUED SAFE OPERATION OF CHILD WEL-**
4 **FARE PROGRAMS AND SUPPORT FOR OLDER**
5 **FOSTER YOUTH.**

6 (a) FUNDING INCREASES.—

7 (1) GENERAL PROGRAM.—The dollar amount
8 specified in section 477(h)(1) of the Social Security
9 Act for fiscal year 2020 is deemed to be
10 \$185,900,000.

11 (2) EDUCATION AND TRAINING VOUCHERS.—
12 The dollar amount specified in section 477(h)(2) of
13 such Act for fiscal year 2020 is deemed to be
14 \$78,000,000.

15 (b) PROGRAMMATIC FLEXIBILITY.—With respect to
16 the period that begins on March 1, 2020, and ends with
17 the close of calendar year 2020:

18 (1) ELIMINATION OF AGE LIMITATIONS ON ELI-
19 GIBILITY FOR ASSISTANCE.—Eligibility for services
20 or assistance under a State program operated pursu-
21 ant to section 477 of the Social Security Act shall
22 be provided without regard to the age of the recipi-
23 ent.

24 (2) SUSPENSION OF WORK AND EDUCATION RE-
25 QUIREMENTS UNDER THE EDUCATION AND TRAIN-

1 ING VOUCHER PROGRAM.—Section 477(i)(3) of the
2 Social Security Act shall be applied and adminis-
3 tered without regard to any work or education re-
4 quirement.

5 (3) AUTHORITY TO WAIVE LIMITATION ON PER-
6 CENTAGE OF FUNDS USED FOR HOUSING ASSIST-
7 ANCE.—The Secretary of Health and Human Serv-
8 ices (in this subsection referred to as the “Sec-
9 retary”) may apply and administer section 477 of
10 the Social Security Act without regard to subsection
11 (b)(3)(B) of such section.

12 (4) AUTHORITY TO WAIVE RULES CONFLICTING
13 WITH NEEDED ASSISTANCE AND SERVICES.—The
14 Secretary may waive any requirement imposed by or
15 under part B or E of title IV of the Social Security
16 Act (including any limitation on the ability of con-
17 tractors pursuant to such part B or E to apply for
18 no-cost contract extensions) that the Secretary
19 deems to be in conflict with using funds made avail-
20 able pursuant to this section or other statutes for
21 the provision of financial, education, work, housing,
22 and other assistance and services needed in response
23 to the public health emergency declared by the Sec-
24 retary pursuant to section 319 of the Public Health
25 Service Act on January 31, 2020, entitled “Deter-

1 mination that a Public Health Emergency Exists
2 Nationwide as the Result of the 2019 Novel
3 Coronavirus”.

4 (5) AUTHORITY OF STATES TO DETERMINE
5 HOW DAILY ACTIVITIES MAY BE CONDUCTED RE-
6 MOTELY.—The Secretary may allow a State to de-
7 termine how daily activities under the State plan de-
8 veloped under part B of title IV of the Social Secu-
9 rity Act and the State program funded under section
10 477 of such Act may be conducted through elec-
11 tronic means to comply with public health guidelines
12 relating to social distancing, including conducting
13 any required court proceedings pertaining to chil-
14 dren in care. In making any such determination, the
15 State shall work to ensure that the safety and health
16 of each child in care remains paramount.

17 (6) COUNTING OF REMOTE CASEWORKER VISITS
18 AS IN-PERSON VISITS.—In the case of a foster child
19 who has attained 18 years of age and with respect
20 to whom foster care maintenance payments are
21 being made under a State plan approved under part
22 E of title IV of the Social Security Act, caseworker
23 contact with the child that includes visual and audi-
24 tory contact and which is conducted solely by elec-
25 tronic means is deemed an in-person visit to the

1 child by the caseworker for purposes of section
2 424(f)(1)(A) of such Act if the child is visited by the
3 caseworker in person not less than once every 6
4 months while in such care.

5 (7) ELIMINATION OF EDUCATION AND EMPLOY-
6 MENT REQUIREMENTS FOR CERTAIN FOSTER
7 YOUTH.—The Secretary may waive the applicability
8 of subclauses (I) through (IV) of section
9 475(8)(B)(iv) of the Social Security Act.

10 (c) STATE DEFINED.—In subsection (a), the term
11 “State” has the meaning given the term in section
12 1101(a) of the Social Security Act for purposes of title
13 IV of the Social Security Act, and includes an Indian tribe,
14 tribal organization, or tribal consortium with an applica-
15 tion and plan approved under this section 477(j) of such
16 Act for fiscal year 2020.

17 **SEC. 60002. ALLOWING HOME VISITING PROGRAMS TO CON-**
18 **TINUE SERVING FAMILIES SAFELY.**

19 (a) IN GENERAL.—For purposes of section 511 of the
20 Social Security Act, during the period that begins on Feb-
21 ruary 1, 2020, and ends with the close of calendar year
22 2020—

23 (1) a virtual home visit shall be considered a
24 home visit;

1 (2) funding for, and staffing levels of, a pro-
2 gram conducted pursuant to such section shall not
3 be reduced on account of reduced enrollment in the
4 program; and

5 (3) funds provided for such a program may be
6 used—

7 (A) to train home visitors in conducting a
8 virtual home visit and in emergency prepared-
9 ness and response planning for families served;

10 (B) for the acquisition by families enrolled
11 in the program of such technological means as
12 are needed to conduct and support a virtual
13 home visit; and

14 (C) to provide emergency supplies (such as
15 diapers, formula, non-perishable food, water,
16 hand soap and hand sanitizer) to families
17 served.

18 (b) VIRTUAL HOME VISIT DEFINED.—In subsection
19 (a), the term “virtual home visit” means a visit that is
20 conducted solely by electronic means.

21 (c) AUTHORITY TO DELAY DEADLINES.—

22 (1) IN GENERAL.—The Secretary of Health and
23 Human Services may extend the deadline by which
24 a requirement of section 511 of the Social Security

1 Act must be met, by such period of time as the Sec-
2 retary deems appropriate.

3 (2) GUIDANCE.—The Secretary shall provide to
4 eligible entities funded under section 511 of the So-
5 cial Security Act information on the parameters
6 used in extending a deadline under paragraph (1) of
7 this subsection.

8 **SEC. 60003. EMERGENCY FLEXIBILITY FOR CHILD SUPPORT**
9 **PROGRAMS.**

10 (a) IN GENERAL.—With respect to the period that
11 begins on March 1, 2020, and ends with the close of cal-
12 endar year 2021:

13 (1) The Secretary of Health and Human Serv-
14 ices (in this subsection referred to as the “Sec-
15 retary”) may increase any percentage in effect for
16 purposes of section 455(a)(1) of the Social Security
17 Act to not more than 100 percent.

18 (2) On application of an Indian tribe therefor,
19 the Secretary may waive any matching funds re-
20 quirement imposed on the tribe under section 455(f)
21 of such Act.

22 (3) Paragraphs (2) and (8) of section 409(a) of
23 such Act shall have no force or effect.

24 (4) The Secretary may exempt a State from
25 any requirement of section 466 of such Act.

1 (5) The Secretary may not impose a penalty or
2 take any other adverse action against a State pursu-
3 ant to section 452(g)(1) of such Act for failure to
4 achieve a paternity establishment percentage of less
5 than 90 percent.

6 (6) The Secretary may not find that the pater-
7 nity establishment percentage for a State is not
8 based on reliable data for purposes of section
9 452(g)(1) of such Act, and the Secretary may not
10 determine that the data which a State submitted
11 pursuant to section 452(a)(4)(C)(i) of such Act and
12 which is used in determining a performance level is
13 not complete or reliable for purposes of section
14 458(b)(5)(B) of such Act, on the basis of the failure
15 of the State to submit OCSE Form 396 or 34 in a
16 timely manner.

17 (7) The Secretary may not impose a penalty or
18 take any other adverse action against a State for
19 failure to comply with section 454A(g)(1)(A)(i) of
20 such Act.

21 (8) The Secretary may not disapprove a State
22 plan submitted pursuant to part D of title IV of
23 such Act for failure of the plan to meet the require-
24 ment of section 454(1) of such Act, and may not im-
25 pose a penalty or take any other adverse action

1 against a State with such a plan that meets that re-
2 quirement for failure to comply with that require-
3 ment.

(9) To the extent that a preceding provision of this section applies with respect to a provision of law applicable to a program operated by an Indian tribe or tribal organization (as defined in subsections (e) and (l) of section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), that preceding provision shall apply with respect to the Indian tribe or tribal organization.

(b) STATE DEFINED.—In subsection (a), the term “State” has the meaning given the term in section 1101(a) of the Social Security Act for purposes of title IV of such Act.

16 SEC. 60004. EMERGENCY FLEXIBILITY FOR STATE TANF
17 PROGRAMS.

(a) STATE PROGRAMS.—Sections 407 and 408(a)(7) of the Social Security Act shall have no force or effect during the applicable period, and paragraphs (3), (9), (14), and (15) of section 409(a) of such Act shall not apply with respect to conduct engaged in during the period.

(b) TRIBAL PROGRAMS.—The minimum work participation requirements and time limits established under sec-

tion 412(c) of the Social Security Act shall have no force or effect during the applicable period, and the penalties established under such section shall not apply with respect to conduct engaged in during the period.

(c) PENALTY FOR NONCOMPLIANCE.—

(1) IN GENERAL.—If the Secretary of Health and Human Services finds that a State or an Indian tribe has imposed a work requirement as a condition of receiving assistance, or a time limit on the provision of assistance, under a program funded under part A of title IV of the Social Security Act or any program funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i) of such Act) during the applicable period, or has imposed a penalty for failure to comply with a work requirement during the period, the Secretary shall reduce the grant payable to the State under section 403(a)(1) of such Act or the grant payable to the tribe under section 412(a)(1) of such Act, as the case may be, for fiscal year 2021 by an amount equal to 5 percent of the State or tribal family assistance grant, as the case may be.

(2) APPLICABILITY OF CERTAIN PROVISIONS.—

For purposes of subsections (c) and (d) of section 409 of the Social Security Act, paragraph (1) of this

1 subsection shall be considered to be included in sec-
2 tion 409(a) of such Act.

3 (d) DEFINITIONS.—In this section:

4 (1) APPLICABLE PERIOD.—The term “applica-
5 ble period” means the period that begins on March
6 1, 2020, and ends with the close of calendar year
7 2020.

8 (2) WORK REQUIREMENT.—The term “work re-
9 quirement” means a requirement to engage in a
10 work activity (as defined in section 407(d) of the So-
11 cial Security Act).

12 (3) OTHER TERMS.—Each other term has the
13 meaning given the term in section 419 of the Social
14 Security Act.

**DIVISION G—HEALTH
PROVISIONS
TITLE ____—CHILD CARE FOR
ESSENTIAL WORKERS**

**SEC. 7 ____ 01. STATE FUNDING TO ENSURE THAT ESSENTIAL
WORKERS CAN ACCESS CHILD CARE.**

(a) INCREASE IN FUNDING.—

(1) IN GENERAL.—The amount specified in subsection (c) of section 2003 of the Social Security Act for purposes of subsections (a) and (b) of such section is deemed to be \$2,550,000,000 for fiscal year 2020, of which \$850,000,000 shall be obligated by States during calendar year 2020 in accordance with subsection (b) of this section.

(2) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated \$850,000,000 for fiscal year 2020 to carry out this section.

(b) RULES GOVERNING USE OF ADDITIONAL
FUNDS.—

(1) IN GENERAL.—Funds are used in accordance with this subsection if—

(A) the funds are used for—

(i) child care services for a child of an
essential worker; or

1 (ii) daytime care services or other
2 adult protective services for an individual
3 who—

4 (I) is a dependent, or a member
5 of the household of, an essential work-
6 er; and

7 (II) requires the services;

8 (B) the funds are provided to reimburse an
9 essential worker for the cost of obtaining the
10 services (including child care services obtained
11 on or after the date the Secretary of Health
12 and Human Services declared a public health
13 emergency pursuant to section 319 of the Pub-
14 lic Health Service Act on January 31, 2020, en-
15 titled “Determination that a Public Health
16 Emergency Exists Nationwide as the Result of
17 the 2019 Novel Coronavirus”), to a provider of
18 child care services, or to establish a temporary
19 child care facility operated by a State or local
20 government;

21 (C) eligibility for the funds or services, and
22 the amount of funds or services provided, is not
23 conditioned on a means test;

24 (D) the funds are used subject to the limi-
25 tations in section 2005 of the Social Security

1 Act, except that, for purposes of this subpara-
2 graph—

3 (i) paragraphs (3), (5), and (8) of sec-
4 tion 2005(a) of such Act shall not apply;
5 and

6 (ii)(I) the limitation in section
7 2005(a)(7) of such Act shall not apply
8 with respect to any standard which the
9 State involved determines would impede
10 the ability of the State to provide emer-
11 gency temporary care to a child, depend-
12 ent, or household member referred to in
13 subparagraph (A) of this paragraph; and

14 (II) if the State determines that such
15 a standard would be so impeding, the
16 State shall report the determination to the
17 Secretary, separately from the annual re-
18 port to the Secretary by the State;

19 (E) the funds are used to supplement, not
20 supplant, State general revenue funds for child
21 care assistance;

22 (F) the funds are not used for child care
23 costs that are—

24 (i) covered by funds provided under
25 the Child Care and Development Block

1 Grant Act of 1990 or section 418 of the
2 Social Security Act; or

3 (ii) reimbursable by the Federal
4 Emergency Management Agency; and

5 (G) the funds are used in consultation with
6 the lead agency for administration of the Child
7 Care and Development Fund.

8 (2) ESSENTIAL WORKER DEFINED.—In para-
9 graph (1), the term “essential worker” means—

10 (A) a health sector employee;

11 (B) an emergency response worker;

12 (C) a sanitation worker;

13 (D) a worker at a business which a State
14 or local government official has determined
15 must remain open to serve the public during the
16 emergency referred to in paragraph (1)(B); and

17 (E) any other worker who cannot telework,
18 and whom the State deems to be essential dur-
19 ing the emergency referred to in paragraph
20 (1)(B).

1 **DIVISION H—EMERGENCY**
 2 **CORONAVIRUS PANDEMIC**
 3 **UNEMPLOYMENT COMPENSA-**
 4 **TION ACT OF 2020**

5 **SEC. 80001. SHORT TITLE.**

6 This division may be cited as the .

7 **SEC. 80002. TABLE OF CONTENTS.**

8 The table of contents for this division is as follows:

Sec. 1. Short title.

Sec. 2. Table of contents.

TITLE I—FEDERAL BENEFIT ENHANCEMENTS

Sec. 101. Emergency increase in unemployment compensation benefits.

Sec. 102. Temporary financing of short-time compensation payments in States
with programs in law.

Sec. 103. Temporary financing of short-time compensation agreements.

Sec. 104. Emergency flexibility for short-time compensation.

Sec. 105. Grants for short-time compensation programs.

Sec. 106. Emergency extended benefit period for 2020.

**TITLE II—EXPANDED ELIGIBILITY FOR UNEMPLOYMENT
COMPENSATION**

Sec. 201. Pandemic Self-Employment and Job Entrant Compensation.

**TITLE III—RELIEF FOR GOVERNMENTAL AND NONPROFIT
ENTITIES**

Sec. 301. Emergency unemployment relief for governmental entities and non-
profit organizations.

TITLE IV—EMERGENCY ASSISTANCE FOR RAIL WORKERS

Sec. 401. Treatment of payments from the Railroad Unemployment Insurance
Account.

Sec. 402. Waiver of the 7-day waiting period for benefits under the Railroad
Unemployment Insurance Act.

Sec. 403. Enhanced benefits under the Railroad Unemployment Insurance Act.

1 **TITLE I—FEDERAL BENEFIT**
2 **ENHANCEMENTS**

3 **SEC. 80101. EMERGENCY INCREASE IN UNEMPLOYMENT**
4 **COMPENSATION BENEFITS.**

5 (a) FEDERAL-STATE AGREEMENTS.—Any State
6 which desires to do so may enter into and participate in
7 an agreement under this section with the Secretary of
8 Labor (hereinafter in this section referred to as the “Sec-
9 retary”). Any State which is a party to an agreement
10 under this section may, upon providing 30 days’ written
11 notice to the Secretary, terminate such agreement.

12 (b) PROVISIONS OF AGREEMENT.—

13 (1) IN GENERAL.—Any agreement under this
14 section shall provide the following:

15 (A) FEDERAL PANDEMIC UNEMPLOYMENT
16 COMPENSATION.—The State agency of the
17 State will make payments of regular compensa-
18 tion to individuals in amounts and to the extent
19 that they would be determined if the State law
20 of the State were applied, with respect to any
21 week for which the individual is (disregarding
22 this section) otherwise entitled under the State
23 law to receive regular compensation, as if such
24 State law had been modified in a manner such
25 that the amount of regular compensation (in-

1 including dependents' allowances) payable for any
2 week shall be equal to—

3 (i) the amount determined under the
4 State law (before the application of this
5 paragraph), plus

6 (ii) an additional amount of \$600 (in
7 this section referred to as “Federal Pan-
8 demic Unemployment Compensation”).

9 (B) FEDERAL PANDEMIC SHORT-TIME
10 COMPENSATION.—In the case of a State that
11 provides under the State law for the payment of
12 short-time compensation under a short-time
13 compensation program (as defined in section
14 3306(v) of the Internal Revenue Code of 1986),
15 the State agency of the State will make pay-
16 ments of compensation (as defined in subsection
17 (h) of such section) to employees participating
18 in such program in amounts and to the extent
19 that they would be determined under such pro-
20 gram if the State law of the State were applied,
21 with respect to any week for which the indi-
22 vidual is (disregarding this section) otherwise
23 eligible under the program under the State law
24 to receive such compensation, as if such State
25 law had been modified in a manner such that

1 the amount of compensation payable for any
2 week shall be equal to the amount determined
3 under the State law (before the application of
4 this paragraph) plus \$300 (in this section re-
5 ferred to as “Federal Pandemic Short-Time
6 Compensation”).

7 (2) ALLOWABLE METHODS OF PAYMENT.—Any
8 Federal Pandemic Unemployment Compensation or
9 Federal Pandemic Short-Time Compensation pro-
10 vided for in accordance with paragraph (1) shall be
11 payable either—

12 (A) as an amount which is paid at the
13 same time and in the same manner as any com-
14 pensation otherwise payable for the week in-
15 volved; or

16 (B) at the option of the State, by pay-
17 ments which are made separately from, but on
18 the same weekly basis as, any compensation
19 otherwise payable.

20 (c) NONREDUCTION RULE.—An agreement under
21 this section shall not apply (or shall cease to apply) with
22 respect to a State upon a determination by the Secretary
23 that the method governing the computation of regular
24 compensation under the State law of that State has been
25 modified in a manner such that the maximum benefit enti-

1 tlement and the average weekly benefit amount of regular
2 compensation (or short-time compensation in the case of
3 a State described in subsection (b)(1)(B)) which will be
4 payable during the period of the agreement (determined
5 disregarding any Federal Pandemic Unemployment Com-
6 pensation or Federal Pandemic Short-Time Compensa-
7 tion) will be less than the maximum benefit entitlement
8 and the average weekly benefit amount of regular com-
9 pensation (or short-time compensation) which would oth-
10 erwise have been payable during such period under the
11 State law, as in effect on January 1, 2020.

12 (d) PAYMENTS TO STATES.—

13 (1) IN GENERAL.—

14 (A) FULL REIMBURSEMENT.—There shall
15 be paid to each State which has entered into an
16 agreement under this section an amount equal
17 to 100 percent of—

18 (i) the total amount of Federal Pan-
19 demic Unemployment Compensation paid
20 to individuals by the State pursuant to
21 such agreement;

22 (ii) the total amount of Federal Pan-
23 demic Short-Time Compensation paid to
24 individuals by the State pursuant to such
25 agreement; and

1 (iii) any additional administrative ex-
2 penses incurred by the State by reason of
3 such agreement (as determined by the Sec-
4 retary).

5 (B) TERMS OF PAYMENTS.—Sums payable
6 to any State by reason of such State's having
7 an agreement under this section shall be pay-
8 able, either in advance or by way of reimburse-
9 ment (as determined by the Secretary), in such
10 amounts as the Secretary estimates the State
11 will be entitled to receive under this section for
12 each calendar month, reduced or increased, as
13 the case may be, by any amount by which the
14 Secretary finds that his estimates for any prior
15 calendar month were greater or less than the
16 amounts which should have been paid to the
17 State. Such estimates may be made on the
18 basis of such statistical, sampling, or other
19 method as may be agreed upon by the Secretary
20 and the State agency of the State involved.

21 (2) CERTIFICATIONS.—The Secretary shall
22 from time to time certify to the Secretary of the
23 Treasury for payment to each State the sums pay-
24 able to such State under this section.

1 (3) APPROPRIATION.—There are appropriated
2 from the general fund of the Treasury, without fiscal
3 year limitation, such sums as may be necessary for
4 purposes of this subsection.

5 (e) APPLICABILITY.—

6 (1) IN GENERAL.—An agreement entered into
7 under this section shall apply to weeks of unemploy-
8 ment—

9 (A) beginning on or after March 13, 2020;
10 and

11 (B) ending on or before January 1, 2021.

12 (2) TRANSITION RULE FOR INDIVIDUALS RE-
13 MAINING ENTITLED TO REGULAR COMPENSATION AS
14 OF JUNE 30, 2021.—In the case of any individual
15 who, as of the date specified in paragraph (1)(B),
16 has not yet exhausted all rights to regular com-
17 pensation under the State law of a State with re-
18 spect to a benefit year that began before such date
19 (or short-time compensation in the case of a State
20 described in subsection (b)(1)(B)), Federal Pan-
21 demic Unemployment Compensation or Federal Pan-
22 demic Short-Time Compensation (as the case may
23 be) shall continue to be payable to such individual
24 for any week beginning on or after such date for
25 which the individual is otherwise eligible for regular

1 compensation (or short-time compensation) with re-
2 spect to such benefit year.

3 (3) TERMINATION.—Notwithstanding any other
4 provision of this subsection, no Federal Pandemic
5 Unemployment Compensation or Federal Pandemic
6 Short-Time Compensation shall be payable for any
7 week beginning after June 30, 2021.

8 (f) FRAUD AND OVERPAYMENTS.—

9 (1) IN GENERAL.—If an individual knowingly
10 has made, or caused to be made by another, a false
11 statement or representation of a material fact, or
12 knowingly has failed, or caused another to fail, to
13 disclose a material fact, and as a result of such false
14 statement or representation or of such nondisclosure
15 such individual has received an amount of Federal
16 Pandemic Unemployment Compensation or Federal
17 Pandemic Short-Time Compensation to which such
18 individual was not entitled, such individual—

19 (A) shall be ineligible for further Federal
20 Pandemic Unemployment Compensation or
21 Federal Pandemic Short-Time Compensation in
22 accordance with the provisions of the applicable
23 State unemployment compensation law relating
24 to fraud in connection with a claim for unem-
25 ployment compensation; and

1 (B) shall be subject to prosecution under
2 section 1001 of title 18, United States Code.

3 (2) REPAYMENT.—In the case of individuals
4 who have received amounts of Federal Pandemic
5 Unemployment Compensation or Federal Pandemic
6 Short-Time Compensation to which they were not
7 entitled, the State shall require such individuals to
8 repay the amounts of such Federal Pandemic Unem-
9 ployment Compensation or Federal Pandemic Short-
10 Time Compensation to the State agency, except that
11 the State agency may waive such repayment if it de-
12 termines that—

13 (A) the payment of such Federal Pandemic
14 Unemployment Compensation or Federal Pan-
15 demic Short-Time Compensation was without
16 fault on the part of any such individual; and

17 (B) such repayment would be contrary to
18 equity and good conscience.

19 (3) RECOVERY BY STATE AGENCY.—

20 (A) IN GENERAL.—The State agency may
21 recover the amount to be repaid, or any part
22 thereof, by deductions from any Federal Pan-
23 demic Unemployment Compensation or Federal
24 Pandemic Short-Time Compensation payable to
25 such individual or from any unemployment

1 compensation payable to such individual under
2 any State or Federal unemployment compensa-
3 tion law administered by the State agency or
4 under any other State or Federal law adminis-
5 tered by the State agency which provides for
6 the payment of any assistance or allowance with
7 respect to any week of unemployment, during
8 the 3-year period after the date such individuals
9 received the payment of the Federal Pandemic
10 Unemployment Compensation or Federal Pan-
11 demic Short-Time Compensation to which they
12 were not entitled, in accordance with the same
13 procedures as apply to the recovery of overpay-
14 ments of regular unemployment benefits paid
15 by the State.

16 (B) OPPORTUNITY FOR HEARING.—No re-
17 payment shall be required, and no deduction
18 shall be made, until a determination has been
19 made, notice thereof and an opportunity for a
20 fair hearing has been given to the individual,
21 and the determination has become final.

22 (4) REVIEW.—Any determination by a State
23 agency under this section shall be subject to review
24 in the same manner and to the same extent as deter-
25 minations under the State unemployment compensa-

1 tion law, and only in that manner and to that ex-
2 tent.

3 (g) APPLICATION TO OTHER UNEMPLOYMENT BENE-
4 FITS.—

5 (1) IN GENERAL.—Each agreement under this
6 section shall include provisions to provide that the
7 purposes of the preceding provisions of this section
8 shall be applied with respect to unemployment bene-
9 fits described in subsection (i)(3) to the same extent
10 and in the same manner as if those benefits were
11 regular compensation.

12 (2) ELIGIBILITY AND TERMINATION RULES.—
13 Federal Pandemic Unemployment Compensation—

14 (A) shall not be payable, pursuant to this
15 subsection, with respect to any unemployment
16 benefits described in subsection (i)(3) for any
17 week beginning on or after the date specified in
18 subsection (e)(1)(B), except in the case of an
19 individual who was eligible to receive Federal
20 Pandemic Unemployment Compensation in con-
21 nection with any regular compensation or any
22 unemployment benefits described in subsection
23 (i)(3) for any period of unemployment ending
24 before such date; and

1 (B) shall in no event be payable for any
2 week beginning after the date specified in sub-
3 section (e)(3).

4 (h) TREATMENT OF FEDERAL PANDEMIC UNEM-
5 PLOYMENT COMPENSATION AND FEDERAL PANDEMIC
6 SHORT-TIME COMPENSATION PAYMENTS.—

7 (1) PAYMENT TO BE DISREGARDED FOR PUR-
8 POSES OF ALL FEDERAL AND FEDERALLY ASSISTED
9 PROGRAMS.—A Federal Pandemic Unemployment
10 Compensation or Federal Pandemic Short-Time
11 Compensation payment shall not be regarded as in-
12 come and shall not be regarded as a resource for the
13 month of receipt and the following 9 months, for
14 purposes of determining the eligibility of the recipi-
15 ent (or the recipient's spouse or family) for benefits
16 or assistance, or the amount or extent of benefits or
17 assistance, under any Federal program or under any
18 State or local program financed in whole or in part
19 with Federal funds.

20 (i) DEFINITIONS.—For purposes of this section—

21 (1) the terms “compensation”, “regular com-
22 pensation”, “benefit year”, “State”, “State agency”,
23 “State law”, and “week” have the respective mean-
24 ings given such terms under section 205 of the Fed-

1 eral-State Extended Unemployment Compensation
2 Act of 1970 (26 U.S.C. 3304 note);

3 (2) the term “maximum benefit entitlement”
4 means the amount of regular compensation payable
5 to an individual with respect to the individual’s ben-
6 efit year; and

7 (3) any reference to unemployment benefits de-
8 scribed in this paragraph shall be considered to refer
9 to—

10 (A) extended compensation (as defined by
11 section 205 of the Federal-State Extended Un-
12 employment Compensation Act of 1970); and

13 (B) unemployment compensation (as de-
14 fined by section 85(b) of the Internal Revenue
15 Code of 1986) provided under any program ad-
16 ministered by a State under an agreement with
17 the Secretary.

18 **SEC. 80102. TEMPORARY FINANCING OF SHORT-TIME COM-**
19 **PENSATION PAYMENTS IN STATES WITH PRO-**
20 **GRAMS IN LAW.**

21 (a) PAYMENTS TO STATES.—

22 (1) IN GENERAL.—Subject to paragraph (3),
23 there shall be paid to a State an amount equal to
24 100 percent of the amount of short-time compensa-
25 tion paid under a short-time compensation program

1 (as defined in section 3306(v) of the Internal Rev-
2 enue Code of 1986) under the provisions of the
3 State law.

4 (2) TERMS OF PAYMENTS.—Payments made to
5 a State under paragraph (1) shall be payable by way
6 of reimbursement in such amounts as the Secretary
7 estimates the State will be entitled to receive under
8 this section for each calendar month, reduced or in-
9 creased, as the case may be, by any amount by
10 which the Secretary finds that the Secretary's esti-
11 mates for any prior calendar month were greater or
12 less than the amounts which should have been paid
13 to the State. Such estimates may be made on the
14 basis of such statistical, sampling, or other method
15 as may be agreed upon by the Secretary and the
16 State agency of the State involved.

17 (3) LIMITATIONS ON PAYMENTS.—

18 (A) GENERAL PAYMENT LIMITATIONS.—

19 No payments shall be made to a State under
20 this section for short-time compensation paid to
21 an individual by the State during a benefit year
22 in excess of 26 times the amount of regular
23 compensation (including dependents' allow-
24 ances) under the State law payable to such in-
25 dividual for a week of total unemployment.

1 (B) EMPLOYER LIMITATIONS.—No pay-
2 ments shall be made to a State under this sec-
3 tion for benefits paid to an individual by the
4 State under a short-time compensation program
5 if such individual is employed by the partici-
6 pating employer on a seasonal, temporary, or
7 intermittent basis.

8 (b) APPLICABILITY.—Payments to a State under
9 subsection (a) shall be available for weeks of unemploy-
10 ment—

11 (1) beginning on or after March 13, 2020; and

12 (2) ending on or before December 31, 2020.

13 (c) NEW PROGRAMS.—Subject to paragraphs (1)(B)
14 and (2) of subsection (b), if at any point after the date
15 of the enactment of this Act the State enacts a State law
16 providing for the payment of short-time compensation
17 under a short-time compensation program that meets the
18 definition of such a program under section 3306(v) of the
19 Internal Revenue Code of 1986, the State shall be eligible
20 for payments under this section after the effective date
21 of such enactment.

22 (d) FUNDING AND CERTIFICATIONS.—

23 (1) FUNDING.—There are appropriated, out of
24 moneys in the Treasury not otherwise appropriated,

1 such sums as may be necessary for purposes of car-
2 rying out this section.

3 (2) CERTIFICATIONS.—The Secretary shall
4 from time to time certify to the Secretary of the
5 Treasury for payment to each State the sums pay-
6 able to such State under this section.

7 (e) DEFINITIONS.—In this section:

8 (1) SECRETARY.—The term “Secretary” means
9 the Secretary of Labor.

10 (2) STATE; STATE AGENCY; STATE LAW.—The
11 terms “State”, “State agency”, and “State law”
12 have the meanings given those terms in section 205
13 of the Federal-State Extended Unemployment Com-
14 pensation Act of 1970 (26 U.S.C. 3304 note).

15 (f) TECHNICAL CORRECTION TO DEFINITION.—Sec-
16 tion 3306(v)(6) of the Internal Revenue Code of 1986 (26
17 U.S.C. 3306) is amended by striking “Workforce Invest-
18 ment Act of 1998” and inserting “Workforce Innovation
19 and Opportunity Act”.

20 **SEC. 80103. TEMPORARY FINANCING OF SHORT-TIME COM-**
21 **PENSATION AGREEMENTS.**

22 (a) FEDERAL-STATE AGREEMENTS.—

23 (1) IN GENERAL.—Any State which desires to
24 do so may enter into, and participate in, an agree-
25 ment under this section with the Secretary provided

1 that such State's law does not provide for the pay-
2 ment of short-time compensation under a short-time
3 compensation program (as defined in section
4 3306(v) of the Internal Revenue Code of 1986).

5 (2) ABILITY TO TERMINATE.—Any State which
6 is a party to an agreement under this section may,
7 upon providing 30 days' written notice to the Sec-
8 retary, terminate such agreement.

9 (b) PROVISIONS OF FEDERAL-STATE AGREEMENT.—

10 (1) IN GENERAL.—Any agreement under this
11 section shall provide that the State agency of the
12 State will make payments of short-time compensa-
13 tion under a plan approved by the State. Such plan
14 shall provide that payments are made in accordance
15 with the requirements under section 3306(v) of the
16 Internal Revenue Code of 1986.

17 (2) LIMITATIONS ON PLANS.—

18 (A) GENERAL PAYMENT LIMITATIONS.—A
19 short-time compensation plan approved by a
20 State shall not permit the payment of short-
21 time compensation to an individual by the State
22 during a benefit year in excess of 26 times the
23 amount of regular compensation (including de-
24 pendents' allowances) under the State law pay-

1 able to such individual for a week of total un-
2 employment.

3 (B) EMPLOYER LIMITATIONS.—A short-
4 time compensation plan approved by a State
5 shall not provide payments to an individual if
6 such individual is employed by the participating
7 employer on a seasonal, temporary, or intermit-
8 tent basis.

9 (3) EMPLOYER PAYMENT OF COSTS.—Any
10 short-time compensation plan entered into by an em-
11 ployer must provide that the employer will pay the
12 State an amount equal to one-half of the amount of
13 short-time compensation paid under such plan. Such
14 amount shall be deposited in the State's unemploy-
15 ment fund and shall not be used for purposes of cal-
16 culating an employer's contribution rate under sec-
17 tion 3303(a)(1) of the Internal Revenue Code of
18 1986.

19 (c) PAYMENTS TO STATES.—

20 (1) IN GENERAL.—There shall be paid to each
21 State with an agreement under this section an
22 amount equal to—

23 (A) one-half of the amount of short-time
24 compensation paid to individuals by the State
25 pursuant to such agreement; and

1 (B) any additional administrative expenses
2 incurred by the State by reason of such agree-
3 ment (as determined by the Secretary).

4 (2) TERMS OF PAYMENTS.—Payments made to
5 a State under paragraph (1) shall be payable by way
6 of reimbursement in such amounts as the Secretary
7 estimates the State will be entitled to receive under
8 this section for each calendar month, reduced or in-
9 creased, as the case may be, by any amount by
10 which the Secretary finds that the Secretary's esti-
11 mates for any prior calendar month were greater or
12 less than the amounts which should have been paid
13 to the State. Such estimates may be made on the
14 basis of such statistical, sampling, or other method
15 as may be agreed upon by the Secretary and the
16 State agency of the State involved.

17 (3) FUNDING.—There are appropriated, out of
18 moneys in the Treasury not otherwise appropriated,
19 such sums as may be necessary for purposes of car-
20 rying out this section.

21 (4) CERTIFICATIONS.—The Secretary shall
22 from time to time certify to the Secretary of the
23 Treasury for payment to each State the sums pay-
24 able to such State under this section.

1 (d) APPLICABILITY.—An agreement entered into
2 under this section shall apply to weeks of unemployment—

3 (1) beginning on or after March 13, 2020; and

4 (2) ending on or before December 31, 2020.

5 (e) SPECIAL RULE.—If a State has entered into an
6 agreement under this section and subsequently enacts a
7 State law providing for the payment of short-time com-
8 pensation under a short-time compensation program that
9 meets the definition of such a program under section
10 3306(v) of the Internal Revenue Code of 1986, the
11 State—

12 (1) shall not be eligible for payments under this
13 section for weeks of unemployment beginning after
14 the effective date of such State law; and

15 (2) subject to paragraphs (1)(B) and (2) of sec-
16 tion 2(b), shall be eligible to receive payments under
17 section 2 after the effective date of such State law.

18 (f) DEFINITIONS.—In this section:

19 (1) SECRETARY.—The term “Secretary” means
20 the Secretary of Labor.

21 (2) STATE; STATE AGENCY; STATE LAW.—The
22 terms “State”, “State agency”, and “State law”
23 have the meanings given those terms in section 205
24 of the Federal-State Extended Unemployment Com-
25 pensation Act of 1970 (26 U.S.C. 3304 note).

1 **SEC. 80104. EMERGENCY FLEXIBILITY FOR SHORT-TIME**
2 **COMPENSATION.**

3 Notwithstanding any other law, if a State modifies
4 its unemployment compensation law and policies with re-
5 spect to availability for work and work search test require-
6 ments for short-time compensation on an emergency tem-
7 porary basis as needed to respond to the spread of
8 COVID–19, such modifications shall be disregarded for
9 the purposes of applying section 303 of the Social Security
10 Act and section 3306(v)(5) of the Internal Revenue Code
11 of 1986 to such State law.

12 **SEC. 80105. GRANTS FOR SHORT-TIME COMPENSATION**
13 **PROGRAMS.**

14 (a) GRANTS.—

15 (1) FOR IMPLEMENTATION OR IMPROVED AD-
16 MINISTRATION.—The Secretary shall award grants
17 to States that enact short-time compensation pro-
18 grams (as defined in subsection (i)(2)) for the pur-
19 pose of implementation or improved administration
20 of such programs.

21 (2) FOR PROMOTION AND ENROLLMENT.—The
22 Secretary shall award grants to States that are eligi-
23 ble and submit plans for a grant under paragraph
24 (1) for such States to promote and enroll employers
25 in short-time compensation programs (as so de-
26 fined).

1 (3) ELIGIBILITY.—

2 (A) IN GENERAL.—The Secretary shall de-
3 termine eligibility criteria for the grants under
4 paragraphs (1) and (2).

5 (B) CLARIFICATION.—A State admin-
6 istering a short-time compensation program
7 that does not meet the definition of a short-
8 time compensation program under section
9 3306(v) of the Internal Revenue Code of 1986,
10 and a State with an agreement under section 3,
11 shall not be eligible to receive a grant under
12 this section until such time as the State law of
13 the State provides for payments under a short-
14 time compensation program that meets such
15 definition and such law.

16 (b) AMOUNT OF GRANTS.—

17 (1) IN GENERAL.—The maximum amount avail-
18 able for making grants to a State under paragraphs
19 (1) and (2) shall be equal to the amount obtained
20 by multiplying \$100,000,000 (less the amount used
21 by the Secretary under subsection (e)) by the same
22 ratio as would apply under subsection (a)(2)(B) of
23 section 903 of the Social Security Act (42 U.S.C.
24 1103) for purposes of determining such State's
25 share of any excess amount (as described in sub-

1 section (a)(1) of such section) that would have been
2 subject to transfer to State accounts, as of October
3 1, 2019, under the provisions of subsection (a) of
4 such section.

5 (2) AMOUNT AVAILABLE FOR DIFFERENT
6 GRANTS.—Of the maximum incentive payment deter-
7 mined under paragraph (1) with respect to a
8 State—

9 (A) one-third shall be available for a grant
10 under subsection (a)(1); and

11 (B) two-thirds shall be available for a
12 grant under subsection (a)(2).

13 (c) GRANT APPLICATION AND DISBURSAL.—

14 (1) APPLICATION.—Any State seeking a grant
15 under paragraph (1) or (2) of subsection (a) shall
16 submit an application to the Secretary at such time,
17 in such manner, and complete with such information
18 as the Secretary may require. In no case may the
19 Secretary award a grant under this section with re-
20 spect to an application that is submitted after De-
21 cember 31, 2020.

22 (2) NOTICE.—The Secretary shall, within 30
23 days after receiving a complete application, notify
24 the State agency of the State of the Secretary's find-
25 ings with respect to the requirements for a grant

1 under paragraph (1) or (2) (or both) of subsection
2 (a).

3 (3) CERTIFICATION.—If the Secretary finds
4 that the State law provisions meet the requirements
5 for a grant under subsection (a), the Secretary shall
6 thereupon make a certification to that effect to the
7 Secretary of the Treasury, together with a certifi-
8 cation as to the amount of the grant payment to be
9 transferred to the State account in the Unemploy-
10 ment Trust Fund (as established in section 904(a)
11 of the Social Security Act (42 U.S.C. 1104(a))) pur-
12 suant to that finding. The Secretary of the Treasury
13 shall make the appropriate transfer to the State ac-
14 count within 7 days after receiving such certifi-
15 cation.

16 (4) REQUIREMENT.—No certification of compli-
17 ance with the requirements for a grant under para-
18 graph (1) or (2) of subsection (a) may be made with
19 respect to any State whose—

20 (A) State law is not otherwise eligible for
21 certification under section 303 of the Social Se-
22 curity Act (42 U.S.C. 503) or approvable under
23 section 3304 of the Internal Revenue Code of
24 1986; or

1 (B) short-time compensation program is
2 subject to discontinuation or is not scheduled to
3 take effect within 12 months of the certifi-
4 cation.

5 (d) USE OF FUNDS.—The amount of any grant
6 awarded under this section shall be used for the implemen-
7 tation of short-time compensation programs and the over-
8 all administration of such programs and the promotion
9 and enrollment efforts associated with such programs,
10 such as through—

11 (1) the creation or support of rapid response
12 teams to advise employers about alternatives to lay-
13 offs;

14 (2) the provision of education or assistance to
15 employers to enable them to assess the feasibility of
16 participating in short-time compensation programs;
17 and

18 (3) the development or enhancement of systems
19 to automate—

20 (A) the submission and approval of plans;
21 and

22 (B) the filing and approval of new and on-
23 going short-time compensation claims.

24 (e) ADMINISTRATION.—The Secretary is authorized
25 to use 0.25 percent of the funds available under subsection

1 (g) to provide for outreach and to share best practices with
2 respect to this section and short-time compensation pro-
3 grams.

4 (f) RECOUPMENT.—The Secretary shall establish a
5 process under which the Secretary shall recoup the
6 amount of any grant awarded under paragraph (1) or (2)
7 of subsection (a) if the Secretary determines that, during
8 the 5-year period beginning on the first date that any such
9 grant is awarded to the State, the State—

10 (1) terminated the State’s short-time compensa-
11 tion program; or

12 (2) failed to meet appropriate requirements
13 with respect to such program (as established by the
14 Secretary).

15 (g) FUNDING.—There are appropriated for fiscal
16 year 2020, out of moneys in the Treasury not otherwise
17 appropriated, to the Secretary, \$100,000,000 to carry out
18 this section, to remain available until December 31, 2020.

19 (h) REPORTING.—The Secretary may establish re-
20 porting requirements for States receiving a grant under
21 this section in order to provide oversight of grant funds.

22 (i) DEFINITIONS.—In this section:

23 (1) SECRETARY.—The term “Secretary” means
24 the Secretary of Labor.

1 (2) SHORT-TIME COMPENSATION PROGRAM.—

2 The term “short-time compensation program” has
3 the meaning given such term in section 3306(v) of
4 the Internal Revenue Code of 1986.

5 (3) STATE; STATE AGENCY; STATE LAW.—The
6 terms “State”, “State agency”, and “State law”
7 have the meanings given those terms in section 205
8 of the Federal-State Extended Unemployment Com-
9 pensation Act of 1970 (26 U.S.C. 3304 note).

10 **SEC. 80106. EMERGENCY EXTENDED BENEFIT PERIOD FOR**
11 **2020.**

12 (a) IN GENERAL.—For purposes of section 203 of the
13 Federal-State Extended Unemployment Compensation Act
14 of 1970 (26 U.S.C. 3304 note), and notwithstanding any
15 other provision of such section, an emergency extended
16 benefit period shall be deemed to occur with respect to
17 each State as follows:

18 (1) in the case of a State with respect to which
19 an extended benefit period is not in effect (without
20 regard to this section) for the 1st week beginning
21 after the date of enactment of this Act, an emer-
22 gency extended benefit period is deemed to begin
23 with such week with respect to such State; and

24 (2) in the case of a State with respect to which
25 an extended benefit period is otherwise in effect

1 (without regard to this section) for such week, an
2 emergency extended benefit period is deemed to
3 begin with the week following the last week of such
4 extended benefit period.

5 (b) SPECIAL RULE WITH RESPECT TO CERTAIN
6 STATES.—In the case of a State described in subsection
7 (a)(1) with respect to which an extended benefit period
8 would (but for this section) begin during an emergency
9 extended benefit period, such extended benefit period shall
10 begin with the week following the last week of such emer-
11 gency extended benefit period.

12 (c) ADDITIONAL FUNDING FOR EXTENDED COM-
13 PENSATION ACCOUNTS.—In the case of a State described
14 in (a)(2) or (b), section 202(b)(1) the Federal-State Ex-
15 tended Unemployment Compensation Act of 1970 (26
16 U.S.C. 3304 note) shall be applied for weeks during an
17 emergency extended benefit period by substituting for
18 each of “50”, “thirteen”, and “thirty-nine” such higher
19 number as the State determines is necessary to account
20 for such emergency extended benefit period.

21 (d) TREATMENT OF EMERGENCY EXTENDED BEN-
22 EFIT PERIOD UNDER FSEUCA.—The provisions of the
23 Federal-State Extended Unemployment Compensation Act
24 of 1970 (26 U.S.C. 3304 note) shall apply to a State with
25 respect to which an emergency extended benefit period is

1 in effect in the same manner as such provisions apply to
2 a State with respect to which an extended benefit period
3 is in effect.

4 **TITLE II—EXPANDED ELIGI-**
5 **BILITY FOR UNEMPLOYMENT**
6 **COMPENSATION**

7 **SEC. 80201. PANDEMIC SELF-EMPLOYMENT AND JOB EN-**
8 **TRANT COMPENSATION.**

9 (a) FEDERAL-STATE AGREEMENTS.—Any State
10 which desires to do so may enter into and participate in
11 an agreement under this section with the Secretary of
12 Labor (hereinafter in this section referred to as the “Sec-
13 retary”). Any State which is a party to an agreement
14 under this section may, upon providing 30 days’ written
15 notice to the Secretary, terminate such agreement.

16 (b) PROVISIONS OF AGREEMENT.—

17 (1) PANDEMIC SELF-EMPLOYMENT AND JOB
18 ENTRANT COMPENSATION.—Any agreement under
19 subsection (a) shall provide that the State agency of
20 the State will make payments on a weekly basis (in
21 this section referred to as “Pandemic Self-Employ-
22 ment and Job Entrant Compensation”) to unem-
23 ployed individuals who—

24 (A) have no rights to regular compensation
25 with respect to a week under the State law or

1 any other State unemployment compensation
2 law or to compensation under any other Federal
3 law;

4 (B) are not receiving any State or private
5 paid leave (as defined in subsection (g)) with
6 respect to such week; and

7 (C) attest that—

8 (i) the individual is not able or avail-
9 able to work due to COVID–19 with re-
10 spect to such week (as determined under
11 paragraph (4)); and

12 (ii) but for COVID–19 (as determined
13 under paragraph (4)), the individual would
14 be able and available to work during such
15 week.

16 (2) AMOUNT OF PANDEMIC SELF-EMPLOYMENT
17 AND JOB ENTRANT COMPENSATION.—

18 (A) IN GENERAL.—Except as provided in
19 subparagraph (B), the amount of Pandemic
20 Self-Employment and Job Entrant Compensa-
21 tion payable to an individual for a week under
22 an agreement under subsection (a) shall be
23 \$300.

24 (B) HIGHER PAYMENT FOR CERTAIN INDIV-
25 IDUALS.—Notwithstanding subparagraph (A),

1 the amount of Pandemic Self-Employment and
2 Job Entrant Compensation payable to an indi-
3 vidual for a week under an agreement under
4 subsection (a) shall be an amount equal to the
5 sum of \$600 plus $\frac{1}{4}$ of the average weekly ben-
6 efit amount of regular compensation paid to eli-
7 gible individuals in the State as of January 1,
8 2020, but only in the case of an individual who
9 attests (and furnishes such supporting docu-
10 mentation as the State agency may request)
11 that—

12 (i) the individual had net earnings
13 from self-employment (as defined in sec-
14 tion 1402(a) of the Internal Revenue Code
15 of 1986) of not less than \$2,500 during
16 the 6-month period ending on the date of
17 enactment of this Act; or

18 (ii) the individual had a contract or
19 other offer of employment suspended or re-
20 scinded due to COVID–19.

21 (3) DURATION OF BENEFIT PAYMENTS.—An in-
22 dividual who becomes entitled to Pandemic Self-Em-
23 ployment and Job Entrant Compensation paid by a
24 State under an agreement under subsection (a) shall
25 receive such benefit for not more than 26 weeks.

1 (4) NOT ABLE OR AVAILABLE TO WORK DUE TO
2 COVID-19.—For purposes of this subsection, an indi-
3 vidual shall be considered to be not able or available
4 to work due to COVID-19 with respect to a week
5 during any part of which the individual is not able
6 or available to work because—

7 (A) the individual has a current diagnosis
8 of COVID-19;

9 (B) the individual is under quarantine (in-
10 cluding self-imposed quarantine), at the instruc-
11 tion of a health care provider, employer, or a
12 local, State, or Federal official, in order to pre-
13 vent the spread of COVID-19;

14 (C) the individual is unable to engage in
15 self-employment (in the case of an individual
16 described in paragraph (2)(B)(i)) or seek suit-
17 able employment because of closings or restric-
18 tions on movement related to COVID-19;

19 (D) the individual is engaged in caregiving
20 (without compensation) for an individual who
21 has a current diagnosis of COVID-19 or is
22 under quarantine as described in subparagraph
23 (B)); or

24 (E) the individual is engaged in caregiving
25 (without compensation), because of the

1 COVID–19-related closing of a school or other
2 care facility or care program, for a child or
3 other individual unable to provide self-care.

4 (5) COORDINATION WITH CERTAIN TAX CRED-
5 ITS.—Notwithstanding paragraph (1), no individual
6 may become entitled to Pandemic Self-Employment
7 and Job Entrant Compensation under an agreement
8 under subsection (a) unless the individual makes an
9 irrevocable election (at such time and in such man-
10 ner as the Secretary of the Treasury may provide)
11 to have sections 7002 and 7004 of the Families
12 First Coronavirus Response Act not apply with re-
13 spect to such individual. An individual who makes
14 such an election shall not be treated as an individual
15 to whom a credit is allowable under such sections.

16 (c) PAYMENTS TO STATES.—

17 (1) IN GENERAL.—

18 (A) FULL REIMBURSEMENT.—There shall
19 be paid to each State which has entered into an
20 agreement under this section an amount equal
21 to 100 percent of—

22 (i) the total amount of Pandemic Self-
23 Employment and Job Entrant Compensa-
24 tion paid to individuals by the State pursu-
25 ant to such agreement; and

1 (ii) any additional administrative ex-
2 penses incurred by the State by reason of
3 such agreement (as determined by the Sec-
4 retary).

5 (B) TERMS OF PAYMENTS.—Sums payable
6 to any State by reason of such State's having
7 an agreement under this section shall be pay-
8 able, either in advance or by way of reimburse-
9 ment (as determined by the Secretary), in such
10 amounts as the Secretary estimates the State
11 will be entitled to receive under this section for
12 each calendar month, reduced or increased, as
13 the case may be, by any amount by which the
14 Secretary finds that his estimates for any prior
15 calendar month were greater or less than the
16 amounts which should have been paid to the
17 State. Such estimates may be made on the
18 basis of such statistical, sampling, or other
19 method as may be agreed upon by the Secretary
20 and the State agency of the State involved.

21 (2) FUNDING.—

22 (A) IN GENERAL.—Funds in the extended
23 unemployment compensation account (as estab-
24 lished by section 905(a) of the Social Security
25 Act (42 U.S.C. 1105(a)) of the Unemployment

1 Trust Fund (as established by section 904(a) of
2 such Act (42 U.S.C. 1104(a)) shall be used to
3 make payments to States pursuant to para-
4 graph (1).

5 (B) TRANSFER OF FUNDS.—Notwith-
6 standing any other provision of law, the Sec-
7 retary of the Treasury shall transfer from the
8 general fund of the Treasury (from funds not
9 otherwise appropriated) to the extended unem-
10 ployment compensation account such sums as
11 the Secretary of Labor estimates to be nec-
12 essary to make payments described in subpara-
13 graph (A). There are appropriated from the
14 general fund of the Treasury, without fiscal
15 year limitation, the sums referred to in the pre-
16 ceding sentence and such sums shall not be re-
17 quired to be repaid.

18 (3) CERTIFICATIONS.—The Secretary shall
19 from time to time certify to the Secretary of the
20 Treasury for payment to each State the sums pay-
21 able to such State under this section.

22 (d) APPLICABILITY.—

23 (1) IN GENERAL.—An agreement entered into
24 under this section shall apply with respect to
25 weeks—

1 (A) beginning on or after March 13, 2020;
2 and

3 (B) ending on or before January 1, 2021.

4 (2) TRANSITION RULE FOR INDIVIDUALS RE-
5 MAINING ENTITLED TO PANDEMIC SELF-EMPLOY-
6 MENT AND JOB ENTRANT COMPENSATION AS OF
7 JANUARY 1, 2021.—In the case of any individual
8 who, as of the date specified in paragraph (1)(B),
9 has not yet exhausted all rights to Pandemic Self-
10 Employment and Job Entrant Compensation under
11 the agreement under subsection (a), Pandemic Self-
12 Employment and Job Entrant Compensation shall
13 continue to be payable to such individual for any
14 week beginning on or after such date for which the
15 individual is otherwise eligible for such Pandemic
16 Self-Employment and Job Entrant Compensation.

17 (3) TERMINATION.—Notwithstanding any other
18 provision of this subsection, no Pandemic Self-Em-
19 ployment and Job Entrant Compensation shall be
20 payable for any week beginning after June 30, 2021.

21 (e) FRAUD AND OVERPAYMENTS.—

22 (1) IN GENERAL.—If an individual knowingly
23 has made, or caused to be made by another, a false
24 statement or representation of a material fact, or
25 knowingly has failed, or caused another to fail, to

1 disclose a material fact, and as a result of such false
2 statement or representation or of such nondisclosure
3 such individual has received an amount of Pandemic
4 Self-Employment and Job Entrant Compensation to
5 which such individual was not entitled, such indi-
6 vidual—

7 (A) shall be ineligible for further Pandemic
8 Self-Employment and Job Entrant Compensa-
9 tion in accordance with the provisions of the ap-
10 plicable State unemployment compensation law
11 relating to fraud in connection with a claim for
12 unemployment compensation; and

13 (B) shall be subject to prosecution under
14 section 1001 of title 18, United States Code.

15 (2) REPAYMENT.—In the case of individuals
16 who have received amounts of Pandemic Self-Em-
17 ployment and Job Entrant Compensation to which
18 they were not entitled, the State shall require such
19 individuals to repay the amounts of such Pandemic
20 Self-Employment and Job Entrant Compensation to
21 the State agency, except that the State agency may
22 waive such repayment if it determines that—

23 (A) the payment of such Pandemic Self-
24 Employment and Job Entrant Compensation

1 was without fault on the part of any such indi-
2 vidual; and

3 (B) such repayment would be contrary to
4 equity and good conscience.

5 (3) RECOVERY BY STATE AGENCY.—

6 (A) IN GENERAL.—The State agency may
7 recover the amount to be repaid, or any part
8 thereof, by deductions from any Pandemic Self-
9 Employment and Job Entrant Compensation
10 payable to such individual or from any unem-
11 ployment compensation payable to such indi-
12 vidual under any State or Federal unemploy-
13 ment compensation law administered by the
14 State agency or under any other State or Fed-
15 eral law administered by the State agency
16 which provides for the payment of any assist-
17 ance or allowance with respect to any week of
18 unemployment, during the 3-year period after
19 the date such individuals received the payment
20 of the Pandemic Self-Employment and Job En-
21 trant Compensation to which they were not en-
22 titled, in accordance with the same procedures
23 as apply to the recovery of overpayments of reg-
24 ular unemployment benefits paid by the State.

1 (B) OPPORTUNITY FOR HEARING.—No re-
2 payment shall be required, and no deduction
3 shall be made, until a determination has been
4 made, notice thereof and an opportunity for a
5 fair hearing has been given to the individual,
6 and the determination has become final.

7 (4) REVIEW.—Any determination by a State
8 agency under this section shall be subject to review
9 in the same manner and to the same extent as deter-
10 minations under the State unemployment compensa-
11 tion law, and only in that manner and to that ex-
12 tent.

13 (5) DEPOSIT IN STATE UNEMPLOYMENT
14 FUND.—Any amount recovered by a State agency
15 pursuant to this subsection shall be deposited in the
16 account of such State in the Unemployment Trust
17 Fund.

18 (f) TREATMENT OF PANDEMIC SELF-EMPLOYMENT
19 AND JOB ENTRANT COMPENSATION PAYMENTS.—

20 (1) PAYMENT TO BE DISREGARDED FOR PUR-
21 POSES OF ALL FEDERAL AND FEDERALLY ASSISTED
22 PROGRAMS.—A Pandemic Self-Employment and Job
23 Entrant Compensation payment shall not be re-
24 garded as income and shall not be regarded as a re-
25 source for the month of receipt and the following 9

1 months, for purposes of determining the eligibility of
2 the recipient (or the recipient's spouse or family) for
3 benefits or assistance, or the amount or extent of
4 benefits or assistance, under any Federal program
5 or under any State or local program financed in
6 whole or in part with Federal funds.

7 (2) PAYMENT NOT CONSIDERED INCOME FOR
8 PURPOSES OF TAXATION.—A Pandemic Self-Em-
9 ployment and Job Entrant Compensation payment
10 shall not be considered as gross income for purposes
11 of the Internal Revenue Code of 1986.

12 (g) DEFINITIONS.—For purposes of this section—

13 (1) the terms “compensation” (except as such
14 term is used in subsection (b)(4)), “regular com-
15 pensation”, “State”, “State agency”, and “State
16 law” have the respective meanings given such terms
17 under section 205 of the Federal-State Extended
18 Unemployment Compensation Act of 1970 (26
19 U.S.C. 3304 note); and

20 (2) the term “State or private paid leave”
21 means a benefit which provides full or partial wage
22 replacement to employees on the basis of specifically
23 defined qualifying events described in section 102 of
24 the Family and Medical Leave Act of 1993 or de-
25 fined by a written employer policy or State law and

1 which ends either when the qualifying event is no
2 longer applicable or a set period of benefits is ex-
3 hausted.

4 **TITLE III—RELIEF FOR GOVERN-**
5 **MENTAL AND NONPROFIT EN-**
6 **TITIES**

7 **SEC. 80301. EMERGENCY UNEMPLOYMENT RELIEF FOR**
8 **GOVERNMENTAL ENTITIES AND NONPROFIT**
9 **ORGANIZATIONS.**

10 (a) FLEXIBILITY IN PAYING REIMBURSEMENT.—The
11 Secretary of Labor may issue clarifying guidance to allow
12 States to interpret their State unemployment compensa-
13 tion laws in a manner that would provide maximum flexi-
14 bility to reimbursing employers as it relates to timely pay-
15 ment and assessment of penalties and interest pursuant
16 to such State laws.

17 (b) FEDERAL FUNDING.—Section 903 of the Social
18 Security Act (42 U.S.C. 1103) is amended by adding at
19 the end the following:

20 “Transfers for Federal Reimbursement of State
21 Unemployment Funds

22 “(j)(1)(A) In addition to any other amounts, the Sec-
23 retary of Labor shall provide for the transfer of funds dur-
24 ing the applicable period to the accounts of the States in
25 the Unemployment Trust Fund, by transfer from amounts

1 reserved for that purpose in the Federal unemployment
2 account, in accordance with the succeeding provisions of
3 this subsection.

4 “(B) The amount of funds transferred to the account
5 of a State under subparagraph (A) during the applicable
6 period shall, as determined by the Secretary of Labor, be
7 equal to one half of the amounts of compensation (as de-
8 fined in section 3306(h) of the Internal Revenue Code of
9 1986) attributable under the State law to service to which
10 section 3309(a)(1) of such Code applies that were paid
11 by the State for weeks of unemployment beginning and
12 ending during such period. Such transfers shall be made
13 at such times as the Secretary of Labor considers appro-
14 priate.

15 “(C) Notwithstanding any other law, funds trans-
16 ferred to the account of a State under subparagraph (A)
17 shall be used exclusively to reimburse governmental enti-
18 ties and other organizations described in section
19 3309(a)(2) of such Code for amounts paid (in lieu of con-
20 tributions) into the State unemployment fund pursuant to
21 such section.

22 “(D) For purposes of this paragraph, the term ‘appli-
23 cable period’ means the period beginning on March 13,
24 2020, and ending on December 31, 2020.

1 “(2)(A) Notwithstanding any other provision of law,
2 the Secretary of the Treasury shall transfer from the gen-
3 eral fund of the Treasury (from funds not otherwise ap-
4 propriated) to the employment security administration ac-
5 count (as established by section 901 of the Social Security
6 Act) such sums as the Secretary of Labor estimates to
7 be necessary for purposes of making the transfers de-
8 scribed in paragraph (1).

9 “(B) There are appropriated from the general fund
10 of the Treasury, without fiscal year limitation, the sums
11 referred to in subparagraph (A) and such sums shall not
12 be required to be repaid.”.

13 (c) OPERATING INSTRUCTIONS OR OTHER GUID-
14 ANCE.—The Secretary of Labor may issue any operating
15 instructions or other guidance necessary to carry out the
16 amendments made by this section.

17 **TITLE IV—EMERGENCY ASSIST-**
18 **ANCE FOR RAIL WORKERS**

19 **SEC. 80401. WAIVER OF THE 7-DAY WAITING PERIOD FOR**
20 **BENEFITS UNDER THE RAILROAD UNEM-**
21 **PLOYMENT INSURANCE ACT.**

22 (a) NO WAITING WEEK.—With respect to any reg-
23 istration period beginning after the date of enactment of
24 this Act and ending on or before December 31, 2020, sub-
25 paragraphs (A)(ii) and (B)(ii) of section 2(a)(1) of the

1 Railroad Unemployment Insurance Act (45 U.S.C.
2 352(a)(1)) shall not apply.

3 (b) REGULATIONS.—The Railroad Retirement Board
4 may prescribe any operating instructions or regulations
5 necessary to carry out this section.

6 (c) DEFINITIONS.—For purposes of this section,
7 “registration period” has the meaning given such term
8 under section 1 of the Railroad Unemployment Insurance
9 Act.

10 **SEC. 80402. ENHANCED BENEFITS UNDER THE RAILROAD**
11 **UNEMPLOYMENT INSURANCE ACT.**

12 Section 2(a) of the Railroad Unemployment Insur-
13 ance Act (45 U.S.C. § 352(a)) is amended by adding at
14 the end the following:

15 “(5)(A) Notwithstanding paragraph (3), subsection
16 (c)(1)(B), and any other limitation on total benefits in this
17 Act, for registration periods beginning on or after April
18 1, 2020, but on or before December 31, 2020, a recovery
19 benefit in the amount of \$1,200 shall be payable to a
20 qualified employee with respect to any registration period
21 in which the employee received unemployment benefits
22 under paragraph (1)(A), and in any registration period in
23 which the employee did not receive unemployment benefits
24 due to the limitation in subsection (c)(1)(B) or due to
25 reaching the maximum number of days of benefits in the

1 benefit year beginning July 1, 2019, under subsection
2 (c)(1)(A), and throughout any continuing period of unem-
3 ployment beginning on or before December 31, 2020, ex-
4 cept that no benefit under this section shall be payable
5 after June 30, 2021. No recovery benefits shall be payable
6 under this section upon the exhaustion of the funds appro-
7 priated under subparagraph (B) for payment of benefits
8 under this subparagraph.

9 “(B) Out of any funds in the Treasury not otherwise
10 appropriated, there are appropriated \$950,000,000 to
11 cover the cost of recovery benefits provided under subpara-
12 graph (A), to remain available until expended.”.

13 **SEC. 80403. EXTENDED UNEMPLOYMENT BENEFITS UNDER**
14 **THE RAILROAD UNEMPLOYMENT INSURANCE**
15 **ACT.**

16 (a) EXTENSION.—Section 2(c)(2)(D)(iii) of the Rail-
17 road Unemployment Insurance Act (45 U.S.C.
18 352(c)(2)(D)(iii)) is amended—

19 (1) by striking “July 1, 2008” and inserting
20 “July 1, 2019”;

21 (2) by striking “June 30, 2013” and inserting
22 “June 30, 2020”; and

23 (3) by striking “December 31, 2013” and in-
24 serting “December 31, 2020”.

1 (b) CLARIFICATION ON AUTHORITY TO USE
2 FUNDS.—Funds appropriated under either the first or
3 second sentence of clause (iv) of section 2(c)(2)(D) of the
4 Railroad Unemployment Insurance Act shall be available
5 to cover the cost of additional extended unemployment
6 benefits provided under such section 2(c)(2)(D) by reason
7 of the amendments made by subsection (a) as well as to
8 cover the cost of such benefits provided under such section
9 2(c)(2)(D) as in effect on the day before the date of enact-
10 ment of this Act.

11 **SEC. 80404. TREATMENT OF PAYMENTS FROM THE RAIL-**
12 **ROAD UNEMPLOYMENT INSURANCE AC-**
13 **COUNT.**

14 (a) IN GENERAL.—Section 256(i)(1) of the Balanced
15 Budget and Emergency Deficit Control Act of 1985 (2
16 U.S.C. 906(i)(1)) is amended—

17 (1) in subparagraph (B), by striking “and” at
18 the end;

19 (2) in subparagraph (C), by inserting “and” at
20 the end; and

21 (3) by inserting after subparagraph (C) the fol-
22 lowing new subparagraph:

23 “(D) any payment made from the Railroad Un-
24 employment Insurance Account (established by sec-
25 tion 10 of the Railroad Unemployment Insurance

1 Act) for the purpose of carrying out the Railroad
2 Unemployment Insurance Act, and funds appro-
3 priated or transferred to or otherwise deposited in
4 such Account,”.

5 (b) EFFECTIVE DATE.—The treatment of payments
6 made from the Railroad Unemployment Insurance Ac-
7 count pursuant to the amendment made by subsection (a)
8 shall take effect 7 days after the date of enactment of this
9 Act and shall apply only to obligations incurred on or after
10 such effective date for such payments.

1 **DIVISION I—FINANCIAL**
 2 **SERVICES**

3 **SEC. 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This division may be cited as the
 5 “Financial Protections and Assistance for America’s Con-
 6 sumers, States, Businesses, and Vulnerable Populations
 7 Act”.

8 (b) TABLE OF CONTENTS.—The table of contents for
 9 this division is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. References to this division.

Sec. 3. Severability.

**TITLE I—PROTECTING CONSUMERS, RENTERS, HOMEOWNERS
 AND PEOPLE EXPERIENCING HOMELESSNESS**

Sec. 101. Direct stimulus payments for families.

Sec. 102. Suspension of requirements regarding tenant contribution toward
 rent.

Sec. 103. Temporary moratorium on eviction filings.

Sec. 104. Suspension of other consumer loan payments.

Sec. 105. Emergency rental assistance.

Sec. 106. Emergency homeless assistance.

Sec. 107. Participation of Indian Tribes and tribally designated housing entities
 in Continuum of Care Program.

Sec. 108. Housing Assistance Fund.

Sec. 109. Mortgage forbearance.

Sec. 110. Bankruptcy protections.

Sec. 111. Debt collection.

Sec. 112. Disaster Protection for Workers’ Credit.

Sec. 113. Student loans.

Sec. 114. Waiver of in-person appraisal requirements.

Sec. 115. Supplemental funding for community development block grants.

Sec. 116. COVID–19 Emergency Housing Relief.

Sec. 117. Supplemental funding for service coordinators to assist elderly house-
 holds.

Sec. 118. Fair housing.

Sec. 119. Continuation of FHA–FFB affordable rental housing financing part-
 nership.

Sec. 120. HUD counseling program authorization.

Sec. 121. Defense Production Act of 1950.

**TITLE II—ASSISTING SMALL BUSINESSES AND COMMUNITY
 FINANCIAL INSTITUTIONS**

- Sec. 201. Small Business Credit Facility.
- Sec. 202. Small Business Financial Assistance Program.
- Sec. 203. Suspension of small business and non-profit loan payments.
- Sec. 204. Reauthorization of the State Small Business Credit Initiative Act of 2010.
- Sec. 205. Funding of the Initiative to Build Growth Equity Funds for Minority Businesses.
- Sec. 206. Community Development Financial Institutions Fund supplemental appropriation authorization.
- Sec. 207. Minority depository institution.
- Sec. 208. Loans to MDIs and CDFIs.
- Sec. 209. Insurance of transaction accounts.

TITLE III—SUPPORTING STATE, TERRITORY, AND LOCAL GOVERNMENTS

- Sec. 301. Muni Facility.
- Sec. 302. Temporary waiver and reprogramming authority.

TITLE IV—PROMOTING FINANCIAL STABILITY AND TRANSPARENT MARKETS

- Sec. 401. Temporary halt to rulemakings unrelated to COVID–19.
- Sec. 402. Temporary ban on stock buybacks.
- Sec. 403. Disclosures related to supply chain disruption risk.
- Sec. 404. Disclosures related to global pandemic risk.
- Sec. 405. Oversight of Federal aid related to COVID–19.
- Sec. 406. International financial institutions.
- Sec. 407. Conditions on Federal aid to corporations.
- Sec. 408. Authority for warrants and debt instruments.
- Sec. 409. Authorization to participate in the New Arrangements to Borrow of the International Monetary Fund.
- Sec. 410. Emergency relief through loans and loan guarantees.
- Sec. 411. Limitation on certain employee compensation.
- Sec. 412. International Finance Corporation.
- Sec. 413. Oversight and Reports.
- Sec. 414. Technical corrections.
- Sec. 415. Definitions.
- Sec. 416. Rule of construction.

TITLE V—INVESTING IN A SUSTAINABLE RECOVERY

- Sec. 501. Housing is infrastructure.
- Sec. 502. Improving Corporate Governance Through Diversity.
- Sec. 503. Diverse Investment Advisers.
- Sec. 504. Financial Literacy Education Commission Emergency Response.
- Sec. 505. Interagency Pandemic Guidance for Consumers.
- Sec. 506. SEC Pandemic Guidance for Investors.
- Sec. 507. Updates of the Pandemic Influenza Plan and National Planning Frameworks.

1 SEC. 2. REFERENCES TO THIS DIVISION.

- 2 In this division, any reference to “this Act” shall be
- 3 deemed a reference to this division.

1 **SEC. 3. SEVERABILITY.**

2 If any provision of this Act or the application of such
3 provision to any person or circumstance is held to be un-
4 constitutional, the remainder of this Act, and the applica-
5 tion of the provisions of this Act, to any person or cir-
6 cumstance shall not be affected thereby.

7 **TITLE I—PROTECTING CON-**
8 **SUMERS, RENTERS, HOME-**
9 **OWNERS AND PEOPLE EXPE-**
10 **RIENCING HOMELESSNESS**

11 **[SEC. 101. DIRECT STIMULUS PAYMENTS FOR FAMILIES.**

12 **[(a) DEFINITIONS.—In this section:]**

13 **[(1) DIGITAL DOLLAR.—The term “digital dol-**
14 **lar” shall mean—]**

15 **[(A) a balance expressed as a dollar value**
16 **consisting of digital ledger entries that are re-**
17 **corded as liabilities in the accounts of any Fed-**
18 **eral reserve bank; or]**

19 **[(B) an electronic unit of value, redeem-**
20 **able by an eligible financial institution (as de-**
21 **termined by the Board of Governors of the Fed-**
22 **eral Reserve System).]**

23 **[(2) DIGITAL DOLLAR WALLET.—The term**
24 **“digital dollar wallet” shall mean a digital wallet or**
25 **account, maintained by a Federal reserve bank on**
26 **behalf of any person, that represents holdings in an**

1 electronic device or service that is used to store dig-
2 ital dollars that may be tied to a digital or physical
3 identity.】

4 【(3) MEMBER BANK.—The term “member
5 bank” means a member bank of the Board of Gov-
6 ernors of the Federal Reserve System.】

7 【(4) PASS-THROUGH DIGITAL DOLLAR WAL-
8 LET.—The term “pass-through digital dollar wallet”
9 means a digital wallet or account, maintained by a
10 member bank on behalf of a qualified individual,
11 where such qualified individual is entitled to a pro
12 rata share of a pooled reserve balance that the mem-
13 ber bank maintains at any Federal reserve bank.】

14 【(5) QUALIFIED INDIVIDUAL DEFINED.—The
15 term “qualified individual” means any individual
16 other than any nonresident alien individual.】

17 【(b) EMERGENCY STIMULUS CHECK IMPLEMENTA-
18 TION.—】

19 【(1) PAYMENTS.—The Secretary of the Treas-
20 ury, acting through the Commissioner of the Inter-
21 nal Revenue Service, shall make monthly emergency
22 payments to qualified individuals beginning on the
23 first day of the first month beginning after the date
24 of the enactment of this Act and ending on the later
25 of—】

1 【(A) the date of the termination by the
2 Federal Emergency Management Agency of the
3 emergency declared on March 13, 2020, by the
4 President under section 501(b) of the Robert T.
5 Stafford Disaster Relief and Emergency Assist-
6 ance Act with respect to the COVID–19 pan-
7 demic; and】

8 【(B) the date on which—】

9 【(i) the national unemployment rate
10 (as determined by the Bureau of Labor
11 Statistics) is within 2 percentage points of
12 the national unemployment rate on the
13 date of enactment of this Act; and】

14 【(ii) the 3-month average of the na-
15 tional unemployment rate has declined for
16 two consecutive months.】

17 【(2) AMOUNT OF PAYMENTS.—

18 【(A) IN GENERAL.—With respect to a
19 qualified individual, the amount of each month-
20 ly payment under paragraph (1) shall be as fol-
21 lows:】

22 【(i) For a qualified individual age 18
23 or older, \$2,000.】

24 【(ii) For a qualified individual under
25 age 18, \$1,000.】

1 **[(B) INCOME LIMITATION.—**The amount
2 of a payment under subparagraph (A) shall be
3 reduced (but not below zero) by 5 percent of so
4 much of the individual's adjusted gross income
5 as exceeds \$75,000. The Secretary of the
6 Treasury shall adjust such amount as appro-
7 priate to account for individuals filing joint re-
8 turns. **]**

9 **[(3) METHOD OF DELIVERY.—**

10 **[(A) IN GENERAL.—**The Secretary of the
11 Treasury, acting through the Commissioner of
12 the Internal Revenue Service, shall make the
13 payments required under paragraph (1)—**]**

14 **[(i)** first, by direct deposit (including
15 to a pass-through digital dollar wallet), if
16 the Commissioner has sufficient informa-
17 tion to make direct deposit payments to
18 the applicable individual; and **]**

19 **[(ii)** otherwise, by check. **]**

20 **[(B) OUTREACH.—**The Secretary of the
21 Treasury, acting through the Commissioner of
22 the Internal Revenue Service, shall establish a
23 system for a qualified individual to provide the
24 Internal Revenue Service with the individual's

1 direct deposit information and shall perform
2 outreach to inform the public of such system.】

3 【(4) ACCESSING PAYMENTS.—If a payment is
4 deposited (by any method) into an account of a
5 qualified individual at an insured depository institu-
6 tion (as defined in section 3 of the Federal Deposit
7 Insurance Act) or insured credit union (as defined in
8 section 101 of the Federal Credit Union Act), such
9 funds shall be available for withdrawal on the same
10 day, to the fullest extent possible.】

11 【(5) FUNDING.—The Secretary of the Treasury
12 shall, before each monthly payment required under
13 subsection (a), notify the Board of Governors of the
14 Federal Reserve System of the aggregate amount of
15 such payment, and the Board of Governors shall
16 issue notes in such amount and transfer such notes
17 to the Secretary of the Treasury for use in making
18 such payments.】

19 【(c) MANDATE FOR MEMBER BANKS TO MAINTAIN
20 PASS-THROUGH DIGITAL DOLLAR WALLETS.—】

21 【(1) OBLIGATIONS OF MEMBER BANKS.—

22 【(A) IN GENERAL.—Member banks are
23 hereby directed to establish and maintain pass-
24 through digital dollar wallets for all persons eli-
25 gible to receive payments from the United

1 States pursuant to this Act who elect to deposit
2 such payments into a pass-through digital dol-
3 lar wallet.】

4 【(B) SEPARATE ENTITY.—

5 【(i) IN GENERAL.—Each member
6 bank shall establish and maintain a sepa-
7 rate legal entity for the exclusive purpose
8 of holding all assets and maintaining all li-
9 abilities associated with pass-through dig-
10 ital dollar wallets.】

11 【(ii) ASSETS.—The assets of any enti-
12 ty described in this paragraph shall consist
13 exclusively of a balance maintained in a
14 master account at a Federal reserve bank,
15 and the liabilities or obligations of the enti-
16 ty shall consist exclusively of an equal
17 quantity of balances maintained by holders
18 of pass-through digital dollar wallets.】

19 【(iii) SEPARATE ASSETS AND LIABIL-
20 ITIES.—The assets and liabilities of any
21 legal entity described in this paragraph
22 shall not be deemed assets or liabilities of
23 the member bank or its affiliates for pur-
24 poses of any capital or liquidity regulation

1 promulgated by Federal or State banking
2 authorities.】

3 【(C) APPLICATION.—Member banks with
4 total consolidated assets in excess of
5 \$10,000,000,000 shall promptly offer individ-
6 uals the ability to apply, through online or tele-
7 phonic means, for a pass-through digital dollar
8 wallets.】

9 【(2) TERMS.—Member banks shall ensure that
10 a pass-through digital dollar wallet established under
11 this section—】

12 【(A) may not be subject to any account
13 fees, minimum balances, or maximum bal-
14 ances;】

15 【(B) shall pay interest at a rate not below
16 the greater of—】

17 【(i) the rate of interest on required
18 reserves; and】

19 【(ii) the rate of interest on excess re-
20 serves;】

21 【(C) shall provide functionality and service
22 levels not less favorable than those that the
23 member bank offers for its existing transaction
24 accounts (including with respect to access to
25 debit cards and automated teller machines, on-

1 line account access, automatic bill-pay and mo-
2 bile banking services, customer service, and
3 such other services as the Board determines),
4 except that pass-through digital dollar wallet
5 shall not include overdraft coverage;】

6 【(D) shall be prominently branded in all
7 account statements, marketing materials, and
8 other communications of the member bank as a
9 “pass-through FedAccount” maintained by the
10 member bank on behalf of the Board of Gov-
11 ernors of the Federal Reserve System;】

12 【(E) may not be closed or restricted by the
13 member bank on the basis of profitability con-
14 siderations; and】

15 【(F) shall provide holders with reasonable
16 protection against losses caused by fraud or se-
17 curity breaches.】

18 【(3) REIMBURSEMENT FOR COSTS.—

19 【(A) IN GENERAL.—Each member bank
20 with total consolidated assets not greater than
21 \$10,000,000,000 shall be reimbursed each cal-
22 endar quarter by the relevant Federal reserve
23 bank for actual and reasonable operational
24 costs incurred by the member bank in offering
25 pass-through digital dollar wallets.】

1 **[(B) RULEMAKING.—**The Board of Gov-
2 ernors of the Federal Reserve System shall
3 issue rules to carry out subparagraph (A).**]**

4 **[(4) AUTHORITY OF THE BOARD.—**Member
5 banks shall be subject to such rules as may be im-
6 posed by the Board of Governors of the Federal Re-
7 serve System in connection with maintaining pass-
8 through digital dollar wallets.**]**

9 **[(d) AUTHORITY FOR STATE NONMEMBER BANKS**
10 **AND CREDIT UNIONS TO OFFER PASS-THROUGH DIGITAL**
11 **DOLLAR WALLETS.—**The Federal reserve banks shall per-
12 mit State banks and credit unions that are not member
13 banks to open master accounts for the exclusive purpose
14 of offering pass-through digital dollar wallets in compli-
15 ance with the requirements of subsection (c). Each State
16 bank or credit union electing to offer pass-through digital
17 wallets shall be entitled to cost reimbursement in accord-
18 ance with subsection (c)(3).**]**

19 **[(e) MANDATE FOR FEDERAL RESERVE BANKS TO**
20 **MAINTAIN DIGITAL DOLLAR WALLETS.—]**

21 **[(1) AUTHORIZATION.—**Subject to such restric-
22 tions, limitations, and regulations as may be im-
23 posed by the Board of Governors of the Federal Re-
24 serve System, each Federal reserve bank shall main-
25 tain digital dollar wallets.**]**

1 **[(2) MANDATE.—**

2 **[(A) IN GENERAL.—**Not later than Janu-
3 ary 1, 2021, all Federal reserve banks shall
4 make digital dollar wallets available to all citi-
5 zens and legal permanent residents of the
6 United States and business entities for which
7 the principal place of business is located in the
8 United States.]

9 **[(B) EXCEPTION.—**In geographic areas
10 where physical access to a branch of a Federal
11 reserve bank is limited, Federal reserve banks
12 serving such areas shall partner with United
13 States Postal Service branch offices to ensure
14 access and availability to application and ac-
15 count services for digital dollar wallets.]

16 **[(3) TERMS OF DIGITAL DOLLAR WALLETS.—**
17 Federal reserve banks shall ensure that digital dollar
18 wallets established under this section—**]**

19 **[(A)** may not be subject to any account
20 fees, minimum balances, or maximum bal-
21 ances;**]**

22 **[(B)** shall pay interest at a rate not below
23 the greater of—**]**

24 **[(i)** the rate of interest on required
25 reserves; and**]**

1 【(ii) the rate of interest on excess re-
2 serves;】

3 【(C) shall provide access to debit cards,
4 online account access, automatic bill-pay and
5 mobile banking services, customer service, and
6 such other services as the Board determines,
7 except that digital dollar wallets shall not in-
8 clude overdraft coverage.】

9 【(D) shall provide, in conjunction with the
10 United States Postal Service, access to auto-
11 mated teller machines to be maintained on be-
12 half of the Board by the United States Postal
13 Service at branch offices;】

14 【(E) shall be prominently branded in all
15 account statements, marketing materials, and
16 other communications of the Federal reserve
17 bank as a “FedAccount” maintained by the
18 member bank on behalf of the United States of
19 America;】

20 【(F) may not be closed or restricted on the
21 basis of profitability considerations; and】

22 【(G) shall provide holders with reasonable
23 protection against losses caused by fraud or se-
24 curity breaches.】

1 【(4) BANK SECRECY ACT.—In establishing and
2 maintaining digital dollar wallets, each Federal re-
3 serve bank shall comply with section 21 of the Fed-
4 eral Deposit Insurance Act (12 U.S.C. 1829b), sec-
5 tion 123 of Public Law 91–508, subchapter II of
6 chapter 53 of title 31, United States Code.】

7 【(5) PENALTIES.—The Board of Governors of
8 the Federal Reserve System shall, by rule, establish
9 penalties applicable to Federal reserve banks and
10 employees of such banks for violations of privacy ob-
11 ligations relating to digital dollar wallets that are
12 similar to the penalties imposed by the Commis-
13 sioner of the Internal Revenue Service with respect
14 to violations of privacy obligations relating to Fed-
15 eral tax returns.】

16 【(f) REGULATIONS.—The Board of Governors of the
17 Federal Reserve System shall promulgate regulations to
18 carry out this section.】

19 **SEC. 102. SUSPENSION OF REQUIREMENTS REGARDING**
20 **TENANT CONTRIBUTION TOWARD RENT.**

21 (a) SUSPENSION.—Notwithstanding any other provi-
22 sion of law, the obligation of each tenant household of a
23 dwelling unit in assisted housing to pay any contribution
24 toward rent for occupancy in such dwelling unit shall be
25 suspended with respect to such occupancy during the pe-

1 riod beginning on the date of the enactment of this Act
2 and ending 6 months after the date of the termination
3 by the Federal Emergency Management Agency of the
4 emergency declared on March 13, 2020, by the President
5 under the Robert T. Stafford Disaster Relief and Emer-
6 gency Assistance Act (42 U.S.C. 4121 et seq.) relating
7 to the Coronavirus Disease 2019 (COVID–19) pandemic.

8 (b) FEDERAL REIMBURSEMENT PAYMENTS.—To the
9 extent that amounts are made available pursuant to sub-
10 section (e) for reimbursements under this subsection, the
11 Secretary of Housing and Urban Development or the Sec-
12 retary of Agriculture, as appropriate, shall—

13 (1) provide owners of assisted housing and pub-
14 lic housing agencies for any amounts in rent not re-
15 ceived as a result of subsection (a), plus the amount
16 of any increases in costs of administering and main-
17 taining such housing to the extent only that such in-
18 creases result from the public health emergency re-
19 lating to Coronavirus Disease 2019 (COVID–19);
20 and

21 (2) in the case of public housing agencies pro-
22 viding assistance under section 8(o) of the United
23 States Housing Act of 1937 (42 U.S.C. 1437f(o)),
24 reimburse such agencies in an amount sufficient to
25 cover any increase in housing assistance payments

1 resulting from the suspension of tenant rent pay-
2 ments pursuant to subsection (a), plus the amount
3 of any increases in the cost of administering such
4 assistance to the extent only that such increases re-
5 sult from the public health emergency relating to
6 Coronavirus Disease 2019 (COVID–19).

7 (c) PROHIBITIONS.—

8 (1) ON FINES.—No tenant or tenant household
9 may be charged a fine or fee for nonpayment of rent
10 in accordance with subsection (a) and such non-
11 payment of rent shall not be grounds for any termi-
12 nation of tenancy or eviction.

13 (2) ON DEBT.—No tenant or tenant household
14 may be treated as accruing any debt by reason of
15 suspension of contribution of rent under subsection
16 (a).

17 (3) ON REPAYMENT.—held liable for repayment
18 of any amount of rent contribution suspended under
19 subsection (a).

20 (4) ON CREDIT SCORES.—The nonpayment of
21 rent by a tenant or tenant household shall not be re-
22 ported to a consumer reporting agency nor shall
23 such nonpayment adversely affect a tenant or mem-
24 ber of a tenant household's credit score.

1 (d) ASSISTED HOUSING.—For purposes of this sec-
2 tion, the term “assisted housing” means housing or a
3 dwelling unit assisted under—

4 (1) section 213, 220, 221(d)(3), 221(d)(4),
5 223(e), 231, or 236 of the National Housing Act
6 (12 U.S.C. 1715l(d)(3), (d)(4), or 1715z–1);

7 (2) section 101 of the Housing and Urban De-
8 velopment Act of 1965 (12 U.S.C. 1701s);

9 (3) section 202 of the Housing Act of 1959 (12
10 U.S.C. 1701q);

11 (4) section 811 of the Cranston-Gonzales Na-
12 tional Affordable Housing Act (42 U.S.C. 8013);

13 (5) title II of the Cranston-Gonzalez National
14 Affordable Housing Act (42 U.S.C. 12701 et seq.);

15 (6) subtitle D of title VIII of the Cranston-Gon-
16 zalez National Affordable Housing Act (42 U.S.C.
17 12901 et seq.);

18 (7) title I of the Housing and Community De-
19 velopment Act of 1974 (42 U.S.C. 5301 et seq.);

20 (8) section 8 of the United States Housing Act
21 of 1937 (42 U.S.C. 1437f);

22 (9) the public housing program under title I of
23 the United States Housing Act of 1937 (42 U.S.C.
24 1437 et seq.); or

1 (10) section 514, 515, 516, 521(a)(2), 538, or
2 542 of the Housing Act of 1949 (42 U.S.C. 1484,
3 1485, 1486, 1490a(a)(2), 1490p-2, 1490r).

4 (e) AUTHORIZATION OF APPROPRIATIONS.—There is
5 authorized to be appropriated such sums as may be nec-
6 essary to make payments under subsection (b) to all own-
7 ers of assisted housing and public housing agencies.

8 **SEC. 103. TEMPORARY MORATORIUM ON EVICTION FIL-**
9 **INGS.**

10 (a) CONGRESSIONAL FINDINGS.—The Congress finds
11 that—

12 (1) according to the 2018 American Community
13 Survey, 36 percent of households in the United
14 States—more than 43 million households—are rent-
15 ers;

16 (2) in 2019 alone, renters in the United States
17 paid \$512 billion in rent;

18 (3) according to the Joint Center for Housing
19 Studies of Harvard University, 20.8 million renters
20 in the United States spent more than 30 percent of
21 their incomes on housing in 2018 and 10.9 million
22 renters spent more than 50 percent of their incomes
23 on housing in the same year;

1 (4) Moody's Analytics estimates that 27 million
2 jobs in the U.S. economy are at high risk because
3 of COVID-19;

4 (5) the impacts of the spread of COVID-19,
5 which is now considered a global pandemic, are ex-
6 pected to negatively impact the incomes of poten-
7 tially millions of renter households, making it dif-
8 ficult for them to pay their rent on time; and

9 (6) evictions in the current environment would
10 increase homelessness and housing instability which
11 would be counterproductive towards the public
12 health goals of keeping individuals in their homes to
13 the greatest extent possible.

14 (b) MORATORIUM.—During the period beginning on
15 the date of the enactment of this Act and ending on the
16 date described in paragraph (1) of subsection (d), the les-
17 sor of a covered dwelling may not make, or cause to be
18 made, any filing with the court of jurisdiction to initiate
19 a legal action to recover possession of the covered dwelling
20 from the tenant regardless of cause, except when a tenant
21 perpetrates a serious criminal act that threatens the
22 health, life, or safety of other tenants, owners, or staff
23 of the property in which the covered dwelling is located.

24 (c) DEFINITIONS.—For purposes of this section, the
25 following definitions shall apply:

1 (1) COVERED DWELLING.—The term “covered
2 dwelling” means a dwelling that is occupied by a
3 tenant—

4 (A) pursuant to a residential lease; or

5 (B) without a lease or with a lease ter-
6 minable at will under State law.

7 (2) DWELLING.—The term “dwelling” has the
8 meaning given such term in section 802 of the Fair
9 Housing Act (42 U.S.C. 3602) and includes houses
10 and dwellings described in section 803(b) of such
11 Act (42 U.S.C. 3603(b)).

12 (d) SUNSET.—

13 (1) SUNSET DATE.—The date described in this
14 paragraph is the date of the expiration of the 6-
15 month period that begins upon the termination by
16 the Federal Emergency Management Agency of the
17 emergency declared on March 13, 2020, by the
18 President under the Robert T. Stafford Disaster Re-
19 lief and Emergency Assistance Act (42 U.S.C. 4121
20 et seq.) relating to the Coronavirus Disease 2019
21 (COVID–19) pandemic.

22 (2) NOTICE TO VACATE AFTER SUNSET
23 DATE.—After the date described in paragraph (1),
24 the lessor of a covered dwelling may not require the
25 tenant to vacate the covered dwelling before the ex-

1 piration of the 30-day period that begins upon the
2 provision by the lessor to the tenant, after the date
3 described in paragraph (1), of a notice to vacate the
4 covered dwelling.

5 **SEC. 104. SUSPENSION OF OTHER CONSUMER LOAN PAY-**
6 **MENTS.**

7 (a) IN GENERAL.—During the COVID–19 emer-
8 gency, a debt collector may not, with respect to a debt
9 of a consumer (other than debt related to a federally re-
10 lated mortgage loan)—

11 (1) capitalize unpaid interest;

12 (2) apply a higher interest rate triggered by the
13 nonpayment of a debt to the debt balance;

14 (3) charge a fee triggered by the nonpayment of
15 a debt;

16 (4) sue or threaten to sue for nonpayment of a
17 debt;

18 (5) continue litigation to collect a debt that was
19 initiated before the date of enactment of this section;

20 (6) submit or cause to be submitted a confes-
21 sion of judgment to any court;

22 (7) enforce a security interest through reposses-
23 sion, limitation of use, or foreclosure;

24 (8) take or threaten to take any action to en-
25 force collection, or any adverse action for non-

1 payment of a debt, or for nonappearance at any
2 hearing relating to a debt;

3 (9) commence or continue any action to cause
4 or to seek to cause the collection of a debt, including
5 pursuant to a court order issued before the end of
6 the 120-day period following the end of the COVID–
7 19 emergency, from wages, Federal benefits, or
8 other amounts due to a consumer by way of garnish-
9 ment, deduction, offset, or other seizure;

10 (10) cause or seek to cause the collection of a
11 debt, including pursuant to a court order issued be-
12 fore the end of the 120-day period following the end
13 of the COVID–19 emergency, by levying on funds
14 from a bank account or seizing any other assets of
15 a consumer;

16 (11) commence or continue an action to evict a
17 consumer from real or personal property; or

18 (12) disconnect or terminate service from utility
19 service, including electricity, natural gas, tele-
20 communications or broadband, water, or sewer.

21 (b) RULE OF CONSTRUCTION.—Nothing in this sec-
22 tion may be construed to prohibit a consumer from volun-
23 tarily paying, in whole or in part, a debt.

1 (c) REPAYMENT PERIOD.—After the expiration of the
2 COVID–19 emergency, with respect to a debt described
3 under subsection (a), a debt collector—

4 (1) may not add to the debt balance any inter-
5 est or fee prohibited by subsection (a);

6 (2) shall, for credit with a defined term or pay-
7 ment period, extend the time period to repay the
8 debt balance by 1 payment period for each payment
9 that a consumer missed during the COVID–19
10 emergency, with the payments due in the same
11 amounts and at the same intervals as the pre-exist-
12 ing payment schedule;

13 (3) shall, for an open end credit plan (as de-
14 fined under section 103 of the Truth in Lending
15 Act) or other credit without a defined term, allow
16 the consumer to repay the debt balance in a manner
17 that does not exceed the amounts permitted by for-
18 mulas under section 170(c) of the Truth in Lending
19 Act and regulations promulgated thereunder;

20 (4) shall, when the consumer notifies the debt
21 collector, offer reasonable and affordable repayment
22 plans, loan modifications, refinancing, options with a
23 reasonable time in which to repay the debt.

24 (d) COMMUNICATIONS IN CONNECTION WITH THE
25 COLLECTION OF A DEBT.—

1 (1) IN GENERAL.—During the COVID–19
2 emergency, without prior consent of a consumer
3 given directly to a debt collector during the COVID–
4 19 emergency, or the express permission of a court
5 of competent jurisdiction, a debt collector may only
6 communicate in writing in connection with the col-
7 lection of any debt (other than debt related to a fed-
8 erally related mortgage loan).

9 (2) REQUIRED DISCLOSURES.—

10 (A) IN GENERAL.—All written communica-
11 tions described under paragraph (1) shall in-
12 form the consumer that the communication is
13 for informational purposes and is not an at-
14 tempt to collect a debt.

15 (B) REQUIREMENTS.—The disclosure re-
16 quired under subparagraph (A) shall be made—

17 (i) in type or lettering not smaller
18 than 14–point bold type;

19 (ii) separate from any other disclo-
20 sure;

21 (iii) in a manner designed to ensure
22 that the recipient sees the disclosure clear-
23 ly;

24 (iv) in English and Spanish and in
25 any additional languages in which the debt

1 collector communicates, including the lan-
2 guage in which the loan was negotiated, to
3 the extent known by the debt collector; and
4 (v) may be provided by first-class mail
5 or electronically, if the borrower has other-
6 wise consented to electronic communication
7 with the debt collector and has not revoked
8 such consent.

9 (C) ORAL NOTIFICATION.—Any oral notifi-
10 cation shall be provided in the language the
11 debt collector otherwise uses to communicate
12 with the borrower.

13 (D) WRITTEN TRANSLATIONS.—In pro-
14 viding written notifications in languages other
15 than English in this Section, a debt collector
16 may rely on written translations developed by
17 the Bureau of Consumer Financial Protection.

18 (e) VIOLATIONS.—

19 (1) IN GENERAL.—Any person who violates this
20 section shall—

21 (A) except as provided under subparagraph
22 (B), be subject to civil liability in accordance
23 with section 813 of the Fair Debt Collection
24 Practices Act, as if the person is a debt col-
25 lector for purposes of that section; and

1 (B) be liable to the consumer for an
2 amount 10 times the amounts described in such
3 section 813, for each violation.

4 (2) PREDISPUTE ARBITRATION AGREEMENTS.—
5 Notwithstanding any other provision of law, no
6 predispute arbitration agreement or predispute joint-
7 action waiver shall be valid or enforceable with re-
8 spect to a dispute brought under this section, includ-
9 ing a dispute as to the applicability of this section,
10 which shall be determined under Federal law.

11 (f) TOLLING.—Except as provided in subsection
12 (g)(5), any applicable time limitations, including statutes
13 of limitations, related to a debt under Federal or State
14 law shall be tolled during the COVID–19 emergency.

15 (g) CLAIMS OF AFFECTED CREDITORS AND DEBT
16 COLLECTORS.—

17 (1) VALUATION OF PROPERTY.—With respect
18 to any action asserting a taking under the Fifth
19 Amendment of the Constitution of the United States
20 as a result of this section or seeking a declaratory
21 judgment regarding the constitutionality of this sec-
22 tion, the value of the property alleged to have been
23 taken without just compensation shall be evalu-
24 ated—

1 (A) with consideration of the likelihood of
2 full and timely payment of the obligation with-
3 out the actions taken pursuant to this section;
4 and

5 (B) without consideration of any assistance
6 provided directly or indirectly to the consumer
7 from other Federal, State, and local govern-
8 ment programs instituted or legislation enacted
9 in response to the COVID-19 emergency.

10 (2) SCOPE OF JUST COMPENSATION.—In an ac-
11 tion described in paragraph (1), any assistance or
12 benefit provided directly or indirectly to the person
13 from other Federal, State, and local government
14 programs instituted in or legislation enacted re-
15 sponse to the COVID-19 emergency, shall be
16 deemed to be compensation for the property taken,
17 even if such assistance or benefit is not specifically
18 provided as compensation for property taken by this
19 section.

20 (3) APPEALS.—Any appeal from an action
21 under this section shall be treated under section 158
22 of title 28, United States Code, as if it were an ap-
23 peal in a case under title 11, United States Code.

24 (4) REPOSE.—Any action asserting a taking
25 under the Fifth Amendment to the Constitution of

1 the United States as a result of this section shall be
2 brought within not later than 180 days after the end
3 of the COVID–19 emergency.

4 (h) CREDIT FACILITY FOR OTHER PURPOSES.—

5 (1) ESTABLISHMENT.—The Board of Governors
6 of the Federal Reserve System shall establish a facil-
7 ity that the Board of Governors shall use to make
8 payments to covered financial institutions to com-
9 pensate such institutions for documented financial
10 losses caused by the suspension of payments re-
11 quired under this section .

12 (2) COVERED FINANCIAL INSTITUTION DE-
13 FINED.—In this subsection, the term “covered finan-
14 cial institution” means the holder of a loan described
15 under this section.

16 (i) DEFINITIONS.—In this section:

17 (1) CONSUMER.—The term “consumer” means
18 any individual obligated or allegedly obligated to pay
19 any debt.

20 (2) COVID–19 EMERGENCY.—The term
21 “COVID–19 emergency” means the period that be-
22 gins upon the date of the enactment of this Act and
23 ends on the date of the termination by the Federal
24 Emergency Management Agency of the emergency
25 declared on March 13, 2020, by the President under

1 the Robert T. Stafford Disaster Relief and Emer-
2 gency Assistance Act (42 U.S.C. 4121 et seq.) relat-
3 ing to the Coronavirus Disease 2019 (COVID-19)
4 pandemic.

5 (3) CREDITOR.—The term “creditor” means—

6 (A) any person who offers or extends cred-
7 it creating a debt or to whom a debt is owed
8 or other obligation for payment;

9 (B) any lessor of real or personal property;
10 or

11 (C) any provider of utility services.

12 (4) DEBT.—The term “debt”—

13 (A) means any obligation or alleged obliga-
14 tion that is or during the COVID emergency
15 becomes past due—

16 (i) for which the original agreement,
17 or if there is no agreement, the original ob-
18 ligation to pay was created before the
19 COVID emergency, whether or not such
20 obligation has been reduced to judgment;
21 and

22 (ii) that arises out of a transaction
23 with a consumer; and

24 (B) does not include a federally related
25 mortgage loan.

1 (5) DEBT COLLECTOR.—The term “debt col-
2 lector” means a creditor, and any person or entity
3 that engages in the collection of debt, including the
4 Federal Government and a State government, irre-
5 spective of whether the debt is allegedly owed to or
6 assigned to that person or to the entity.

7 (6) FEDERALLY RELATED MORTGAGE LOAN.—
8 The term “federally related mortgage loan” has the
9 meaning given that term under section 3 of the Real
10 Estate Settlement Procedures Act of 1974 (12
11 U.S.C. 2602).

12 **SEC. 105. EMERGENCY RENTAL ASSISTANCE.**

13 (a) AUTHORIZATION OF APPROPRIATIONS.—There is
14 authorized to be appropriated for grants under the Emer-
15 gency Solutions Grants program under subtitle B of title
16 IV of the McKinney-Vento Homeless Assistance Act (42
17 U.S.C. 11371 et seq.) \$100,000,000,000 for grants under
18 such subtitle only for providing rental assistance in ac-
19 cordance with section 415(a)(4) of such Act (42 U.S.C.
20 11374(a)(4)) and this section to respond to needs arising
21 from the emergency declared on March 13, 2020, by the
22 President under the Robert T. Stafford Disaster Relief
23 and Emergency Assistance Act (42 U.S.C. 4121 et seq.)
24 relating to the Coronavirus Disease 2019 (COVID–19)
25 pandemic.

1 (b) INCOME TARGETING.—For purposes of assistance
2 made available with amounts made available pursuant to
3 subsection (a)—

4 (1) section 401(1)(A) of the McKinney-Vento
5 Homeless Assistance Act (42 U.S.C. 11360(1)(A))
6 shall be applied by substituting “80 percent” for
7 “30 percent”; and

8 (2) each grantee of such amounts shall use not
9 less than 50 percent of the amounts received only
10 for providing assistance for persons or families expe-
11 riencing homelessness or at risk of homelessness,
12 who have incomes not exceeding 50 percent of the
13 median income for the relevant geographic area; ex-
14 cept that the Secretary may waive the requirement
15 under this paragraph if the grantee demonstrates to
16 the satisfaction of the Secretary that the population
17 in the geographic area served by the grantee having
18 such incomes is sufficiently being served with respect
19 to activities eligible for funding with such amounts.

20 (c) DEFINITION OF AT RISK OF HOMELESSNESS.—
21 For purposes of assistance made available with amounts
22 made available pursuant to subsection (a), section 401(1)
23 of the McKinney-Vento Homeless Assistance Act shall be
24 applied, during the period that begins on the date of the
25 enactment of this Act and ends upon the expiration of the

1 6-month period that begins upon the termination by the
2 Federal Emergency Management Agency of the emergency
3 declared on March 13, 2020, by the President under the
4 Robert T. Stafford Disaster Relief and Emergency Assist-
5 ance Act (42 U.S.C. 4121 et seq.) relating to the
6 Coronavirus Disease 2019 (COVID–19) pandemic, as if
7 subparagraph (C) were repealed.

8 (d) 3-YEAR AVAILABILITY.—Each grantee of
9 amounts made available pursuant to subsection (a) shall
10 expend—

11 (1) at least 60 percent of such grant amounts
12 within 2 years of the date that such funds became
13 available to the grantee for obligation; and

14 (2) 100 percent of such grant amounts within
15 3 years of such date.

16 The Secretary may recapture any amounts not expended
17 in compliance with paragraph (1) of this subsection and
18 reallocate such amounts to grantees in compliance with
19 the formula referred to in subsection (h)(1)(A) of this sec-
20 tion.

21 (e) RENT RESTRICTIONS.—Paragraph (1) of section
22 576.106(d) of the Secretary’s regulations (24 C.F.R.
23 576.106(d)(1)) shall be applied, with respect to rental as-
24 sistance made available with amounts made available pur-

1 suant to subsection (a), by substituting “120 percent of
2 the Fair Market Rent” for “the Fair Market Rent”.

3 (f) SUBLEASES.—Notwithstanding the second sen-
4 tence of subsection (g) of section 576.106 of the Sec-
5 retary’s regulations (24 C.F.R. 576.106(g)), a program
6 participant may sublet, with rental assistance made avail-
7 able with amounts made available pursuant to subsection
8 (a) of this section, a dwelling unit from a renter of the
9 dwelling unit if there is a legally binding, written lease
10 agreement for such sublease.

11 (g) HOUSING RELOCATION OR STABILIZATION AC-
12 TIVITIES.—A grantee of amounts made available pursuant
13 to subsection (a) may expend up to 20 percent of its allo-
14 cation for activities under section 415(a)(5) of the McKin-
15 ney-Vento Homeless Assistance Act (42 U.S.C.
16 11374(a)(5)).

17 (h) ALLOCATION OF ASSISTANCE.—

18 (1) IN GENERAL.—In allocating amounts made
19 available pursuant to subsection (a), the Secretary of
20 Housing and Urban Development shall—

21 (A) not later than 30 days after the date
22 of the enactment of this Act, allocate any such
23 amounts that do not exceed \$50,000,000,000
24 under the formula specified in subsections (a),
25 (b), and (e) of section 414 of the McKinney-

1 Vento Homeless Assistance Act (42 U.S.C.
2 11373) to, and notify, each State, metropolitan
3 city, and urban county that is to receive a di-
4 rect grant of such amounts; and

5 (B) not later than 120 days after the date
6 of the enactment of this Act, allocate any re-
7 maining amounts to eligible grantees by a for-
8 mula to be developed by the Secretary of Hous-
9 ing and Urban Development that takes into
10 consideration the formula referred to in sub-
11 paragraph (A) of this paragraph, and the need
12 for emergency rental assistance under this sec-
13 tion, including severe housing cost burden
14 among extremely low- and very low-income
15 renters and disruptions in housing and eco-
16 nomic conditions, including unemployment.

17 (2) ALLOCATIONS TO STATES.—A State recipi-
18 ent of an allocation under this section may elect to
19 directly administer up to 50 percent of its allocation
20 to carry out activities eligible under this section.

21 (3) ELECTION NOT TO ADMINISTER.—If a
22 grantee elects not to receive funds under this sec-
23 tion, such funds shall be allocated to the State re-
24 cipient in which the grantee is located.

1 (i) INAPPLICABILITY OF MATCHING REQUIRE-
2 MENT.—Subsection (a) of section 416 of the McKinney-
3 Vento Homeless Assistance Act (42 U.S.C. 11375(a))
4 shall not apply to any amounts made available pursuant
5 to subsection (a) of this section.

6 (j) PROHIBITION ON PREREQUISITES.—None of the
7 funds authorized under this section may be used to require
8 people experiencing homelessness to receive treatment or
9 perform any other prerequisite activities as a condition for
10 receiving shelter, housing, or other services.

11 (k) PUBLIC HEARINGS.—

12 (1) INAPPLICABILITY OF IN-PERSON HEARING
13 REQUIREMENTS.—A grantee may not be required to
14 hold in-person public hearings in connection with its
15 citizen participation plan, but shall provide citizens
16 with notice and a reasonable opportunity to com-
17 ment of not less than 15 days. Following the period
18 that begins upon the date of the enactment of this
19 Act and ends upon the date of the termination by
20 the Federal Emergency Management Agency of the
21 emergency declared on March 13, 2020, by the
22 President under the Robert T. Stafford Disaster Re-
23 lief and Emergency Assistance Act (42 U.S.C. 4121
24 et seq.) relating to the Coronavirus Disease 2019
25 (COVID–19) pandemic, and after the period de-

1 scribed in paragraph (2), the Secretary shall direct
2 grantees to resume pre-crisis public hearing require-
3 ments.

4 (2) VIRTUAL PUBLIC HEARINGS.—During the
5 period that national or local health authorities rec-
6 ommend social distancing and limiting public gath-
7 erings for public health reasons, a grantee may ful-
8 fill applicable public hearing requirements for all
9 grants from funds made available pursuant to this
10 section by carrying out virtual public hearings. Any
11 such virtual hearings shall provide reasonable notifi-
12 cation and access for citizens in accordance with the
13 grantee's certifications, timely responses from local
14 officials to all citizen questions and issues, and pub-
15 lic access to all questions and responses.

16 (l) ADMINISTRATION.—Of any amounts made avail-
17 able pursuant to subsection (a), not more than the lesser
18 of 0.5 percent, or \$15,000,000, may be used for staffing,
19 training, technical assistance, technology, monitoring, re-
20 search, and evaluation activities necessary to carry out the
21 program carried out under this section, and such amounts
22 shall remain available until September 30, 2024.

23 **SEC. 106. EMERGENCY HOMELESS ASSISTANCE.**

24 (a) AUTHORIZATION OF APPROPRIATIONS.—There is
25 authorized to be appropriated under the Emergency Solu-

1 tions Grants program under subtitle B of title IV of the
2 McKinney-Vento Homeless Assistance Act (42 U.S.C.
3 11371 et seq.) \$15,500,000,000 for grants under such
4 subtitle in accordance with this section to respond to needs
5 arising from the public health emergency relating to
6 Coronavirus Disease 2019 (COVID–19).

7 (b) FORMULA.—Notwithstanding sections 413 and
8 414 of the McKinney-Vento Homeless Assistance Act (42
9 U.S.C. 11372, 11373), the Secretary of Housing and
10 Urban Development (in this Act referred to as the “Sec-
11 retary”) shall allocate amounts made available pursuant
12 to subsection (a) in accordance with a formula to be estab-
13 lished by the Secretary that takes into consideration the
14 following factors:

15 (1) Risk of transmission of coronavirus in a ju-
16 risdiction.

17 (2) Whether a jurisdiction has a high number
18 or rate of sheltered and unsheltered homeless indi-
19 viduals and families.

20 (3) Economic and housing market conditions in
21 a jurisdiction.

22 (c) ELIGIBLE ACTIVITIES.—In addition to eligible ac-
23 tivities under section 415(a) of the McKinney-Vento
24 Homeless Assistance Act (42 U.S.C. 11374(a), amounts

1 made available pursuant to subsection (a) may also be
2 used for costs of the following activities:

3 (1) Providing training on infectious disease pre-
4 vention and mitigation.

5 (2) Providing hazard pay, including for time
6 worked before the effectiveness of this clause, for
7 staff working directly to prevent and mitigate the
8 spread of coronavirus or COVID–19 among people
9 experiencing or at risk of homelessness.

10 (3) Reimbursement of costs for eligible activi-
11 ties (including activities described in this paragraph)
12 relating to preventing, preparing for, or responding
13 to the coronavirus or COVID–19 that were accrued
14 before the date of the enactment of this Act.

15 Use of such amounts for activities described in this para-
16 graph shall not be considered use for administrative pur-
17 poses for purposes of section 418 of the McKinney-Vento
18 Homeless Assistance Act (42 U.S.C. 11377).

19 (d) INAPPLICABILITY OF PROCUREMENT STAND-
20 ARDS.—To the extent amounts made available pursuant
21 to subsection (a) are used to procure goods and services
22 relating to activities to prevent, prepare for, or respond
23 to the coronavirus or COVID–19, the standards and re-
24 quirements regarding procurement that are otherwise ap-
25 plicable shall not apply.

1 (e) INAPPLICABILITY OF HABITABILITY AND ENVI-
2 RONMENTAL REVIEW STANDARDS.—Any Federal stand-
3 ards and requirements regarding habitability and environ-
4 mental review shall not apply with respect to any emer-
5 gency shelter that is assisted with amounts made available
6 pursuant to subsection (a) and has been determined by
7 a State or local health official, in accordance with such
8 requirements as the Secretary shall establish, to be nec-
9 essary to prevent and mitigate the spread of coronavirus
10 or COVID–19, such shelters.

11 (f) INAPPLICABILITY OF CAP ON EMERGENCY SHEL-
12 TER ACTIVITIES.—Subsection (b) of section 415 of the
13 McKinney-Vento Homeless Assistance Act shall not apply
14 to any amounts made available pursuant to subsection
15 (a)(1) of this section.

16 (g) INITIAL ALLOCATION OF ASSISTANCE.—Section
17 417(b) of the McKinney-Vento Homeless Assistance Act
18 (42 U.S.C. 11376(b)) shall be applied with respect to
19 amounts made available pursuant to subsection (a) by
20 substituting “30-day” for “60-day”.

21 (h) WAIVERS AND ALTERNATIVE REQUIREMENTS.—

22 (1) AUTHORITY.—In administering amounts
23 made available pursuant to subsection (a), the Sec-
24 retary may waive, or specify alternative require-
25 ments for, any provision of any statute or regulation

1 (except for any requirements related to fair housing,
2 nondiscrimination, labor standards, and the environ-
3 ment) that the Secretary administers in connection
4 with the obligation or use by the recipient of such
5 amounts, if the Secretary finds that good cause ex-
6 ists for the waiver or alternative requirement and
7 such waiver or alternative requirement is consistent
8 with the purposes described in this subsection.

9 (2) EFFECTIVENESS; APPLICABILITY.—Any
10 such waivers shall be deemed to be effective as of
11 the date a State or unit of local government began
12 preparing for coronavirus and shall apply to the use
13 of amounts made available pursuant to subsection
14 (a) and amounts provided in prior appropriation
15 Acts for fiscal year 2020 under the heading “De-
16 partment of Housing and Urban Development—
17 Community Planning and Development—Commu-
18 nity Development Fund” and used by recipients for
19 the purposes described in this subsection.

20 (3) NOTIFICATION.—The Secretary shall notify
21 the public through the Federal Register or other ap-
22 propriate means 5 days before the effective date of
23 any such waiver or alternative requirement, and any
24 such public notice may be provided on the Internet
25 at the appropriate Government web site or through

1 other electronic media, as determined by the Sec-
2 retary.

3 (4) EXEMPTION.—The use of amounts made
4 available pursuant to subsection (a) shall not be sub-
5 ject to the consultation, citizen participation, or
6 match requirements that otherwise apply to the
7 Emergency Solutions Grants program, except that a
8 recipient shall publish how it has and will utilize its
9 allocation at a minimum on the Internet at the ap-
10 propriate Government web site or through other
11 electronic media.

12 (i) INAPPLICABILITY OF MATCHING REQUIRE-
13 MENT.—Subsection (a) of section 416 of the McKinney-
14 Vento Homeless Assistance Act (42 U.S.C. 11375(a))
15 shall not apply to any amounts made available pursuant
16 to subsection (a) of this section.

17 (j) PROHIBITION ON PREREQUISITES.—None of the
18 funds authorized under this section may be used to require
19 people experiencing homelessness to receive treatment or
20 perform any other prerequisite activities as a condition for
21 receiving shelter, housing, or other services.

1 **SEC. 107. PARTICIPATION OF INDIAN TRIBES AND TRIB-**
2 **ALLY DESIGNATED HOUSING ENTITIES IN**
3 **CONTINUUM OF CARE PROGRAM.**

4 (a) IN GENERAL.—Title IV of the McKinney-Vento
5 Homeless Assistance Act (42 U.S.C. 11360 et seq.) is
6 amended—

7 (1) in section 401 (42 U.S.C. 11360)—

8 (A) by redesignating paragraphs (10)
9 through (33) as paragraphs (12) through (35),
10 respectively;

11 (B) by redesignating paragraphs (8) and
12 (9) as paragraphs (9) and (10), respectively;

13 (C) by inserting after paragraph (7) the
14 following:

15 “(8) FORMULA AREA.—The term ‘formula area’
16 has the meaning given the term in section 1000.302
17 of title 24, Code of Federal Regulations, or any suc-
18 cessor regulation.”;

19 (D) in paragraph (9), as so redesignated,
20 by inserting “a formula area,” after “non-
21 entitlement area,”; and

22 (E) by inserting after paragraph (10), as
23 so redesignated, the following:

24 “(11) INDIAN TRIBE.—The term ‘Indian Tribe’
25 has the meaning given the term ‘Indian tribe’ in sec-
26 tion 4 of the Native American Housing Assistance

1 and Self-Determination Act of 1996 (25 U.S.C.
2 4103).”; and

3 (2) in subtitle C (42 U.S.C. 11381 et seq.), by
4 adding at the end the following:

5 **“SEC. 435. PARTICIPATION OF INDIAN TRIBES AND TRIB-**
6 **ALLY DESIGNATED HOUSING ENTITIES.**

7 “Notwithstanding any other provision of this title, for
8 purposes of this subtitle, an Indian Tribe or tribally des-
9 ignated housing entity (as defined in section 4 of the Na-
10 tive American Housing Assistance and Self-Determination
11 Act of 1996 (25 U.S.C. 4103)) may—

12 “(1) be a collaborative applicant or eligible enti-
13 ty; or

14 “(2) receive grant amounts from another entity
15 that receives a grant directly from the Secretary,
16 and use the amounts in accordance with this sub-
17 title.”.

18 (b) **TECHNICAL AND CONFORMING AMENDMENT.**—
19 The table of contents in section 101(b) of the McKinney-
20 Vento Homeless Assistance Act (Public Law 100–77; 101
21 Stat. 482) is amended by inserting after the item relating
22 to section 434 the following:

“Sec. 435. Participation of Indian Tribes and tribally designated housing enti-
ties.”.

23 **SEC. 108. HOUSING ASSISTANCE FUND.**

24 (a) **DEFINITIONS.**—In this section:

1 (1) SECRETARY.—The term “Secretary” means
2 the Secretary of the Treasury.

3 (2) STATE.—The term “State” means any
4 State of the United States, the District of Columbia,
5 any territory of the United States, Puerto Rico,
6 Guam, American Samoa, the Virgin Islands, and the
7 Northern Mariana Islands.

8 (b) ESTABLISHMENT OF FUND.—There is estab-
9 lished at the Department of the Treasury a Housing As-
10 sistance Fund to provide such funds as are allocated in
11 subsection (f) to State housing finance agencies for the
12 purpose of preventing homeowner mortgage defaults, fore-
13 closures, and displacements of individuals and families ex-
14 periencing financial hardship after January 21, 2020.

15 (c) ALLOCATION OF FUNDS.—

16 (1) IN GENERAL.—The Secretary of the Treas-
17 ury shall establish such criteria as are necessary to
18 allocate the funds available within the Housing As-
19 sistance Fund to each State. The Secretary shall al-
20 locate such funds among all States taking into con-
21 sideration the number of unemployment claims with-
22 in a State relative to the nation-wide number of un-
23 employment claims.

1 (2) SMALL STATE MINIMUM.—Each State shall
2 receive no less than \$125,000,000 for the purposes
3 established in subsection (b).

4 (d) DISBURSEMENT OF FUNDS.—

5 (1) INITIAL DISBURSEMENT.—The Secretary
6 shall disburse to the State housing finance agencies
7 not less than $\frac{1}{2}$ of the amount made available pur-
8 suant to this section, and in accordance with the al-
9 locations established under subsection (c), not later
10 than 120 days after the date of enactment of this
11 Act. The Secretary or designee shall enter into a
12 contract with each State housing finance agency,
13 which may be amended from time to time, estab-
14 lishing the terms of the use of such funds prior to
15 the disbursement of such funds.

16 (2) SECOND DISBURSEMENT.—The Secretary
17 shall disburse all funds made available pursuant to
18 this section, and in accordance with the allocations
19 established under subsection (c), not later than 180
20 days after the date of enactment of this Act.

21 (e) PERMISSIBLE USES OF FUND.—

22 (1) IN GENERAL.—Funds made available to
23 State housing finance agencies pursuant to this sec-
24 tion may be used for the purposes established under
25 subsection (b), which may include—

1 (A) mortgage payment assistance;

2 (B) financial assistance to allow a bor-
3 rower to reinstate their mortgage following a
4 period of forbearance;

5 (C) principal reduction;

6 (D) utility payment assistance, including
7 electric, gas, and water payment assistance;

8 (E) any program established under the
9 Housing Finance Agency Innovation Fund for
10 the Hardest Hit Housing Markets;

11 (F) reimbursement of funds expended by a
12 State or local government during the period be-
13 ginning on January 21, 2020, and ending on
14 the date that the first funds are disbursed by
15 the State under the Housing Assistance Fund,
16 for the purpose of providing housing or utility
17 assistance to individuals or otherwise providing
18 funds to prevent foreclosure or eviction of a
19 homeowner or prevent mortgage delinquency or
20 loss of housing or critical utilities as a response
21 to the coronavirus disease 2019 (COVID-19)
22 pandemic; and

23 (G) any other assistance to prevent evic-
24 tion, mortgage delinquency or default, fore-
25 closure, or the loss of essential utility services.

1 (2) ADMINISTRATIVE EXPENSES.—Not greater
2 than 10 percent of the amount allocated to a State
3 pursuant to subsection (c) may be used by a State
4 housing financing agency for administrative ex-
5 penses. Any amounts allocated to administrative ex-
6 penses that are no longer necessary for administra-
7 tive expenses may be used in accordance with para-
8 graph (1).

9 (f) APPROPRIATION.—There is appropriated, out of
10 amounts in the Treasury not otherwise appropriated, for
11 the fiscal year ending September 30, 2020, to remain
12 available until expended or transferred or credited under
13 subsection (h), \$35,000,000,000 to the Housing Assist-
14 ance Fund established under subsection (b).

15 (g) USE OF HOUSING FINANCE AGENCY INNOVATION
16 FUND FOR THE HARDEST HIT HOUSING MARKETS
17 FUNDS.—A State housing finance agency may reallocate
18 any administrative or programmatic funds it has received
19 as an allocation from the Housing Finance Agency Inno-
20 vation Fund for the Hardest Hit Housing Markets created
21 pursuant to section 101(a) of the Emergency Economic
22 Stabilization Act of 2008 (12 U.S.C. 5211(a)) that have
23 not been otherwise allocated or disbursed as of the date
24 of enactment of this Act to supplement any administrative
25 or programmatic funds received from the Housing Assist-

1 ance Fund. Such reallocated funds shall not be considered
2 when allocating resources from the Housing Assistance
3 Fund using the process established under subsection (c)
4 and shall remain available for the uses permitted and
5 under the terms and conditions established by the contract
6 with Secretary created pursuant to subsection (d)(1) and
7 the terms of subsection (h).

8 (h) RESCISSION OF FUNDS.—Any funds that have
9 not been allocated by a State housing finance agency to
10 provide assistance as described under subsection (e) by
11 December 31, 2030, shall be reallocated by the Secretary
12 in the following manner:

13 (1) 65 percent shall be transferred or credited
14 to the Housing Trust Fund established under sec-
15 tion 1338 of the Federal Housing Enterprises Fi-
16 nancial Safety and Soundness Act of 1992 (12
17 U.S.C. 4568); and

18 (2) 35 percent shall be transferred or credited
19 to the Capital Magnet Fund under section 1339 of
20 the Federal Housing Enterprises Financial Safety
21 and Soundness Act of 1992 (12 U.S.C. 4569).

22 (i) REPORTING REQUIREMENTS.—The Secretary
23 shall provide public reports not less frequently than quar-
24 terly regarding the use of funds provided by the Housing
25 Assistance Funds. Such reports shall include the following

1 data by State and by program within each State, both for
2 the past quarter and throughout the life of the program—

3 (1) the amount of funds allocated;

4 (2) the amount of funds disbursed;

5 (3) the number of households and individuals
6 assisted;

7 (4) the acceptance rate of applicants;

8 (5) the average amount of assistance provided
9 per household receiving assistance;

10 (6) the average length of assistance provided
11 per household receiving assistance;

12 (7) the income ranges of households for each
13 household receiving assistance; and

14 (8) the outcome 12 months after the household
15 has received assistance.

16 **SEC. 109. MORTGAGE FORBEARANCE.**

17 (a) FINDINGS.—

18 (1) FINDINGS.—Congress finds that—

19 (A) the collection of debts involves the use
20 of the mails and wires and other instrumental-
21 ities of interstate commerce;

22 (B) at times of major disaster or emer-
23 gency, the income of consumers is often im-
24 paired and their necessary daily expenses often
25 increase;

1 (C) temporary forbearance benefits not
2 only consumer and small business debtors, but
3 also other creditors by avoiding downward col-
4 lateral price spirals triggered by an increase in
5 foreclosure activity;

6 (D) without forbearance, many consumers
7 and small businesses are unlikely to be able to
8 pay their obligations according to their original
9 terms and are likely to default on obligations or
10 file for bankruptcy, resulting in reduced recov-
11 eries for creditors, and in the case of bank-
12 ruptcy, no recovery of unaccrued interest;

13 (E) with forbearance, creditors are likely
14 to realize greater long-term value because con-
15 sumers and small businesses will be more likely
16 to be able to repay their obligations after the
17 major disaster or emergency has subsided;

18 (F) the legislative and administrative re-
19 sponse to major disasters and emergencies may
20 consist of multiple components divided among
21 different statutes and programs; and

22 (G) when evaluating whether property has
23 been taken from a person without just com-
24 pensation, a holistic evaluation of the burdens
25 and benefits of all legislative and administrative

1 responses, including indirect benefits from mac-
2 roeconomic stabilization, is appropriate.

3 (2) FURTHER FINDINGS REGARDING MORTGAGE
4 FORBEARANCE.—Congress further finds that—

5 (A) ensuring that consumers are able to
6 remain in their residences reduces the disrup-
7 tions and economic harm caused by such disas-
8 ters and emergencies by ensuring that con-
9 sumers are able to continue their existing em-
10 ployment, education, childcare, and healthcare
11 arrangements, which are often geographically-
12 based;

13 (B) temporary forbearance on residential
14 mortgages is therefore critical to fostering eco-
15 nomic recovery and stability in the wake of
16 major disasters or emergencies;

17 (C) temporary mortgage forbearance dur-
18 ing a declared disaster benefits not only mort-
19 gagors, but also mortgagees because mortga-
20 gors' ability to pay is likely to be restored after
21 a disaster or emergency subsides, so forbear-
22 ance may increase mortgagors' total recovery.
23 Without forbearance, mortgagors are likely to
24 default or file for bankruptcy, resulting in sig-
25 nificant losses for mortgagees; and

1 (D) temporary mortgage forbearance dur-
2 ing a declared disaster also benefits the mortga-
3 gees of other properties because housing prices
4 are geographically and serially correlated so an
5 increase in foreclosures can drive down the
6 value of collateral for all mortgage lenders, fur-
7 ther destabilizing the economy.

8 (3) FURTHER FINDINGS REGARDING MORTGAGE
9 SERVICERS.—Congress further finds that—

10 (A) mortgage servicers are often contrac-
11 tually obligated to advance scheduled mortgage
12 payments to securitization investors, irrespec-
13 tive of whether the servicer collects the payment
14 from the mortgagor;

15 (B) mortgage servicers are often thinly
16 capitalized and with limited capacity for engag-
17 ing in large scale advancing of payments to
18 securitization investors;

19 (C) securitization investors have long been
20 aware of servicers' thin capitalization;

21 (D) in the wake of the 2008 financial cri-
22 sis, several servicers had difficulty obtaining
23 sufficiently liquidity to make advances;

24 (E) mortgage servicing is a heavily regu-
25 lated industry;

1 (F) in response to the 2008 financial cri-
2 sis, Congress created a safe harbor for mort-
3 gage servicers that undertook loan modifica-
4 tions;

5 (G) in response to the 2008 financial cri-
6 sis, the Home Affordable Modification Program
7 paid mortgage servicers to undertake loan
8 modifications;

9 (H) as part of the 2012 joint State-Fed-
10 eral National Mortgage Settlement, mortgage
11 servicers committed to undertaking loan modi-
12 fications; and

13 (I) investors in mortgage securitizations
14 are or should be aware of servicers' thin cap-
15 italization, liquidity constraints, the extent and
16 history of servicing regulation and therefore do
17 not have a reasonable expectation that the
18 terms of servicing contracts will be enforceable
19 at times of national financial crisis.

20 (4) DETERMINATION.—It is the sense of the
21 Congress that, on the basis of the findings described
22 under paragraphs (1), (2), and (3), the Congress de-
23 termines that the provisions of this Act are nec-
24 essary and proper for the purpose of carrying into
25 execution the powers of the Congress to regulate

1 commerce among the several States and to establish
2 uniform bankruptcy laws.

3 (b) PROHIBITION ON FORECLOSURES AND REPOS-
4 SESSIONS DURING THE COVID–19 EMERGENCY.—

5 (1) PROHIBITION ON FORECLOSURES.—The
6 Real Estate Settlement Procedures Act of 1974 (12
7 U.S.C. 2601 et seq.) is amended—

8 (A) in section 3 (12 U.S.C. 2602)—

9 (i) in paragraph (8), by striking
10 “and” at the end;

11 (ii) in paragraph (9), by striking the
12 period at the end and inserting “; and”;
13 and

14 (iii) by adding at the end the fol-
15 lowing:

16 “(10) the term ‘COVID–19 emergency’ means
17 the period that begins upon the date of the enact-
18 ment of this Act and ends on the date of the termi-
19 nation by the Federal Emergency Management
20 Agency of the emergency declared on March 13,
21 2020, by the President under the Robert T. Stafford
22 Disaster Relief and Emergency Assistance Act (42
23 U.S.C. 4121 et seq.) relating to the Coronavirus
24 Disease 2019 (COVID–19) pandemic.”; and

1 (B) in section 6(k)(1) (12 U.S.C.
2 2605(k)(1))—

3 (i) in subparagraph (D), by striking
4 “or” at the end;

5 (ii) by redesignating subparagraph
6 (E) as subparagraph (G); and

7 (iii) by inserting after subparagraph
8 (D) the following:

9 “(E) commence or continue any judicial
10 foreclosure action or non-judicial foreclosure
11 process or any action to evict a consumer fol-
12 lowing a foreclosure during the COVID–19
13 emergency or the 180-day period following such
14 emergency (except that such prohibition shall
15 not apply to a mortgage secured by a dwelling
16 that the servicer has determined after exer-
17 cising reasonable diligence is vacant or aban-
18 doned);

19 “(F) fail to toll the time in a foreclosure
20 process on a property during the COVID–19
21 emergency or the 180-day period following such
22 emergency (except that such prohibition shall
23 not apply to a mortgage secured by a dwelling
24 that the servicer has determined after exer-

1 cising reasonable diligence is vacant or aban-
2 doned); or”.

3 (2) REPOSSESSION PROHIBITION.—During the
4 COVID–19 emergency and for the 180-day period
5 following such emergency, a servicer of a consumer
6 loan secured by a manufactured home or a motor ve-
7 hicle may not repossess such home or vehicle.

8 (c) FORBEARANCE OF RESIDENTIAL MORTGAGE
9 LOAN PAYMENTS FOR SINGLE FAMILY PROPERTIES (1–
10 4 UNITS).—Section 6 of the Real Estate Settlement Pro-
11 cedures Act of 1974 (12 U.S.C. 2605) is amended by add-
12 ing at the end the following:

13 “(n) FORBEARANCE DURING THE COVID–19 EMER-
14 GENCY.—

15 “(1) CONSUMER RIGHT TO REQUEST A FOR-
16 BEARANCE.—

17 “(A) REQUEST FOR FORBEARANCE.—A
18 borrower experiencing a financial hardship dur-
19 ing the COVID–19 emergency may request for-
20 bearance from any mortgage obligation, regard-
21 less of delinquency status, by submitting a re-
22 quest to the borrower’s servicer, either orally or
23 in writing, affirming that the borrower is expe-
24 riencing hardship during the COVID–19 emer-
25 gency. A borrow shall not be required to provide

1 any additional documentation to receive such
2 forbearance.

3 “(B) LENGTH OF FORBEARANCE; EXTEN-
4 SION.—A forbearance requested pursuant to
5 subparagraph (A) shall be provided for a period
6 of 180 days, and may be extended upon request
7 of the borrower for an additional 180 days.

8 “(C) TREATMENT OF TENANTS.—A bor-
9 rower receiving a forbearance under this sub-
10 section with respect to a mortgage secured by
11 a dwelling that has tenants, whether or not the
12 borrower also lives in the dwelling, shall provide
13 the tenants with rent relief for a period not less
14 than the period covered by the forbearance.

15 “(2) AUTOMATIC FORBEARANCE FOR DELIN-
16 QUENT BORROWERS.—

17 “(A) IN GENERAL.—Notwithstanding any
18 other law governing forbearance relief, during
19 the COVID–19 emergency, any borrower who is
20 or becomes 60 days or more delinquent on a
21 mortgage obligation shall automatically be
22 granted a 180-day forbearance, which may be
23 extended upon request of the borrower for an
24 additional 180 days. Such a borrower may elect
25 to continue making regular payments by noti-

1 fying the servicer of the mortgage obligation of
2 such election.

3 “(B) NOTICE TO BORROWER.—The
4 servicer of a mortgage obligation placed in for-
5 bearance pursuant to subparagraph (A) shall
6 provide the borrower written notification of the
7 forbearance and its duration as well as informa-
8 tion about available loss mitigation options and
9 the right to end the forbearance and resume
10 making regular payments.

11 “(C) TREATMENT OF PAYMENTS DURING
12 FORBEARANCE.—Any payments made by the
13 borrower during the forbearance period shall be
14 credited to the borrower’s account in accord-
15 ance with section 129F of the Truth in Lending
16 Act (15 U.S.C. 1639f) or as the borrower may
17 otherwise instruct that is consistent with the
18 terms of the mortgage loan contract.

19 “(3) REQUIREMENTS FOR SERVICERS.—

20 “(A) NOTIFICATION.—

21 “(i) IN GENERAL.—Each servicer of a
22 federally related mortgage loan shall notify
23 the borrower of their right to request for-
24 bearance under paragraph (1)—

1 “(I) not later than 14 days after
2 the date of enactment of this sub-
3 section; and

4 “(II) until the end of COVID–19
5 emergency—

6 “(aa) on each periodic state-
7 ment provided to the borrower;
8 and

9 “(bb) in any oral or written
10 communication by the servicer
11 with or to the borrower.

12 “(ii) MANNER OF NOTIFICATION.—

13 “(I) WRITTEN NOTIFICATION.—
14 Any written notification required
15 under this section—

16 “(aa) shall be provided—

17 “(AA) in English and
18 Spanish and in any addi-
19 tional languages in which
20 the servicer communicates,
21 including the language in
22 which the loan was nego-
23 tiated, to the extent known
24 by the servicer; and

1 “(BB) at least as clear-
2 ly and conspicuously as the
3 most clear and conspicuous
4 disclosure on the document;

5 “(bb) shall include the noti-
6 fication of the availability of lan-
7 guage assistance and housing
8 counseling produced by the Fed-
9 eral Housing Finance Agency
10 under subsection (o); and

11 “(cc) may be provided by
12 first-class mail or electronically,
13 if the borrower has otherwise
14 consented to electronic commu-
15 nication with the servicer and has
16 not revoked such consent.

17 “(II) ORAL NOTIFICATION.—Any
18 oral notification required under clause
19 (i) shall be provided in the language
20 the servicer otherwise uses to commu-
21 nicate with the borrower.

22 “(III) WRITTEN TRANS-
23 LATIONS.—In providing written notifi-
24 cations in languages other than
25 English under subclause (I), a

1 servicer may rely on written trans-
2 lations developed by the Federal
3 Housing Finance Agency or the Bu-
4 reau.

5 “(B) OTHER REQUIREMENTS.—

6 “(i) FORBEARANCE REQUIRED.—

7 Upon receiving a request for forbearance
8 from a consumer under paragraph (1) or
9 placing a borrower in automatic forbear-
10 ance under paragraph (2), a servicer shall
11 provide the forbearance for not less than
12 180 days, and an additional 180 days at
13 the request of the borrower, provided that
14 the borrower will have the option to dis-
15 continue the forbearance at any time.

16 “(ii) PROHIBITION ON FEES, PEN-
17 ALTIES, AND INTEREST.—During the pe-
18 riod of a forbearance under this sub-
19 section, no fees, penalties or additional in-
20 terest beyond the amounts scheduled or
21 calculated as if the borrower made all con-
22 tractual payments on time and in full
23 under the terms of the mortgage contract
24 in effect at the time the borrower enters
25 into the forbearance shall accrue.

1 “(iii) TREATMENT OF ESCROW PAY-
2 MENTS.—If a borrower in forbearance
3 under this subsection is required to make
4 payments to an escrow account, the
5 servicer shall pay or advance the escrow
6 disbursements in a timely manner (defined
7 as on or before the deadline to avoid a
8 penalty), regardless of the status of the
9 borrower’s payments. The servicer may col-
10 lect any resulting escrow shortage or defi-
11 ciency from the borrower after the forbear-
12 ance period ends, in a lump sum payment,
13 spread over 60 months, or capitalized into
14 the loan, at the borrower’s election.”.

15 (d) NOTIFICATION OF LANGUAGE ASSISTANCE AND
16 HOUSING COUNSELING.—Section 6 of the Real Estate
17 Settlement Procedures Act of 1974 (12 U.S.C. 2605), as
18 amended by subsection (c), is further amended by adding
19 at the end the following:

20 “(o) NOTIFICATION OF LANGUAGE ASSISTANCE AND
21 HOUSING COUNSELING.—

22 “(1) IN GENERAL.—The Federal Housing Fi-
23 nance Agency shall, within 30 days of the date of
24 enactment of this Act, make available a document
25 providing notice of the availability of language as-

1 sistance and housing counseling in substantially the
2 same form, and in at least the same languages, as
3 the existing Language Translation Disclosure.

4 “(2) MINIMUM REQUIREMENT.—The document
5 described under subsection (a) shall include the no-
6 tice in at least all the languages for which Federal
7 Housing Finance Agency currently has translations
8 on its existing Language Translation Disclosure
9 available.

10 “(3) PROVISION TO SERVICERS.—The Federal
11 Housing Finance Agency shall make this document
12 available to servicers to fulfill their requirements
13 under subsection (n).”.

14 (e) UNITED STATES DEPARTMENT OF AGRICULTURE
15 DIRECT LOAN PROGRAM.—Section 505 of the Housing
16 Act of 1949 (42 U.S.C. 1475) is amended—

17 (1) by redesignating subsection (b) as sub-
18 section (c); and

19 (2) by inserting after subsection (a) the fol-
20 lowing:

21 “(b) LOAN MODIFICATION.—

22 “(1) IN GENERAL.—The Secretary shall imple-
23 ment a loan modification program to modify the
24 terms of outstanding loans for borrowers who face
25 financial hardship.

1 “(2) AFFORDABLE PAYMENTS.—The Sec-
2 retary’s loan modification program under paragraph
3 (1) shall be designed so as to provide affordable pay-
4 ments for borrowers. In defining ‘affordable pay-
5 ments’ the Secretary shall consult definitions of af-
6 fordability promulgated by the Federal Housing Fi-
7 nance Authority, the Department of Housing and
8 Urban Development, and the Bureau of Consumer
9 Financial Protection.

10 “(3) ADDITIONAL PROGRAM REQUIREMENTS.—
11 The Secretary’s loan modification program under
12 paragraph (1) shall allow for measures including ex-
13 tension of the remaining loan term to up to 480
14 months and a reduction in interest rate to the mar-
15 ket interest rate as defined by regulations of the
16 Secretary. The modification program shall be avail-
17 able for borrowers in a moratorium and for bor-
18 rowers not already in a moratorium who qualify
19 under the terms established by the Secretary. The
20 Secretary may also establish reasonable additional
21 measures for providing affordable loan modifications
22 to borrowers”;

23 (3) in subsection (c), as so redesignated, by
24 adding at the end the following: “Acceleration of the
25 promissory note and initiation of foreclosure pro-

1 ceedings shall not terminate a borrower’s eligibility
2 for a moratorium, loan reamortization, special serv-
3 icing, or other foreclosure alternative.”; and

4 (4) by adding at the end the following:

5 “(d) REQUIREMENT.—The Secretary shall comply
6 with subsection (k)(1), (n), and (o) of section 6 of the
7 Real Estate Settlement Procedures Act of 1974 with re-
8 spect to any single-family loans it holds or services.”.

9 (f) FORBEARANCE OF RESIDENTIAL MORTGAGE
10 LOAN PAYMENTS FOR MULTIFAMILY PROPERTIES (5+
11 UNITS).—

12 (1) IN GENERAL.—During the COVID–19
13 emergency, a multifamily borrower experiencing a fi-
14 nancial hardship due, directly or indirectly, to the
15 COVID–19 emergency may request a forbearance
16 under the terms set forth in this section.

17 (2) REQUEST FOR RELIEF.—A multifamily bor-
18 rower may submit a request for forbearance under
19 paragraph (1) to the borrower’s servicer, either oral-
20 ly or in writing, affirming that the multifamily bor-
21 rower is experiencing hardship during the COVID–
22 19 emergency.

23 (3) FORBEARANCE PERIOD.—

1 (A) IN GENERAL.—Upon receipt of an oral
2 or written request for forbearance from a multi-
3 family borrower, a servicer shall—

4 (i) document the financial hardship;
5 (ii) provide the forbearance for not
6 less than 180 days; and
7 (iii) provide the forbearance for an ad-
8 ditional 180 days upon the request of the
9 borrower at least 30 days prior to the end
10 of the forbearance period described under
11 subparagraph (A).

12 (B) RIGHT TO DISCONTINUE.—A multi-
13 family borrower shall have the option to dis-
14 continue the forbearance at any time.

15 (4) RENTER PROTECTIONS.—During the term
16 of a forbearance under this section, a multifamily
17 borrower may not—

18 (A) evict a tenant for nonpayment of rent;
19 or

20 (B) apply or accrue any fees or other pen-
21 alties on renters for nonpayment of rent.

22 (5) OBLIGATION TO BRING THE LOAN CUR-
23 RENT.—A multifamily borrower shall bring a loan
24 placed in forbearance under this section current
25 within the earlier of—

1 (A) 12 months after the conclusion of the
2 forbearance period; or

3 (B) receipt of any business interruption in-
4 surance proceeds by the multifamily borrower.

5 (6) DEFINITION.—For the purposes of this sub-
6 section, the term “multifamily borrower” means a
7 borrower of a residential mortgage loan that is se-
8 cured by a lien against a property comprising five or
9 more dwelling units.

10 (g) FEDERAL RESERVE CREDIT FACILITY FOR
11 MORTGAGE SERVICERS.—

12 (1) IN GENERAL.—The Board of Governors of
13 the Federal Reserve System and the Secretary of the
14 Treasury, pursuant to the authority granted under
15 section 13(3) of the Federal Reserve Act, directly
16 (or indirectly through an intermediary, such as the
17 Federal National Mortgage Association, the Federal
18 Home Loan Mortgage Corporation, the Government
19 National Mortgage Association, an insured deposi-
20 tory institution, non-depository lending institution,
21 or a special purpose vehicle)—

22 (A) shall extend credit to mortgage
23 servicers and other obligated advancing parties
24 that in each case have liquidity needs due to the
25 COVID–19 emergency or compliance with this

1 Act with respect to mortgage loans (the “af-
2 fected mortgages”); and

3 (B) may extend further credit to mortgage
4 servicers for other liquidity needs due to the ac-
5 tual or imminent delinquency or default on
6 mortgage loans due to the COVID–19 emer-
7 gency.

8 (2) NON-COMPLIANT SERVICERS.—A mortgage
9 servicer shall not be eligible for assistance under
10 paragraph (1) if the provider is in violation of any
11 requirement under this Act, and fails to promptly
12 cure any such violation upon notice or discovery
13 thereof.

14 (3) PAYMENTS AND PURCHASES.—Credit ex-
15 tended under paragraph (1)(A) shall be in an
16 amount sufficient to—

17 (A) cover—

18 (i) the pass-through payment of prin-
19 cipal and interest to mortgage-backed se-
20 curities holders;

21 (ii) the payment of taxes and insur-
22 ance to third parties; and

23 (iii) the temporary reimbursement of
24 modification costs and fees due to servicers
25 that will be deferred until such time as a

1 forbearance period terminates, due in each
2 case on, or in respect of, such affected
3 mortgage loans or related mortgage-backed
4 securities;

5 (B) purchase affected mortgages from
6 pools of securitized mortgages

7 (4) COLLATERAL.—The credit authorized by
8 this section shall be secured by the pledgor's interest
9 in accounts receivable, loans, or related interests re-
10 sulting from the payment advances made on the af-
11 fected mortgages by the mortgage servicers.

12 (5) CREDIT SUPPORT.—The Secretary of the
13 Treasury shall provide credit support to the Board
14 of Governors of the Federal Reserve System for the
15 program required by this section.

16 (6) CONFLICT WITH OTHER LAWS.—Notwith-
17 standing any Federal or State law to the contrary,
18 the Federal National Mortgage Association, the Fed-
19 eral Home Loan Mortgage Corporation, and the
20 Government National Mortgage Association may
21 permit the pledge or grant of a security interest in
22 the pledgor's interest in such accounts receivable or
23 loans or related interests and honor or permit the
24 enforcement of such pledge or grant in accordance
25 with its terms.

1 (7) DURATION.—The extension of credit by the
2 Board of Governors of the Federal Reserve System
3 and credit support from the Secretary of the Treas-
4 ury under this section shall be available until the
5 later of—

6 (A) 6 months after the end of the COVID–
7 19 emergency; and

8 (B) the date on which on the Board of
9 Governors of the Federal Reserve System and
10 the Secretary of the Treasury determine such
11 credit and credit support should no longer be
12 available to address the liquidity concern ad-
13 dressed by this section.

14 (8) AMENDMENTS TO NATIONAL HOUSING
15 ACT.—Section 306(g)(1) of the National Housing
16 Act (12 U.S.C. 1721(g)(1)) is amended—

17 (A) by inserting the following new sentence
18 after the fourth sentence in the paragraph: “In
19 any case in which (I) the President declares a
20 major disaster or emergency for the nation or
21 any area that in either case has been affected
22 by damage or other adverse effects of sufficient
23 severity and magnitude to warrant major dis-
24 aster assistance under the Robert T. Stafford
25 Disaster Relief and Emergency Assistance Act

1 or other Federal law, (II) upon request of an
2 Issuer of any security, the Association elects to
3 extend to the Issuer one or more of the disaster
4 assistance or emergency programs that the As-
5 sociation determines to be available to account
6 for the Issuer's failure or anticipated failure to
7 receive from the mortgagor the full amount of
8 principal and interest due, then (III) the Asso-
9 ciation may elect not to declare the Issuer to be
10 in default because of such request for such dis-
11 aster or emergency assistance.”;

12 (B) by inserting after the word “issued” in
13 the sixth sentence, as redesignated, the fol-
14 lowing: “subject to any pledge or grant of secu-
15 rity interest of the pledgor's interest in and to
16 any such mortgage or mortgages or any interest
17 therein and the proceeds thereon, which the As-
18 sociation may elect to approve;”; and

19 (C) by inserting after the word “issued” in
20 the seventh sentence, as redesignated, the fol-
21 lowing: “, or (D) its approval and honoring of
22 any pledge or grant of security interest of the
23 pledgor's interest in and to any such mortgage
24 or mortgages or any interest therein and pro-
25 ceeds thereon.”.

1 (h) SAFE HARBOR.—

2 (1) IN GENERAL.—Notwithstanding any other
3 provision of law, whenever a servicer of residential
4 mortgages of residential mortgage-backed securi-
5 ties—

6 (A) grants a borrower relief under section
7 6(n) and 6(p) of the Real Estate Settlement
8 Procedures Act of 1974 with respect to a resi-
9 dential mortgage originated before April 1,
10 2020, including a mortgage held in a
11 securitization or other investment vehicle, and

12 (B) the servicer or trustee or issuer owes
13 a duty to investors or other parties regarding
14 the standard for servicing such mortgage,
15 the servicer shall be deemed to have satisfied the
16 such a duty, and the servicer shall not be liable to
17 any party who is owed such a duty and shall not be
18 subject to any injunction, stay, or other equitable re-
19 lief to such party, based upon its good faith compli-
20 ance with the provisions of 6(n) and 6(p) of the Real
21 Estate Settlement Procedures Act of 1974. Any per-
22 son, including a trustee or issuer, who cooperates
23 with a servicer when such cooperation is necessary
24 for the servicer to implement the provisions of 6(n)
25 and 6(p) of the Real Estate Settlement Procedures

1 Act of 1974 shall be protected from liability in the
2 same manner.

3 (2) STANDARD INDUSTRY PRACTICE.—Compli-
4 ance with 6(n) and 6(p) of the Real Estate Settle-
5 ment Procedures Act of 1974 during the COVID–19
6 emergency shall constitute standard industry prac-
7 tice for purposes of all Federal and State laws.

8 (3) DEFINITIONS.—As used in this sub-
9 section—

10 (A) the term “servicer” has the meaning
11 given that term under section 6(i)(2) of the
12 Real Estate Settlement Procedures Act of 1974
13 (12 U.S.C. 2605(i)(2)); and

14 (B) the term “securitization vehicle” has
15 the meaning given that term under section
16 129A(f)(3) of the Truth in Lending Act (15
17 U.S.C. 1639a(f)(3)).

18 (4) RULE OF CONSTRUCTION.—No provision of
19 paragraph (1) or (2) shall be construed as affecting
20 the liability of any servicer or person for actual
21 fraud in servicing of a loan or for the violation of
22 a State or Federal law.

23 (i) POST-PANDEMIC MORTGAGE REPAYMENT OP-
24 TIONS.—Section 6 of the Real Estate Settlement Proce-
25 dures Act of 1974 (12 U.S.C. 2605), as amended by sub-

1 section (d), is further amended by adding at the end the
2 following:

3 “(p) POST-PANDEMIC MORTGAGE REPAYMENT OP-
4 TIONS.—With respect to a federally related residential
5 mortgage loan, before the end of any forbearance provided
6 under subsection (n), servicers shall—

7 “(1) evaluate the borrower’s ability to return to
8 making regular mortgage payments;

9 “(2) if the borrower is able to return to making
10 regular mortgage payments at the end of the for-
11 bearance period—

12 “(A) modify the borrower’s loan to extend
13 the term for the same period as the length of
14 the forbearance, with all payments that were
15 not made during the forbearance distributed at
16 the same intervals as the borrower’s existing
17 payment schedule and evenly distributed across
18 those intervals, with no penalties, late fees, ad-
19 ditional interest accrued beyond the amounts
20 scheduled or calculated as if the borrower made
21 all contractual payments on time and in full
22 under the terms of the mortgage contract in ef-
23 fect at the time the borrower entered into the
24 forbearance, and with no modification fee
25 charged to the borrower; or

1 “(B) if the borrower elects to modify the
2 loan to capitalize a resulting escrow shortage or
3 deficiency, the servicer may modify the bor-
4 rower’s loan by re-amortizing the principal bal-
5 ance and extending the term of the loan suffi-
6 cient to maintain the regular mortgage pay-
7 ments; and

8 “(C) notify the borrower in writing of the
9 extension, including provision of a new payment
10 schedule and date of maturity, and that the
11 borrower shall have the election of prepaying
12 the suspended payments at any time, in a lump
13 sum or otherwise;

14 “(3) if the borrower is financially unable to re-
15 turn to making periodic mortgage payments as pro-
16 vided for in the mortgage contract at the end of the
17 COVID–19 emergency—

18 “(A) evaluate the borrower for all loan
19 modification options, without regard to whether
20 the borrower has previously requested, been of-
21 fered, or provided a loan modification or other
22 loss mitigation option and without any require-
23 ment that the borrower come current before
24 such evaluation or as a condition of eligibility
25 for such modification, including—

1 “(i) further extending the borrower’s
2 repayment period;

3 “(ii) reducing the principal balance of
4 the loan; or

5 “(iii) other modification or loss miti-
6 gation options available to the servicer
7 under the terms of any investor require-
8 ments and existing laws and policies; and

9 “(B) if the borrower qualifies for such a
10 modification, the service shall offer a loan with
11 such terms as to provide a loan with such terms
12 as to provide an affordable payment, with no
13 penalties, late fees, additional interest beyond
14 the amounts scheduled or calculated as if the
15 borrower made all contractual payments on
16 time and in full under the terms of the mort-
17 gage contract in effect at the time the borrower
18 entered into the forbearance, and with no modi-
19 fication fees charged to the borrower; and

20 “(4) if a borrower is granted a forbearance on
21 payments that would be owed pursuant to a trial
22 loan modification plan—

23 “(A) any forbearance of payments shall
24 not be treated as missed or delinquent pay-

1 ments or otherwise negatively affect the bor-
2 rower's ability to complete their trial plan;

3 “(B) any past due amounts as of the end
4 of the trial period, including unpaid interest,
5 real estate taxes, insurance premiums, and as-
6 sessments paid on the borrower's behalf, will be
7 added to the mortgage loan balance, but only to
8 the extent that such charges are not fees associ-
9 ated with the granting of the forbearance, such
10 as late fees, modification fees, or unpaid inter-
11 est from the period of the forbearance beyond
12 the amounts scheduled or calculated as if the
13 borrower made all contractual payments on
14 time and in full under the terms of the mort-
15 gage contract in effect at the time the borrower
16 entered into the forbearance; and

17 “(C) if the borrower is unable to resume
18 payments on the trial modification at the end of
19 the forbearance period, re-evaluate the borrower
20 for all available loan modifications under para-
21 graph 3, without any requirement that the bor-
22 rower become current before such evaluation or
23 as a condition of eligibility for such modifica-
24 tion.”.

1 (j) CLAIMS OF AFFECTED INVESTORS AND OTHER
2 PARTIES.—Any action asserting a taking under the Fifth
3 Amendment to the Constitution of the United States as
4 a result of this subsection shall be brought not later than
5 180 days after the end of the COVID–19 emergency.

6 (k) EXTENSION OF THE GSE PATCH.—The Director
7 of the Bureau of Consumer Financial Protection shall re-
8 vise section 1026.43(e)(4)(iii)(B) of title 12, Code of Fed-
9 eral Regulations, to extend the sunset of the special rule
10 provided under such section 1026.43(e)(4) until January
11 1, 2022, or such later date as may be determined by the
12 Bureau.

13 (l) DEFINITIONS.—In this section:

14 (1) COVID–19 EMERGENCY.—The term
15 “COVID–19 emergency” means the period that be-
16 gins upon the date of the enactment of this Act and
17 ends on the date of the termination by the Federal
18 Emergency Management Agency of the emergency
19 declared on March 13, 2020, by the President under
20 the Robert T. Stafford Disaster Relief and Emer-
21 gency Assistance Act (42 U.S.C. 4121 et seq.) relat-
22 ing to the Coronavirus Disease 2019 (COVID–19)
23 pandemic.

24 (2) MANUFACTURED HOME.—The term “manu-
25 factured home” has the meaning given that term

1 under section 603 of the National Manufactured
2 Housing Construction and Safety Standards Act of
3 1974 (42 U.S.C. 5402).

4 (3) MOTOR VEHICLE.—The term “motor vehi-
5 cle” has the meaning given that term under Section
6 1029(f) of the Consumer Financial Protection Act of
7 2010 (12 U.S.C. 5519(f)).

8 (4) RESIDENTIAL MORTGAGE LOAN.—The term
9 “residential mortgage loan” means any consumer
10 credit transaction that is secured by a mortgage,
11 deed of trust, or other equivalent consensual security
12 interest on residence consisting of a single dwelling
13 unit that is occupied by the mortgagor.

14 **SEC. 110. BANKRUPTCY PROTECTIONS.**

15 (a) INCREASING THE HOMESTEAD EXEMPTION.—

16 (1) HOMESTEAD EXEMPTION.—Section 522 of
17 title 11, United States Code, is amended—

18 (A) in subsection (d)(1), by striking
19 “\$15,000” and inserting “\$100,000”; and

20 (B) by adding at the end the following:

21 “(r) Notwithstanding any other provision of applica-
22 ble nonbankruptcy law, a debtor in any State may exempt
23 from property of the estate the property described in sub-
24 section (d)(1) not to exceed the value in subsection (d)(1)

1 if the exemption for such property permitted by applicable
2 nonbankruptcy law is lower than that amount.”.

3 (b) EFFECT OF MISSED MORTGAGE PAYMENTS ON
4 DISCHARGE.—Section 1328 of title 11, United States
5 Code, is amended by adding at the end the following:

6 “(i) A debtor shall not be denied a
7 discharge under this section because, as of
8 the date of discharge, the debtor did not
9 make 6 or fewer payments directly to the
10 holder of a debt secured by real property.

11 “(j) Notwithstanding subsections (a) and (b), upon
12 the debtor’s request, the court shall grant a discharge of
13 all debts provided for in the plan that are dischargeable
14 under subsection (a) if the debtor—

15 “(1) has made payments under a confirmed
16 plan for at least 1 year; and

17 “(2) is experiencing a loss of income or increase
18 in expenses due, directly or indirectly, to the
19 coronavirus disease 2019 (COVID–19) pandemic.”.

20 (c) MODIFICATION OF CHAPTER 13 PLAN DUE TO
21 HARDSHIP CAUSED BY COVID-19 PANDEMIC.—Section
22 1329 of title 11, United States Code, is amended by add-
23 ing at end the following:

1 “(d)(1) Subject to paragraph (3), for cases confirmed
2 prior to the date of enactment of this subsection, the plan
3 may be modified upon the request of the debtor if—

4 “(A) the debtor is experiencing or has ex-
5 perienceed a material financial hardship due, di-
6 rectly or indirectly, to the coronavirus disease
7 2019 (COVID–19) pandemic; and

8 “(B) the modification is approved after no-
9 tice and a hearing.

10 “(2) A modification under paragraph (1) may
11 include extending the period of time for payments on
12 claims not later than 7 years after the date on which
13 the first payment under the original confirmed plan
14 was due.

15 “(3) Sections 1322(a), 1322(b), 1323(c), and
16 the requirements of section 1325(a) shall apply to
17 any modification under paragraph (1).”.

18 (d) APPLICABILITY.—

19 (1) The amendments made by subsections (a)
20 and (b) shall apply to any case commenced before,
21 on, or after the date of enactment of this Act.

22 (2) The amendment made by subsection (c)
23 shall apply to any case for which a plan has been
24 confirmed under section 1325 of title 11, United

1 States Code, before the date of enactment of this
2 Act.

3 **SEC. 111. DEBT COLLECTION.**

4 (a) TEMPORARY DEBT COLLECTION MORATORIUM
5 DURING THE COVID–19 EMERGENCY PERIOD.—

6 (1) IN GENERAL.—The Fair Debt Collection
7 Practices Act (15 U.S.C. 1692 et seq.) is amended
8 by inserting after section 812 the following:

9 **“§ 812A. Temporary debt collection moratorium dur-**
10 **ing the COVID–19 emergency period**

11 “(a) DEFINITIONS.—In this section:

12 “(1) CONSUMER.—The term ‘consumer’ means
13 any natural person obligated or allegedly obligated
14 to pay any debt.

15 “(2) COVID–19 EMERGENCY PERIOD.—The
16 term ‘COVID–19 emergency period’ means the pe-
17 riod that begins upon the date of the enactment of
18 this Act and ends upon the date of the termination
19 by the Federal Emergency Management Administra-
20 tion of the emergency declared on March 13, 2020,
21 by the President under the Robert T. Stafford Dis-
22 aster Relief and Emergency Assistance Act (42
23 U.S.C. 4121 et seq.) relating to the Coronavirus
24 Disease 2019 (COVID–19) pandemic.

1 “(3) CREDITOR.—The term ‘creditor’ means
2 any person who offers or extends credit creating a
3 debt or to whom a debt is owed or other obligation
4 of payment.

5 “(4) DEBT.—The term ‘debt’—

6 “(A) means any past due obligation or al-
7 leged obligation of a consumer, non-profit orga-
8 nization, or small business to pay money—

9 “(i) arising out of a transaction in
10 which the money, property, insurance, or
11 services which are the subject of the trans-
12 action are primarily for personal, family,
13 business, non-profit, or household pur-
14 poses, whether or not such obligation has
15 been reduced to judgment;

16 “(ii) owed to a local, State, or Federal
17 government;

18 “(B) does not include federally related
19 mortgages (as defined under section 3 of the
20 Real Estate Settlement Procedures Act of
21 1974) unless a deficiency judgment has been
22 made with respect to such federally related
23 mortgage.

24 “(5) DEBT COLLECTOR.—The term ‘debt col-
25 lector’ includes a creditor and any person or entity

1 that engages in the collection of debt (including the
2 Federal Government or a State government) whether
3 or not the debt is allegedly owed to or assigned to
4 that person or entity.

5 “(6) DEPOSITORY INSTITUTION.—The term ‘de-
6 pository institution’—

7 “(A) has the meaning given that term
8 under section 3 of the Federal Deposit Insur-
9 ance Act; and

10 “(B) means a Federal or State credit
11 union (as such terms are defined, respectively,
12 under section 101 of the Federal Credit Union
13 Act.)

14 “(7) NON-PROFIT ORGANIZATION.—The term
15 ‘non-profit organization’ means an organization de-
16 scribed in section 501(c)(3) of the Internal Revenue
17 Code of 1986 and exempt from taxation under sub-
18 section (a) of such section.

19 “(8) SMALL BUSINESS.—The term ‘small busi-
20 ness’ has the meaning given the term ‘small business
21 concern’ under section 3 of the Small Business Act
22 (15 U.S.C. 632).

23 “(b) PROHIBITIONS.—Notwithstanding any other
24 provision of law, during COVID–19 emergency period and

1 the 120-day period immediately following, a debt collector
2 is prohibited from—

3 “(1) capitalizing or adding extra interest or fees
4 triggered by the non-payment of an obligation by a
5 consumer, small business, or non-profit organization
6 to the balance of an account;

7 “(2) suing or threatening to sue a consumer,
8 small business, or non-profit for a past-due debt;

9 “(3) continuing litigation initiated before the
10 date of enactment of this section to collect a debt
11 from a consumer, small business, or non-profit orga-
12 nization;

13 “(4) enforcing a security interest, including
14 through repossession or foreclosure, against a con-
15 sumer, small business, or non-profit organization;

16 “(5) reporting a past due debt of a consumer,
17 small business, or non-profit organization to a con-
18 sumer reporting agency;

19 “(6) taking or threatening to take any action to
20 enforce collection, or any adverse action against a
21 consumer, small business, or non-profit organization
22 for non-payment or for non-appearance at any hear-
23 ings related to a debt;

24 “(7) except with respect to enforcing an order
25 for child support or spousal support, initiating or

1 continuing any action to cause or to seek to cause
2 the collection of a debt from wages, Federal benefits,
3 or other amounts due to a consumer, small business,
4 or non-profit organization, by way of garnishment,
5 deduction, offset, or other seizure, or to cause or
6 seek to cause the collection of a debt by seizing
7 funds from a bank account or any other assets held
8 by such consumer, small business, or non-profit or-
9 ganization;

10 “(8) in the case of action or collection described
11 under paragraph (7) that was initiated prior to the
12 beginning of the date of such disaster or emergency,
13 failing to suspend the action or collection until 120
14 days after the end of the COVID–19 emergency pe-
15 riod;

16 “(9) upon the termination of the incident period
17 for such disaster or emergency, failing to extend the
18 time period to pay an obligation by one payment pe-
19 riod for each payment that a consumer, small busi-
20 ness, or non-profit organization missed during the
21 incident period, with the payments due in the same
22 amounts and at the same intervals as the pre-exist-
23 ing payment schedule of the consumer, small busi-
24 ness, or non-profit organization (as applicable) or, if
25 the debt has no payment periods, allow the con-

1 sumer, small business, or non-profit a reasonable
2 time in which to repay the debt in affordable pay-
3 ments;

4 “(10) disconnecting a consumer, small business,
5 or non-profit organization from a utility prepaid or
6 post-paid electricity, natural gas, telecommuni-
7 cations, broadband, water, or sewer service; or

8 “(11) exercising a right to set off provision con-
9 tained in any consumer, small business, or non-prof-
10 it organization account agreement with a depository
11 institution.

12 “(c) VIOLATION.—Any person who violates a provi-
13 sion of this section shall—

14 “(1) be treated as a debt collector for purposes
15 of section 813; and

16 “(2) be liable to the consumer, small business,
17 or non-profit organization an amount equal to 10
18 times the damages allowed under section 813 for
19 each such violation.”.

20 (2) TABLE OF CONTENTS AMENDMENT.—The
21 table of contents at the beginning of the Fair Debt
22 Collection Practices Act (15 U.S.C. 1692 et seq.) is
23 amended by inserting after the item relating to sec-
24 tion 812 the following new item:

“812A. Temporary debt collection moratorium during the COVID–19 emergency
period.”.

1 (b) CONFESSIONS OF JUDGMENT PROHIBITION.—

2 (1) IN GENERAL.—Chapter 2 of the Truth in
3 Lending Act (15 U.S.C. 1631 et seq.) is amended—

4 (A) by adding at the end the following:

5 **“§ 140B. Confessions of judgment prohibition**

6 “(a) IN GENERAL.—During a period described under
7 section 812A(b) of the Fair Debt Collection Practices Act,
8 no person may directly or indirectly take or receive from
9 another person or seek to enforce an obligation that con-
10 stitutes or contains a cognovit or confession of judgment
11 (for purposes other than executory process in the State
12 of Louisiana), warrant of attorney, or other waiver of the
13 right to notice and the opportunity to be heard in the
14 event of suit or process thereon.

15 “(b) EXEMPTION.—The exemption in section 104(1)
16 shall not apply to this section.

17 “(c) DEBT DEFINED.—In this section, the term
18 ‘debt’ means any obligation of a person to pay to another
19 person money—

20 “(1) regardless of whether the obligation is ab-
21 solute or contingent, if the understanding between
22 the parties is that any part of the money shall be
23 or may be returned;

24 “(2) that includes the right of the person pro-
25 viding the money to an equitable remedy for breach

1 of performance if the breach gives rise to a right to
2 payment; and

3 “(3) regardless of whether the obligation or
4 right to an equitable remedy described in paragraph
5 (2) has been reduced to judgment or is fixed, contin-
6 gent, matured, unmatured, disputed, undisputed, se-
7 cured, or unsecured.”; and

8 (B) in the table of contents for such chap-
9 ter, by adding at the end the following:

“140B. Confessions of judgment prohibition.”.

10 (2) CONFORMING AMENDMENT.—Section
11 130(a) of the Truth in Lending Act (15 U.S.C.
12 1640(a)) is amended by adding at the end the fol-
13 lowing: “For purposes of this section, the term
14 ‘creditor’ refers to any person charged with compli-
15 ance.”.

16 **SEC. 112. DISASTER PROTECTION FOR WORKERS’ CREDIT.**

17 (a) PURPOSE.—The purpose of this section, and the
18 amendments made by this section, is to protect consumers’
19 credit from negative impacts as a result of financial hard-
20 ship due to the coronavirus disease (COVID–19) outbreak
21 and future major disasters.

22 (b) REPORTING OF INFORMATION DURING MAJOR
23 DISASTERS.—

1 (1) IN GENERAL.—The Fair Credit Reporting
2 Act is amended by inserting after section 605B the
3 following:

4 **“§ 605C. Reporting of information during major disas-**
5 **ters**

6 “(a) DEFINITIONS.—In this section:

7 “(1) COVID–19 EMERGENCY PERIOD.—The
8 term ‘COVID–19 emergency period’ means the pe-
9 riod beginning on the date of enactment of this sec-
10 tion and ending on the later of—

11 “(A) 120 days after the date of enactment
12 of this section; or

13 “(B) 120 days after the date of termi-
14 nation by the Federal Emergency Management
15 Administration of the emergency declared on
16 March 13, 2020, by the President under the
17 Robert T. Stafford Disaster Relief and Emer-
18 gency Assistance Act (42 U.S.C. 4121 et seq.)
19 relating to the Coronavirus Disease 2019
20 (COVID–19) pandemic.

21 “(2) COVERED MAJOR DISASTER PERIOD.—The
22 term ‘covered major disaster period’ means—

23 “(A) the period beginning on the date on
24 which a major disaster is declared by the Presi-
25 dent under section 401 of the Robert T. Staf-

1 ford Disaster Relief and Emergency Assistance
2 Act (42 U.S.C. 5170), under which assistance
3 is authorized under section 408 of such Act (42
4 U.S.C. 5174), and ending on the date that is
5 120 days after the end of the incident period
6 designated in such declaration; or

7 “(B) the period ending 120 days after the
8 date of termination by the Federal Emergency
9 Management Administration of the emergency
10 declared on March 13, 2020, by the President
11 under the Robert T. Stafford Disaster Relief
12 and Emergency Assistance Act (42 U.S.C. 4121
13 et seq.) relating to the Coronavirus Disease
14 2019 (COVID–19) pandemic.

15 “(3) MAJOR DISASTER.—The term ‘major dis-
16 aster’ means a major disaster declared by the Presi-
17 dent under section 401 of the Robert T. Stafford
18 Disaster Relief and Emergency Assistance Act (42
19 U.S.C. 5170), under which assistance is authorized
20 under section 408 of such Act (42 U.S.C. 5174)

21 “(b) MORATORIUM ON FURNISHING ADVERSE IN-
22 FORMATION DURING COVID–19 EMERGENCY PERIOD.—
23 No person may furnish any adverse item of information
24 (except information related to a felony criminal conviction)
25 relating to a consumer that was the result of any action

1 or inaction that occurred during the COVID–19 emer-
2 gency period.

3 “(c) MORATORIUM ON FURNISHING ADVERSE INFOR-
4 MATION DURING COVERED MAJOR DISASTER PERIOD.—
5 No person may furnish any adverse item of information
6 (except information related to a felony criminal conviction)
7 relating to a consumer that was the result of any action
8 or inaction that occurred during a covered major disaster
9 period if the consumer is a resident of the affected area
10 covered by a declaration made by the President under sec-
11 tion 401 of the Robert T. Stafford Disaster Relief and
12 Emergency Assistance Act (42 U.S.C. 5170), under which
13 assistance is authorized under section 408 of such Act (42
14 U.S.C. 5174).

15 “(d) INFORMATION EXCLUDED FROM CONSUMER
16 REPORTS.—In addition to the information described in
17 section 605(a), no consumer reporting agency may make
18 any consumer report containing an adverse item of infor-
19 mation (except information related to a felony criminal
20 conviction) reported relating to a consumer that was the
21 result of any action or inaction that occurred during the
22 COVID–19 emergency period or a covered major disaster
23 period, and as applicable under subsection (f)(3), for 270
24 days after the expiration of the applicable period.

1 “(e) SUMMARY OF RIGHTS.—Not later than 60 days
2 after the date of enactment of this subsection, the Bureau
3 shall update the model summary of rights under section
4 609(c)(1) to include a description of the right of a con-
5 sumer to—

6 “(1) request the deletion of adverse items of in-
7 formation under subsection (f); and

8 “(2) request a consumer report or score, with-
9 out charge to the consumer, under subsection (g).

10 “(f) DELETION OF ADVERSE ITEMS OF INFORMA-
11 TION RESULTING FROM THE CORONAVIRUS DISEASE
12 (COVID–19) OUTBREAK AND MAJOR DISASTERS.—

13 “(1) REPORTING.—

14 “(A) IN GENERAL.—Not later than 60
15 days after the date of enactment of this sub-
16 section, the Bureau shall create a website for
17 consumers to report, under penalty of perjury,
18 economic hardship as a result of the
19 coronavirus disease (COVID–19) outbreak or a
20 major disaster (if the consumer is a resident of
21 the affected area covered by such major dis-
22 aster) for the purpose of extending credit report
23 protection for an additional 270 days after the
24 end of the COVID–19 emergency period or cov-
25 ered major disaster period, as applicable.

1 “(B) DOCUMENTATION.—The Bureau
2 shall—

3 “(i) not require any documentation
4 from a consumer to substantiate the eco-
5 nomic hardship; and

6 “(ii) provide notice to the consumer
7 that a report under subparagraph (A) is
8 under penalty of perjury.

9 “(C) REPORTING PERIOD.—A consumer
10 may report economic hardship under subpara-
11 graph (A) during the COVID–19 emergency pe-
12 riod or a covered major disaster period, as ap-
13 plicable, and for 60 days thereafter.

14 “(2) DATABASE.—The Bureau shall establish
15 and maintain a secure database that—

16 “(A) is accessible to each consumer report-
17 ing agency described in section 603(p) and na-
18 tionwide specialty consumer reporting agency
19 for purposes of fulfilling their duties under
20 paragraph (3) to check and automatically delete
21 any adverse item of information (except infor-
22 mation related to a felony criminal conviction)
23 reported that occurred during the COVID–19
24 emergency period or a covered major disaster
25 period with respect to a consumer; and

1 “(B) contains the information reported
2 under paragraph (1).

3 “(3) DELETION OF ADVERSE ITEMS OF INFOR-
4 MATION BY NATIONWIDE CONSUMER REPORTING
5 AND NATIONWIDE SPECIALTY CONSUMER REPORT-
6 ING AGENCIES.—

7 “(A) IN GENERAL.—Each consumer re-
8 porting agency described in section 603(p) and
9 each nationwide specialty consumer reporting
10 agency shall, using the information contained in
11 the database established under paragraph (2),
12 delete from the file of each consumer named in
13 the database each adverse item of information
14 (except information related to a felony criminal
15 conviction) that was a result of an action or in-
16 action that occurred during the COVID–19
17 emergency period or a covered major disaster
18 period up to 270 days following the end of the
19 such period.

20 “(B) TIMELINE.—Each consumer report-
21 ing agency described in section 603(p) and each
22 nationwide specialty consumer reporting agency
23 shall check the database at least weekly and de-
24 lete adverse items of information as soon as
25 practicable after information that is reported

1 under paragraph (1) appears in the database
2 established under paragraph (2).

3 “(4) REQUEST FOR DELETION OF ADVERSE
4 ITEMS OF INFORMATION.—

5 “(A) IN GENERAL.—A consumer who has
6 filed a report of economic hardship with the
7 Bureau may submit a request, without charge
8 to the consumer, to a consumer reporting agen-
9 cy to delete from the consumer’s file an adverse
10 item of information (except information related
11 to a felony criminal conviction) that was a re-
12 sult of an action or inaction that occurred dur-
13 ing the COVID–19 emergency period or a cov-
14 ered major disaster period up to 270 days fol-
15 lowing the end of the such period.

16 “(B) TIMING.—A consumer may submit a
17 request under subparagraph (A), not later than
18 270-day period described in that subparagraph.

19 “(C) REMOVAL AND NOTIFICATION.—Upon
20 receiving a request under this paragraph to de-
21 lete an adverse item of information, a consumer
22 reporting agency shall—

23 “(i) delete the adverse item of infor-
24 mation (except information related to a fel-

1 ony criminal conviction) from the con-
2 sumer's file; and

3 “(ii) notify the consumer and the fur-
4 nisher of the adverse item of information
5 of the deletion.

6 “(g) FREE CREDIT REPORT AND SCORES.—

7 “(1) IN GENERAL.—During the COVID–19
8 emergency period or a covered major disaster period
9 and ending 12 months after the expiration of the
10 COVID–19 emergency period or covered major dis-
11 aster period, as applicable, each consumer reporting
12 agency as described under 603(p) and nationwide
13 specialty consumer reporting agency shall make all
14 disclosures described under section 609 upon request
15 by a consumer, by mail or online, without charge to
16 the consumer and without limitation as to the num-
17 ber of requests. A consumer reporting agency shall
18 also supply a consumer, upon request and without
19 charge, with a credit score that—

20 “(A) is derived from a credit scoring model
21 that is widely distributed to users by the con-
22 sumer reporting agency for the purpose of any
23 extension of credit or other transaction des-
24 ignated by the consumer who is requesting the
25 credit score; or

1 “(B) is widely distributed to lenders of
2 common consumer loan products and predicts
3 the future credit behavior of the consumer.

4 “(2) TIMING.—A file disclosure or credit score
5 under paragraph (1) shall be provided to the con-
6 sumer not later than—

7 “(A) 7 days after the date on which the re-
8 quest is received if the request is made by mail;
9 and

10 “(B) not later than 15 minutes if the re-
11 quest is made online.

12 “(3) ADDITIONAL REPORTS.—A file disclosure
13 provided under paragraph (1) shall be in addition to
14 any disclosure requested by the consumer under sec-
15 tion 612(a).

16 “(4) PROHIBITION.—A consumer reporting
17 agency that receives a request under paragraph (1)
18 may not request or require any documentation from
19 the consumer that demonstrates that the consumer
20 was impacted by the coronavirus disease (COVID–
21 19) outbreak or a major disaster (except to verify
22 that the consumer resides in an area covered by the
23 major disaster) as a condition of receiving the file
24 disclosure or score.

1 “(h) POSTING OF RIGHTS.—Not later than 30 days
2 after the date of enactment of this section, each consumer
3 reporting agency shall prominently post and maintain a
4 direct link on the homepage of the public website of the
5 consumer reporting agency information relating to the
6 right of consumers to—

7 “(1) request the deletion of adverse items of in-
8 formation (except information related to a felony
9 criminal conviction) under subsection (f); and

10 “(2) request consumer file disclosures and
11 scores, without charge to the consumer, under sub-
12 section (g).

13 “(i) BAN ON REPORTING MEDICAL DEBT INFORMA-
14 TION RELATED TO COVID–19 OR A MAJOR DISASTER.—

15 “(1) FURNISHING BAN.—No person shall fur-
16 nish adverse information to a consumer reporting
17 agency related to medical debt if such medical debt
18 is with respect to medical expenses related to treat-
19 ments arising from COVID–19 or a major disaster
20 (whether or not the expenses were incurred during
21 the COVID–19 emergency period or covered major
22 disaster period).

23 “(2) CONSUMER REPORT BAN.—No consumer
24 reporting agency may make a consumer report con-
25 taining adverse information related to medical debt

1 if such medical debt is with respect to medical ex-
2 penses related to treatments arising from COVID-
3 19 or a major disaster (whether or not the expenses
4 were incurred during the COVID-19 emergency pe-
5 riod or covered major disaster period).

6 “(j) CREDIT SCORING MODELS.—A person that cre-
7 ates and implements credit scoring models may not treat
8 the absence, omission, or deletion of any information pur-
9 suant to this section as a negative factor or negative value
10 in credit scoring models created or implemented by such
11 person.”.

12 (2) TECHNICAL AND CONFORMING AMEND-
13 MENT.—The table of contents for the Fair Credit
14 Reporting Act is amended by inserting after the
15 item relating to section 605B the following:

“605C. Reporting of information during major disasters.”.

16 (c) LIMITATIONS ON NEW CREDIT SCORING MODELS
17 DURING THE COVID-19 EMERGENCY AND MAJOR DIS-
18 ASTERS.—The Fair Credit Reporting Act (15 U.S.C. 1681
19 et seq.) is amended—

20 (1) by adding at the end the following:

21 **“§ 630. Limitations on new credit scoring models dur-**
22 **ing the COVID-19 emergency and major**
23 **disasters**

24 “With respect to a person that creates and imple-
25 ments credit scoring models, such person may not, during

1 the COVID–19 emergency period or a covered major dis-
2 aster period (as such terms are defined under section
3 605C), create or implement a new credit scoring model
4 (including a revision to an existing scoring model) if the
5 new credit scoring model would identify a significant per-
6 centage of consumers as being less creditworthy when
7 compared to the previous credit scoring models created or
8 implemented by such person.”; and

9 (2) in the table of contents for such Act, by
10 adding at the end the following new item:

“630. Limitations on new credit scoring models during major disasters.”.

11 **SEC. 113. STUDENT LOANS.**

12 (a) PAYMENTS FOR FEDERAL STUDENT LOAN BOR-
13 ROWERS AS A RESULT OF A NATIONAL EMERGENCY.—

14 (1) IN GENERAL.—Part G of title IV of the
15 Higher Education Act of 1965 (20 U.S.C. 1088 et
16 seq.) is amended by inserting after section 493D the
17 following:

18 **“SEC. 493E. PAYMENTS FOR STUDENT LOAN BORROWERS**
19 **DURING THE COVID–19 NATIONAL EMER-**
20 **GENCY.**

21 “(a) DEFINITIONS.—In this section:

22 “(1) CORONAVIRUS.—The term ‘coronavirus’
23 has the meaning given the term in section 506 of the
24 Coronavirus Preparedness and Response Supple-

1 mental Appropriations Act, 2020 (Public Law 116–
2 123).

3 “(2) INCOME-DRIVEN REPAYMENT.—The term
4 ‘income-driven repayment’ means—

5 “(A) income-based repayment authorized
6 under section 493C for loans made, insured, or
7 guaranteed under part B or part D; or

8 “(B) income contingent repayment author-
9 ized under section 455(e) for loans made under
10 part D.

11 “(3) INVOLUNTARY COLLECTION.—The term
12 ‘involuntary collection’ means—

13 “(A) a wage garnishment authorized under
14 section 488A of this Act or section 3720D of
15 title 31, United States Code;

16 “(B) a reduction of tax refund by amount
17 of debt authorized under section 3720A of title
18 31, United States Code;

19 “(C) a reduction of any other Federal ben-
20 efit payment by administrative offset authorized
21 under section 3716 of title 31, United States
22 Code (including a benefit payment due to an in-
23 dividual under the Social Security Act or any
24 other provision described in subsection
25 (c)(3)(A)(i) of such section); and

1 “(D) any other involuntary collection activ-
2 ity, including any collection activity through
3 which a borrower is compelled to make pay-
4 ments on a private student loan.

5 “(4) COVID–19 EMERGENCY PERIOD.—For
6 purposes of this Act, the term ‘COVID–19 emer-
7 gency period’ means the period that begins upon the
8 date of the enactment of this Act and ends upon the
9 date of the termination by the Federal Emergency
10 Management Administration of the emergency de-
11 clared on March 13, 2020, by the President under
12 the Robert T. Stafford Disaster Relief and Emer-
13 gency Assistance Act (42 U.S.C. 4121 et seq.) relat-
14 ing to the Coronavirus Disease 2019 (COVID–19)
15 pandemic.

16 “(b) COVID–19 NATIONAL EMERGENCY STUDENT
17 LOAN REPAYMENT ASSISTANCE.—

18 “(1) AUTHORITY.—Effective on the date of the
19 enactment of this section, during the COVID–19
20 emergency period and the 6-month period imme-
21 diately following, the Secretary of Education shall
22 for each borrower of a loan made, insured, or guar-
23 anteed under part B, D, or E, pay the total amount
24 due for such month on the loan, based on the pay-

1 ment plan selected by the borrower or the borrower's
2 loan status.

3 “(2) NO CAPITALIZATION OF INTEREST.—With
4 respect to any loan in repayment during the
5 COVID–19 national emergency period and the 6-
6 month period immediately following, interest due on
7 loans made, insured, or guaranteed under part B, D,
8 or E during such period shall not be capitalized at
9 any time during the COVID–19 national emergency
10 period and the 6-month period immediately fol-
11 lowing.

12 “(3) APPLICABILITY OF PAYMENTS.—Any pay-
13 ment made by the Secretary of Education under this
14 section shall be considered by the Secretary of Edu-
15 cation, or by a lender with respect to a loan made,
16 insured, or guaranteed under part B—

17 “(A) as a qualifying payment under the
18 public service loan forgiveness program under
19 section 455(m), if the borrower would otherwise
20 qualify under such section;

21 “(B) in the case of a borrower enrolled in
22 an income-driven repayment plan, as a quali-
23 fying payment for the purpose of calculating eli-
24 gibility for loan forgiveness for the borrower in

1 accordance with section 493C(b)(7) or section
2 455(d)(1)(D), as the case may be; and

3 “(C) in the case of a borrower in default,
4 as an on-time monthly payment for purposes of
5 loan rehabilitation pursuant to section 428F(a).

6 “(4) REPORTING TO CONSUMER REPORTING
7 AGENCIES.—During the period in which the Sec-
8 retary of Education is making payments on a loan
9 under paragraph (1), the Secretary shall ensure
10 that, for the purpose of reporting information about
11 the loan to a consumer reporting agency, any pay-
12 ment made by the Secretary is treated as if it were
13 a regularly scheduled payment made by a borrower.

14 “(5) NOTICE OF PAYMENTS AND PROGRAM.—
15 Not later than 15 days following the date of enact-
16 ment of this section, and monthly thereafter during
17 the COVID–19 national emergency period and the
18 6-month period immediately following, the Secretary
19 of Education shall provide a notice to all borrowers
20 of loans made, insured, or guaranteed under part B,
21 D, or E—

22 “(A) informing borrowers of the actions
23 taken under this section;

1 “(B) providing borrowers with an easily
2 accessible method to opt out of the benefits pro-
3 vided under this section; and

4 “(C) notifying the borrower that the pro-
5 gram under this section is a temporary program
6 and will end 6 months after the COVID–19 na-
7 tional emergency period ends.

8 “(6) SUSPENSION OF INVOLUNTARY COLLEC-
9 TION.—During the COVID–19 national emergency
10 period and the 6-month period immediately fol-
11 lowing, the Secretary of Education, or other holder
12 of a loan made, insured, or guaranteed under part
13 B, D, or E, shall immediately take action to halt all
14 involuntary collection related to the loan.

15 “(7) MANDATORY FORBEARANCE.—During the
16 period in which the Secretary of Education is mak-
17 ing payments on a loan under paragraph (1), the
18 Secretary, or a lender or guaranty agency for a loan
19 made under part B, shall grant the borrower for-
20 bearance as follows:

21 “(A) A temporary cessation of all pay-
22 ments on the loan other than the payments of
23 interest and principal on the loan that are made
24 under paragraph (1).

1 “(B) For borrowers who are delinquent
2 but who are not yet in default before the date
3 on which the Secretary begins making payments
4 under paragraph (1), the retroactive application
5 of forbearance to address any delinquency.”.

6 (2) FFEL AMENDMENT.—Section 428(c)(8) of
7 the Higher Education Act of 1965 (20 U.S.C.
8 1078(c)(8)) is amended by striking “and for which”
9 and all that follows through “this subsection”.

10 (b) PAYMENTS FOR PRIVATE EDUCATION LOAN
11 BORROWERS AS A RESULT OF THE COVID–19 NATIONAL
12 EMERGENCY.—Section 140 of the Truth in Lending Act
13 (15 U.S.C. 1650) is amended by adding at the end the
14 following new subsection:

15 “(h) COVID–19 NATIONAL EMERGENCY PRIVATE
16 EDUCATION LOAN REPAYMENT ASSISTANCE.—

17 “(1) AUTHORITY.—Effective on the date of the
18 enactment of this section, for the duration of the
19 COVID–19 emergency period and the 6-month pe-
20 riod immediately following, the Secretary of the
21 Treasury shall, for each borrower of a private edu-
22 cation loan, pay the total amount due for such
23 month on the loan, based on the payment plan se-
24 lected by the borrower or the borrower’s loan status.

1 “(2) NO CAPITALIZATION OF INTEREST.—With
2 respect to any loan in repayment during the
3 COVID–19 national emergency period and the 6-
4 month period immediately following, interest due on
5 a private education loan during such period shall not
6 be capitalized at any time during the COVID–19 na-
7 tional emergency period and the 6-month period im-
8 mediately following.

9 “(3) REPORTING TO CONSUMER REPORTING
10 AGENCIES.—During the period in which the Sec-
11 retary of the Treasury is making payments on a
12 loan under paragraph (1), the Secretary shall ensure
13 that, for the purpose of reporting information about
14 the loan to a consumer reporting agency, any pay-
15 ment made by the Secretary is treated as if it were
16 a regularly scheduled payment made by a borrower.

17 “(4) NOTICE OF PAYMENTS AND PROGRAM.—
18 Not later than 15 days following the date of enact-
19 ment of this subsection, and monthly thereafter dur-
20 ing the COVID–19 national emergency period and
21 the 6-month period immediately following, the Sec-
22 retary of the Treasury shall provide a notice to all
23 borrowers of private education loans—

24 “(A) informing borrowers of the actions
25 taken under this subsection;

1 “(B) providing borrowers with an easily
2 accessible method to opt out of the benefits pro-
3 vided under this subsection; and

4 “(C) notifying the borrower that the pro-
5 gram under this subsection is a temporary pro-
6 gram and will end 6 months after the COVID-
7 19 national emergency period ends.

8 “(5) SUSPENSION OF INVOLUNTARY COLLEC-
9 TION.—During the COVID-19 national emergency
10 period and the 6-month period immediately fol-
11 lowing, the holder of a private education loan shall
12 immediately take action to halt all involuntary col-
13 lection related to the loan.

14 “(6) MANDATORY FORBEARANCE.—During the
15 period in which the Secretary of the Treasury is
16 making payments on a loan under paragraph (1),
17 the servicer of such loan shall grant the borrower
18 forbearance as follows:

19 “(A) A temporary cessation of all pay-
20 ments on the loan other than the payments of
21 interest and principal on the loan that are made
22 under paragraph (1).

23 “(B) For borrowers who are delinquent
24 but who are not yet in default before the date
25 on which the Secretary begins making payments

1 under paragraph (1), the retroactive application
2 of forbearance to address any delinquency.

3 “(7) DATA TO IMPLEMENT.—Holders and
4 servicers of private education loans shall report, to
5 the satisfaction of the Secretary of the Treasury, the
6 information necessary to calculate the amount to be
7 paid under this section.

8 “(8) COVID–19 EMERGENCY PERIOD DE-
9 FINED.—In this subsection, the term ‘COVID–19
10 emergency period’ means the period that begins
11 upon the date of the enactment of this Act and ends
12 upon the date of the termination by the Federal
13 Emergency Management Administration of the
14 emergency declared on March 13, 2020, by the
15 President under the Robert T. Stafford Disaster Re-
16 lief and Emergency Assistance Act (42 U.S.C. 4121
17 et seq.) relating to the Coronavirus Disease 2019
18 (COVID–19) pandemic.”.

19 (c) MINIMUM RELIEF FOR FEDERAL AND PRIVATE
20 STUDENT LOAN BORROWERS AS A RESULT OF THE
21 COVID–19 NATIONAL EMERGENCY.—

22 (1) MINIMUM STUDENT LOAN RELIEF AS A RE-
23 SULT OF THE COVID–19 NATIONAL EMERGENCY.—
24 Not later than 270 days after the last day of the
25 COVID–19 emergency period, the Secretaries con-

1 cerned shall jointly carry out a program under which
2 a qualified borrower, with respect to the covered
3 loans and private education of loans of such quali-
4 fied borrower, shall receive in accordance with para-
5 graph (3) an amount equal to the lesser of the fol-
6 lowing:

7 (A) The total amount of each covered loan
8 and each private education loan of the bor-
9 rower; or

10 (B) \$10,000.

11 (2) NOTIFICATION OF BORROWERS.—Not later
12 than 270 days after the last day of the COVID–19
13 emergency period, the Secretaries concerned shall
14 notify each qualified borrower of—

15 (A) the requirements to provide loan relief
16 to such borrower under this section; and

17 (B) the opportunity for such borrower to
18 make an election under paragraph (3)(A) with
19 respect to the application of such loan relief to
20 the covered loans and private education loans of
21 such borrower.

22 (3) DISTRIBUTION OF FUNDING.—

23 (A) ELECTION BY BORROWER.—Not later
24 than 45 days after a notice is sent under para-
25 graph (2), a qualified borrower may elect to

1 apply the amount determined with respect to
2 such borrower under paragraph (1) to—

3 (i) any covered loan of the borrower;

4 (ii) any private education loan of the
5 borrower; and

6 (iii) any combination of the loans de-
7 scribed in clauses (i) and (ii).

8 (B) AUTOMATIC PAYMENT.—

9 (i) IN GENERAL.—In the case of a
10 qualified borrower who does not make an
11 election under subparagraph (A) before the
12 date described in such paragraph, the Sec-
13 retaries concerned shall apply the amount
14 determined with respect to such borrower
15 under paragraph (1) in order of the cov-
16 ered loan or private education loan of the
17 qualified borrower with the highest interest
18 rate.

19 (ii) EQUAL INTEREST RATES.—In
20 case of two or more covered loans or pri-
21 vate education loans described in clause (i)
22 with equal interest rates, the Secretaries
23 concerned shall apply the amount deter-
24 mined with respect to such borrower under

1 paragraph (1) first to the loan with the
2 highest principal.

3 (4) DATA TO IMPLEMENT.—

4 (A) SECRETARY OF EDUCATION.—Contractors of the Secretary of Education and lenders
5 and guaranty agencies holding loans made, insured, or guaranteed under part B shall report,
6 to the satisfaction of the Secretary of Education, the information necessary to calculate
7 the amount to be applied under paragraph (1).
8
9

10
11 (B) SECRETARY OF TREASURY.—Holders and servicers of private education loans shall
12 report, to the satisfaction of the Secretary of the Treasury, the information necessary to calculate the amount to be applied under paragraph (1).
13
14
15
16

17 (5) MEMORANDUM OF UNDERSTANDING.—The Secretaries concerned shall enter into a memorandum of understanding to carry out this subsection.
18
19
20

21 (6) DEFINITIONS.—In this subsection:

22 (A) COVERED LOAN.—The term “covered loan” means—
23

24 (i) a loan made, insured, or guaranteed under part B of title IV of the Higher
25

1 Education Act of 1965 (20 U.S.C. 1071 et
2 seq.);

3 (ii) a loan made under part D of title
4 IV of the Higher Education Act of 1965
5 (20 U.S.C. 1087a et seq.); and

6 (iii) a Federal Perkins Loan made
7 pursuant to part E of title IV of the High-
8 er Education Act of 1965 (20 U.S.C.
9 1087aa et seq.).

10 (B) COVID–19 EMERGENCY PERIOD.—

11 The term “COVID–19 emergency period”
12 means the period that begins upon the date of
13 the enactment of this Act and ends upon the
14 date of the termination by the Federal Emer-
15 gency Management Administration of the emer-
16 gency declared on March 13, 2020, by the
17 President under the Robert T. Stafford Dis-
18 aster Relief and Emergency Assistance Act (42
19 U.S.C. 4121 et seq.) relating to the
20 Coronavirus Disease 2019 (COVID–19) pan-
21 demic.

22 (C) PRIVATE EDUCATION LOAN.—The
23 term “private education loan” has the meaning
24 given the term in section 140 of the Truth in
25 Lending Act (15 U.S.C. 1650).

1 (D) QUALIFIED BORROWER.—The term
2 “qualified borrower” means a borrower of a
3 covered loan or a private education loan.

4 (E) SECRETARIES CONCERNED.—The term
5 “Secretaries concerned” means—

6 (i) the Secretary of Education, with
7 respect to covered loans and borrowers of
8 such covered loans; and

9 (ii) the Secretary of the Treasury,
10 with respect to private education loans and
11 borrowers of such private education loans.

12 (d) INCOME SHARE AGREEMENTS.—

13 (1) IN GENERAL.—An individual who entered
14 into an income share agreement to pay for education
15 expenses of the individual shall not be required to
16 make payments under such income share agreement
17 for the duration of the COVID–19 emergency period
18 and the 6-month period immediately following.

19 (2) COVID–19 EMERGENCY PERIOD.—In this
20 subsection, the term “COVID–19 emergency period”
21 means the period that begins upon the date of the
22 enactment of this Act and ends upon the date of the
23 termination by the Federal Emergency Management
24 Administration of the emergency declared on March
25 13, 2020, by the President under the Robert T.

1 Stafford Disaster Relief and Emergency Assistance
2 Act (42 U.S.C. 4121 et seq.) relating to the
3 Coronavirus Disease 2019 (COVID–19) pandemic.

4 (e) EXCLUSION FROM GROSS INCOME.—

5 (1) IN GENERAL.—Part III of subchapter B of
6 chapter 1 of the Internal Revenue Code of 1986 is
7 amended by inserting after section 139H the fol-
8 lowing new section:

9 **“SEC. 139I. STUDENT LOAN PAYMENTS RESULTING FROM**
10 **THE COVID–19 NATIONAL EMERGENCY.**

11 “Gross income shall not include any payment made
12 on behalf of the taxpayer under section 493E(b)(1) of the
13 Higher Education Act of 1965, section 140(h) of the
14 Truth in Lending Act, or section 114(c) of the Financial
15 Protections and Assistance for America’s Consumers,
16 States, Businesses, and Vulnerable Populations.”.

17 (2) CLERICAL AMENDMENT.—The table of sec-
18 tions for part III of subchapter B of chapter 1 of
19 the Internal Revenue Code of 1986 is amended by
20 inserting after the item relating to section 139H the
21 following new item:

 “Sec. 139I. Student loan payments resulting from the COVID–19 national
 emergency.”.

22 (3) EFFECTIVE DATE.—The amendments made
23 by this subsection shall apply to taxable years begin-
24 ning after December 31, 2019.

1 **SEC. 114. WAIVER OF IN-PERSON APPRAISAL REQUIRE-**
2 **MENTS.**

3 (a) FINDING.—The Congress finds that as the coun-
4 try continues to grapple with the impact of the spread of
5 COVID–19, several adjustments are needed to ensure that
6 mortgage processing can continue to function without sig-
7 nificant delays ,despite requirements that would otherwise
8 require in-person interactions.

9 (b) WAIVER.—

10 (1) IN GENERAL.—Until the end of the
11 COVID–19 emergency, any appraisal that is con-
12 ducted for a loan with respect to which applicable
13 law would otherwise require the performance of an
14 interior inspection may be performed without an in-
15 terior inspection, if—

16 (A) an exterior inspection is performed in
17 conjunction with other methods to maximize
18 credibility, including verifiable contemporaneous
19 video or photographic documentation by the
20 borrower and borrower observations; and

21 (B) the applicable lender, guarantor, regu-
22 lating agency, or insurer may order additional
23 services to include an interior inspection at a
24 later date.

25 (2) STIPULATION.— An appraiser conducting
26 an appraisal without an interior inspection pursuant

1 to this section shall stipulate an extraordinary as-
2 sumption that the property's interior quality, condi-
3 tion, and physical characteristics are as described
4 and consistent with the exterior view, and shall em-
5 ploy all available methods to maximize accuracy
6 while maintaining safety.

7 (c) RULEMAKING.—Not later than the end of the 1-
8 week period beginning on the date of enactment of this
9 Act, the Federal Housing Commissioner of the Federal
10 Housing Agency and the Director of the Federal Housing
11 Finance Agency shall issue such rules or guidance as may
12 be necessary to ensure that such agencies, the Federal
13 Home Loan Mortgage Corporation, the Federal National
14 Mortgage Association, and the Federal home loan banks
15 make any adjustments to mortgage processing require-
16 ments that may be necessary to provide flexibility to avoid
17 in-person interactions while preserving the goals of the
18 programs and consumer protection.

19 (d) COVID-19 EMERGENCY DEFINED.—In this sec-
20 tion, the term “COVID-19 emergency” means the period
21 that begins upon the date of the enactment of this Act
22 and ends on the date of the termination by the Federal
23 Emergency Management Agency of the emergency de-
24 clared on March 13, 2020, by the President under the
25 Robert T. Stafford Disaster Relief and Emergency Assist-

1 ance Act (42 U.S.C. 4121 et seq.) relating to the
2 Coronavirus Disease 2019 (COVID–19) pandemic.

3 **SEC. 115. SUPPLEMENTAL FUNDING FOR COMMUNITY DE-**
4 **VELOPMENT BLOCK GRANTS.**

5 (a) FUNDING AND ALLOCATIONS.—

6 (1) AUTHORIZATION OF APPROPRIATIONS.—

7 There is authorized to be appropriated
8 \$12,000,000,000 for assistance in accordance with
9 this section under the community development block
10 grant program under title I of the Housing and
11 Community Development Act of 1974 (42 U.S.C.
12 5301 et seq.).

13 (2) INITIAL ALLOCATION.—\$6,000,000,000 of
14 the amount made available pursuant to paragraph
15 (1) shall be distributed pursuant to section 106 of
16 such Act (42 U.S.C. 5306) to grantees and such al-
17 locations shall be made within 30 days after the date
18 of the enactment of this Act.

19 (3) SUBSEQUENT ALLOCATION.—

20 (A) IN GENERAL.—The \$6,000,000,000
21 made available pursuant to paragraph (1) that
22 remains after allocation pursuant to paragraph
23 (2) shall be allocated, not later than 45 days
24 after the date of the enactment of this Act, di-
25 rectly to States to prevent, prepare for, and re-

1 spond to coronavirus within the State, including
2 activities within entitlement and nonentitlement
3 communities, based on public health needs, risk
4 of transmission of coronavirus, number of
5 coronavirus cases compared to the national av-
6 erage, and economic and housing market dis-
7 ruptions, and other factors, as determined by
8 the Secretary, using best available data.

9 (B) TECHNICAL ASSISTANCE.—Of the
10 amount referred to in subparagraph (A),
11 \$10,000,000 shall be made available for capac-
12 ity building and technical assistance to support
13 the use of such amounts to expedite or facilitate
14 infectious disease response.

15 (4) DIRECT DISTRIBUTION.—Of the amount
16 made available pursuant to paragraph (1),
17 \$3,000,000,000 shall be distributed directly to
18 States and units of general local government, at the
19 discretion of the Secretary of Housing and Urban
20 Development (in this section referred to as the “Sec-
21 retary”), according to a formula based on factors to
22 be determined by the Secretary, prioritizing risk of
23 transmission of coronavirus, number of coronavirus
24 cases compared to the national average, and eco-

1 nomic and housing market disruptions resulting
2 from coronavirus.

3 (5) ROLLING ALLOCATIONS.—Allocations under
4 this subsection may be made on a rolling basis as
5 additional needs develop and data becomes available.

6 (6) BEST AVAILABLE DATA.—The Secretary
7 shall make all allocations under this subsection
8 based on the best available data at the time of allo-
9 cation.

10 (b) ELIGIBLE ACTIVITIES.—Amounts made available
11 pursuant to subsection (a) may be used only for—

12 (1) eligible activities described in 105(a) of the
13 Housing and Community Development Act of 1974
14 (42 U.S.C. 5305(a)) relating to preventing, pre-
15 paring for, or responding to the public health emer-
16 gency relating to Coronavirus Disease 2019
17 (COVID–19); and

18 (2) reimbursement of costs for such eligible ac-
19 tivities relating to preventing, preparing for, or re-
20 sponding to Coronavirus Disease 2019 (COVID–19)
21 that were accrued before the date of the enactment
22 of this Act.

23 (c) INAPPLICABILITY OF PUBLIC SERVICES CAP.—
24 The limitation under paragraph (8) of section 105(a) of
25 the Housing and Community Development Act of 1974

1 (42 U.S.C. 5305(a)(8)) on the amount that may be used
2 for activities under such paragraph shall not apply with
3 respect to—

4 (1) amounts made available pursuant to sub-
5 section (a); and

6 (2) amounts made available in preceding appro-
7 priation Acts for fiscal years 2019 and 2020 for car-
8 rying out title I of the Housing and Community De-
9 velopment Act of 1974, to the extent such amounts
10 are used for activities described in subsection (b) of
11 this section.

12 (d) WAIVERS.—

13 (1) IN GENERAL.—The Secretary may waive, or
14 specify alternative requirements for, any provision of
15 any statute or regulation that the Secretary admin-
16 isters in connection with the use of amounts made
17 available pursuant to subsection (a)(1) and for fiscal
18 years 2019 and 2020 (except for requirements re-
19 lated to fair housing, nondiscrimination, labor stand-
20 ards, and the environment), if the Secretary finds
21 that good cause exists for the waiver or alternative
22 requirement and such waiver or alternative require-
23 ment would not be inconsistent with the overall pur-
24 pose of title I of the Housing and Community Devel-

1 opment Act of 1974, including for the purposes of
2 addressing the impact of coronavirus.

3 (2) NOTICE.—The Secretary shall notify the
4 public through the Federal Register or other appro-
5 priate means 5 days before the effective date of any
6 such waiver or alternative requirement in order for
7 such waiver or alternative requirement to take effect.
8 Such public notice may be provided on the Internet
9 at the appropriate Government web site or through
10 other electronic media, as determined by the Sec-
11 retary.

12 (e) STATEMENTS OF ACTIVITIES; COMPREHENSIVE
13 HOUSING AFFORDABILITY STRATEGIES.—

14 (1) INAPPLICABILITY OF REQUIREMENTS.—Sec-
15 tion 116(b) of such Act (42 U.S.C. 5316(b); relating
16 to submission of final statements of activities not
17 later than August 16 of a given fiscal year) and any
18 implementing regulations shall not apply to final
19 statements submitted in accordance with paragraphs
20 (2) and (3) of section 104 of such Act (42 U.S.C.
21 5304(a)) and comprehensive housing affordability
22 strategies submitted in accordance with section 105
23 of the Cranston-Gonzalez National Affordable Hous-
24 ing Act (42 U.S.C. 12705) for fiscal years 2019 and
25 2020.

1 (2) NEW REQUIREMENTS.—Final statements
2 and comprehensive housing affordability strategies
3 shall instead be submitted not later than August 16,
4 2021.

5 (3) AMENDMENTS.—Notwithstanding sub-
6 sections (a)(2), (a)(3), and (c) of section 104 of the
7 Housing and Community Development Act of 1974
8 (42 U.S.C. 5304) and section 105 of the Cranston-
9 Gonzalez National Affordable Housing Act (42
10 U.S.C. 12705), a grantee may not be required to
11 amend its statement of activities in order to engage
12 in activities to prevent, prepare, and respond to
13 coronavirus or the economic and housing disruption
14 caused by it, but shall make public a report within
15 180 days of the end of the crisis which fully ac-
16 counts for such activities.

17 (f) PUBLIC HEARINGS.—

18 (1) INAPPLICABILITY OF IN-PERSON HEARING
19 REQUIREMENTS.—A grantee may not be required to
20 hold in-person public hearings in connection with its
21 citizen participation plan, but shall provide citizens
22 with notice and a reasonable opportunity to com-
23 ment of not less than 15 days.

24 (2) VIRTUAL PUBLIC HEARINGS.—During the
25 period that national or local health authorities rec-

1 commend social distancing and limiting public gath-
2 erings for public health reasons, a grantee may ful-
3 fill applicable public hearing requirements for all
4 grants from funds made available pursuant to sub-
5 section (a)(1) and under the heading “Department
6 of Housing and Urban Development—Community
7 Planning and Development—Community Develop-
8 ment Fund” in appropriation Acts for fiscal years
9 2019 and 2020 by carrying out virtual public hear-
10 ings. Any such virtual hearings shall provide reason-
11 able notification and access for citizens in accord-
12 ance with the grantee’s certifications, timely re-
13 sponses from local officials to all citizen questions
14 and issues, and public access to all questions and re-
15 sponses.

16 (g) DUPLICATION OF BENEFITS.—The Secretary
17 shall ensure there are adequate procedures in place to pre-
18 vent any duplication of benefits as defined by section 312
19 of the Robert T. Stafford Disaster Relief and Emergency
20 Assistance Act (42 U.S.C. 5155) and act in accordance
21 with section 1210 of the Disaster Recovery Reform Act
22 of 2018 (division D of Public Law 115–254; 132 Stat.
23 3442) and section 312 of the Robert T. Stafford Disaster
24 Relief and Emergency Assistance Act (42 U.S.C. 5155).

1 **SEC. 116. COVID-19 EMERGENCY HOUSING RELIEF.**

2 (a) DEFINITION OF COVID-19 EMERGENCY PE-
3 RIOD.—For purposes of this section, the term “COVID-
4 19 emergency period” means the period that begins upon
5 the date of the enactment of this Act and ends upon the
6 date of the termination by the Federal Emergency Man-
7 agement Agency of the emergency declared on March 13,
8 2020, by the President under the Robert T. Stafford Dis-
9 aster Relief and Emergency Assistance Act (42 U.S.C.
10 4121 et seq.) relating to the Coronavirus Disease 2019
11 (COVID-19) pandemic.

12 (b) SUSPENSION OF COMMUNITY SERVICE, WORK,
13 PRESENCE IN UNIT, AND MINIMUM RENT REQUIRE-
14 MENTS AND TIME LIMITS ON ASSISTANCE.—

15 (1) SUSPENSION.—Notwithstanding any other
16 provision of law, during the COVID-19 emergency
17 period, the following provisions of law and require-
18 ments shall not apply:

19 (A) Section 12(c) of the United States
20 Housing Act of 1937 (42 U.S.C. 1437j(c); re-
21 lating to community service).

22 (B) Any work requirement or time limita-
23 tion on assistance established by a public hous-
24 ing agency participating in the Moving to Work
25 demonstration program authorized under sec-
26 tion 204 of the Departments of Veterans Af-

1 fairs and Housing and Urban Development and
2 Independent Agencies Appropriations Act, 1996
3 (Public Law 104–134; 110 Stat. 1321).

4 (C) Paragraph (3) of section 3(a) of the
5 United States Housing Act of 1937 (42 U.S.C.
6 1437a(a)(3); relating to minimum rental
7 amount).

8 (D) Section 982.312 of the regulations of
9 the Secretary of Housing and Urban Develop-
10 ment (24 C.F.R. 982.312); relating to absence
11 from unit).

12 (2) PROHIBITION.—No penalty may be imposed
13 nor any adverse action taken for failure on the part
14 of any tenant of public housing or a dwelling unit
15 assisted under section 8 of the United States Hous-
16 ing Act of 1937 (42 U.S.C. 1437f) to comply with
17 the laws and requirements specified in paragraph (1)
18 during the period specified in paragraph (1).

19 (c) HOUSING CHOICE VOUCHERS.—

20 (1) SECTION 8 VOUCHERS.—Notwithstanding
21 any other provision of law, the Secretary of Housing
22 and Urban Development shall provide that—

23 (A) during the COVID–19 emergency pe-
24 riod, a public housing agency may not termi-
25 nate the availability to an eligible household of

1 a housing choice voucher under section 8(o) of
2 the United States Housing Act of 1937 (42
3 U.S.C. 1437f(o)) for failure to enter into a
4 lease for an assisted dwelling unit;

5 (B) in the case of any eligible household on
6 whose behalf such a housing choice voucher has
7 been made available, if as of the termination of
8 the COVID–19 emergency period such avail-
9 ability has not terminated (including by reason
10 of subparagraph (A)) and such voucher has not
11 been used to enter into a lease for an assisted
12 dwelling unit, the public housing agency making
13 such voucher available may not terminate such
14 availability until the expiration of the 60-day
15 period beginning upon the termination of the
16 COVID–19 emergency period; and

17 (C) during the COVID–19 emergency pe-
18 riod, clause (i) of section 8(o)(8)(A) of the
19 United States Housing Act of 1937 (42 U.S.C.
20 1437f(o)(8)A)(i); relating to initial inspection of
21 dwelling units) shall not apply, except that in
22 any case in which an inspection of a dwelling
23 unit for which a housing assistance payment is
24 established is not conducted before an assist-
25 ance payment is made for such dwelling unit—

1 (i) such clause shall be applied by
2 substituting “the expiration of the 90-day
3 period beginning on the termination of the
4 COVID–19 emergency period (as such
5 term is defined in section 117(a) of the Fi-
6 nancial Protections and Assistance for
7 America’s Consumers, States, Businesses,
8 and Vulnerable Populations Act)” for “any
9 assistance payment is made”; and

10 (ii) the public housing agency shall in-
11 form the tenant household and the owner
12 of such dwelling unit of the inspection re-
13 quirement applicable to such dwelling unit
14 pursuant to clause (i).

15 (2) RURAL HOUSING VOUCHERS.—Notwith-
16 standing any other provision of law, the Secretary of
17 Agriculture shall provide that the same restrictions
18 and requirements applicable under paragraph (1) to
19 voucher assistance under section 8(o) of the United
20 States Housing Act of 1937 shall apply with respect
21 to voucher assistance under section 542 of the Hous-
22 ing Act of 1949 (42 U.S.C. 1490r). In applying such
23 restrictions and requirements, the Secretary may
24 take into consideration and provide for any dif-
25 ferences between such programs while ensuring that

1 the program under such section 542 is carried out
2 in accordance with the purposes of such restrictions
3 and requirements.

4 (d) SUSPENSION OF INCOME REVIEWS.—During the
5 COVID–19 emergency period, the Secretary of Housing
6 and Urban Development and the Secretary of Agriculture
7 shall waive any requirements under law or regulation re-
8 quiring review of the income of an individual or household
9 for purposes of assistance under a housing assistance pro-
10 gram administered by such Secretary, except—

11 (1) in the case of review of income upon the ini-
12 tial provision of housing assistance; or

13 (2) if such review is requested by an individual
14 or household due to a loss of income.

15 (e) AUTHORITY TO SUSPEND OR DELAY DEAD-
16 LINES.—During the COVID–19 emergency period, the
17 Secretary of Housing and Urban Development and the
18 Secretary of Agriculture may suspend or delay any dead-
19 line relating to public housing agencies or owners of hous-
20 ing assisted under a program administered by such Sec-
21 retary, except any deadline relating to responding to exi-
22 gent conditions related to health and safety or emergency
23 physical conditions.

24 (f) SUSPENSION OF ASSISTED HOUSING SCORING
25 ACTIVITIES.—The Secretary of Housing and Urban De-

1 velopment shall suspend scoring under the Section 8 Man-
2 agement Assessment Program and the Public Housing As-
3 sessment System during the period beginning upon the
4 date of the enactment of this Act and ending upon expira-
5 tion of the 90-day period that begins upon the termination
6 of the COVID–19 emergency period.

7 (g) REQUIREMENTS REGARDING RESIDUAL RE-
8 CEIPTS AND RESERVE FUNDS.—

9 (1) SUSPENSION OF REQUIREMENT TO SUBMIT
10 RESIDUAL RECEIPTS TO HUD.—During the COVID–
11 19 emergency period, any requirements for owners
12 of federally assisted multifamily housing to remit re-
13 sidual receipts to the Secretary of Housing and
14 Urban Development shall not apply.

15 (2) ELIGIBLE USES OF RESERVE FUNDS.—Dur-
16 ing the COVID–19 emergency period, any costs of
17 an owner of federally assisted multifamily housing
18 for items, activities, and services related to respond-
19 ing to coronavirus or COVID–19 shall be considered
20 eligible uses for the reserve fund for replacements
21 for such housing.

22 **SEC. 117. SUPPLEMENTAL FUNDING FOR SERVICE COORDI-**
23 **NATORS TO ASSIST ELDERLY HOUSEHOLDS.**

24 (a) IN GENERAL.—There is authorized to be appro-
25 priated \$300,000,000 for grants under section 676 of the

1 Housing and Community Development Act of 1992 (42
2 U.S.C. 13632) for costs of providing service coordinators
3 for purposes of coordinating services to prevent, prepare
4 for, or respond to the public health emergency relating to
5 Coronavirus Disease 2019 (COVID–19).

6 (b) **HIRING.**—In the hiring of staff using amounts
7 made available pursuant to this section, grantees shall
8 consider and hire, at all levels of employment and to the
9 greatest extent possible, a diverse staff, including by race,
10 ethnicity, gender, and disability status. Each grantee shall
11 submit a report to the Secretary of Housing and Urban
12 Development describing compliance with the preceding
13 sentence not later than the expiration of the 120-day pe-
14 riod that begins upon the termination of the emergency
15 declared on March 13, 2020, by the President under the
16 Robert T. Stafford Disaster Relief and Emergency Assist-
17 ance Act (42 U.S.C. 4121 et seq.) relating to the
18 Coronavirus Disease 2019 (COVID–19) pandemic.

19 (c) **ONE-TIME GRANTS.**—Grants made using
20 amounts made available pursuant to subsection (a) shall
21 not be renewable.

22 (d) **ONE-YEAR AVAILABILITY.**—Any amounts made
23 available pursuant to this section that are allocated for
24 a grantee and remaining unexpended upon the expiration

1 of the 12-month period beginning upon such allocation
2 shall be recaptured by the Secretary.

3 **SEC. 118. FAIR HOUSING.**

4 (a) DEFINITION OF COVID–19 EMERGENCY PE-
5 RIOD.— For purposes of this section, the term “COVID–
6 19 emergency period” means the period that begins upon
7 the date of the enactment of this Act and ends upon the
8 date of the termination by the Federal Emergency Man-
9 agement Agency of the emergency declared on March 13,
10 2020, by the President under the Robert T. Stafford Dis-
11 aster Relief and Emergency Assistance Act (42 U.S.C.
12 4121 et seq.) relating to the Coronavirus Disease 2019
13 (COVID–19) pandemic.

14 (b) FAIR HOUSING ACTIVITIES.—

15 (1) FHIP; FHAP.—

16 (A) AUTHORIZATION OF APPROPRIA-
17 TIONS.—To ensure that fair housing organiza-
18 tions and State and local civil rights agencies
19 have sufficient resources to deal with expected
20 increases in fair housing complaints, to inves-
21 tigate housing discrimination, including finan-
22 cial scams that target protected classes associ-
23 ated with or resulting from the COVID–19 pan-
24 demic, and during such pandemic, there is au-

1 thorized to be appropriated for contracts,
2 grants, and other assistance—

3 (i) \$55,000,000 for the Fair Housing
4 Initiatives Program under section 561 of
5 the Housing and Community Development
6 Act of 1987 (42 U.S.C. 3616a); and

7 (ii) \$35,000,000 for the Fair Housing
8 Assistance Program under the Fair Hous-
9 ing Act (42 U.S.C. 3601 et seq.).

10 Amounts made available pursuant to this sub-
11 paragraph may be used by such organizations
12 and agencies to establish the capacity to and to
13 carry out activities and services by telephone
14 and online means, including for individuals with
15 limited English proficiency and individuals with
16 a disability in accordance with requirements
17 under the Americans With Disabilities Act of
18 1990.

19 (B) PRIVATE ENFORCEMENT INITIA-
20 TIVE.—In entering into contracts for private
21 enforcement initiatives under 561(b) of the
22 Housing and Community Development Act of
23 1987 (42 U.S.C. 3616a(b)) using amounts
24 made available pursuant to subparagraph (A)(i)
25 of this subsection, the Secretary of Housing

1 and Urban Development shall give priority to
2 applications from qualified fair housing enforce-
3 ment organizations that have at least 2 years of
4 fair housing testing experience.

5 (C) 3-YEAR AVAILABILITY.—Any amounts
6 made available pursuant subparagraph (A) that
7 are allocated for a grantee and remain unex-
8 pended upon the expiration of the 3-year period
9 beginning upon such allocation shall be recap-
10 tured by the Secretary.

11 (2) OFFICE OF FAIR HOUSING AND EQUAL OP-
12 PORTUNITY.—There is authorized to be appropriated
13 \$200,000,000 for the Office of Fair Housing and
14 Equal Opportunity of the Department of Housing
15 and Urban Development for costs of fully staffing
16 such Office to ensure robust enforcement of the Fair
17 Housing Act during the COVID–19 pandemic, in-
18 cluding ensuring that—

19 (A) assistance provided under this Act is
20 provided and administered in a manner that af-
21 firmatively furthers fair housing in accordance
22 with the Fair Housing Act;

23 (B) such Office has sufficient capacity for
24 intake of housing discrimination complaints by
25 telephone and online mechanisms, including for

1 individuals with limited English proficiency and
2 individuals with a disability in accordance with
3 requirements under the Americans With Dis-
4 abilities Act of 1990 and section 504 of the Re-
5 habilitation Act of 1973 (29 U.S.C. 794); and

6 (C) such Office has the capacity to respond
7 to all housing discrimination complaints made
8 during the COVID–19 pandemic within time
9 limitations required under law.

10 In the hiring of staff using amounts made available
11 pursuant to this subsection, the Secretary of Hous-
12 ing and Urban Development shall consider and hire,
13 at all levels of employment and to the greatest ex-
14 tent possible, a diverse staff, including by race, eth-
15 nicity, gender, and disability status. The Secretary
16 shall submit a report to the Congress describing
17 compliance with the preceding sentence on a quar-
18 terly basis, for each of the first 4 calendar quarters
19 ending after the date of the enactment of this Act.

20 (c) FAIR HOUSING GUIDANCE AND EDUCATION.—

21 (1) PROHIBITION OF SHOWINGS.—Not later
22 than the expiration of the 30-day period beginning
23 on the date of the enactment of this Act, the Sec-
24 retary of Housing and Urban Development shall
25 issue guidance for owners of dwelling units assisted

1 under housing assistance programs of the Depart-
2 ment prohibiting, during the COVID–19 emergency
3 period, of any showings of occupied assisted dwelling
4 units to prospective tenants.

5 (2) EDUCATION.—There is authorized to be ap-
6 propriated \$10,000,000 for the Office of Fair Hous-
7 ing and Equal Opportunity of the Department of
8 Housing and Urban Development to carry out a na-
9 tional media campaign to educate the public of in-
10 creased housing rights during COVID–19 emergency
11 period, that provides that information and materials
12 used in such campaign are available—

13 (A) in the languages used by communities
14 with limited English proficiency

15 (B) to persons with disabilities.

16 **SEC. 119. HUD COUNSELING PROGRAM AUTHORIZATION.**

17 (a) FINDINGS.—The Congress finds the following:

18 (1) The spread of COVID–19, which is now
19 considered a global pandemic, is expected to nega-
20 tively impact the incomes of potentially millions of
21 homeowners, making it difficult for them to pay
22 their mortgages on time.

23 (2) Housing counseling is critical to ensuring
24 that homeowners have the resources they need to

1 navigate the loss mitigation options available to
2 them while they are experiencing financial hardship.

3 (b) AUTHORIZATION.—There is authorized to be ap-
4 propriated the Secretary of Housing and Urban Develop-
5 ment \$700,000,000 to carry out counseling services de-
6 scribed under section 106 of the Housing and Urban De-
7 velopment Act of 1968 (12 U.S.C. 1701x).

8 **SEC. 120. DEFENSE PRODUCTION ACT OF 1950.**

9 (a) INCREASE IN AUTHORIZATIONS.—

10 (1) AUTHORIZATIONS.—In addition to amounts
11 otherwise authorized to be appropriated, there is au-
12 thorized to be appropriated in the aggregate
13 \$3,000,000,000 for fiscal year 2020 and 2021 to
14 carry out titles I and III of the Defense Production
15 Act of 1950 to produce medical ventilators, personal
16 protection equipment, and other critically needed
17 medical supplies and to carry out any other actions
18 necessary to respond to the COVID–19 emergency.

19 (2) CARRYOVER FUNDS.—Section 304(e) of the
20 Defense Production Act of 1950 shall not apply at
21 the close of fiscal year 2020.

22 (3) COVID–19 EMERGENCY.—In this section,
23 the term “COVID–19 emergency” means the emer-
24 gency declared on March 13, 2020, by the President
25 under the Robert T. Stafford Disaster Relief and

1 Emergency Assistance Act (42 U.S.C. 4121 et seq.)
2 relating to the Coronavirus Disease 2019 (COVID–
3 19) pandemic.

4 (b) STRENGTHENING CONGRESSIONAL OVERSIGHT;
5 PUBLIC PORTAL.—

6 (1) IN GENERAL.—Not later than three months
7 after the date of enactment of this Act, and every
8 three months thereafter, the Secretary of Commerce,
9 in coordination with the Secretary of Health and
10 Human Services, the Secretary of Defense, and any
11 other Federal department or agency that has utilized
12 authority under title I or title III of the Defense
13 Production Act of 1950 to respond to the COVID–
14 19 emergency, shall submit a report to the Com-
15 mittee on Financial Services of the House of Rep-
16 resentatives and the Committee on Banking, Hous-
17 ing, and Urban Affairs of the Senate—

18 (A) on the use of such authority and the
19 expenditure of any funds in connection with
20 such authority;

21 (B) that includes details of each purchase
22 order made using such authorities, including
23 the product and amount of product ordered and
24 the entity that fulfilled the contract.

1 (2) PUBLIC AVAILABILITY.—The Secretary of
2 Commerce shall place all reports submitted under
3 paragraph (1) on an appropriate website available to
4 the public, in an easily searchable format.

5 (3) SUNSET.—The requirements under this sec-
6 tion shall terminate after the expenditure of all
7 funds appropriated pursuant to the authorizations
8 under subsection (a).

9 **TITLE II—ASSISTING SMALL**
10 **BUSINESSES AND COMMU-**
11 **NITY FINANCIAL INSTITU-**
12 **TIONS**

13 **SEC. 201. SMALL BUSINESS CREDIT FACILITY.**

14 (a) ESTABLISHMENT.—The Board of Governors of
15 the Federal Reserve System shall establish a credit facility
16 to provide loans to small businesses during the COVID-
17 19 emergency.

18 (b) DEFINITIONS.—In this section:

19 (1) COVID-19 EMERGENCY.—The term
20 “COVID-19 emergency” means the period that be-
21 gins upon the date of the enactment of this Act and
22 ends on the date of the termination by the Federal
23 Emergency Management Agency of the emergency
24 declared on March 13, 2020, by the President under
25 the Robert T. Stafford Disaster Relief and Emer-

1 agency Assistance Act (42 U.S.C. 4121 et seq.) relat-
2 ing to the Coronavirus Disease 2019 (COVID–19)
3 pandemic.

4 (2) SMALL BUSINESS.—The term “small busi-
5 ness” means—

6 (A) a small business concern (as defined
7 under section 3 of the Small Business Act (15
8 U.S.C. 632);

9 (B) a family farm;

10 (C) an independent contractor; and

11 (D) any other class of businesses to which
12 the Board of Governors determines loans would
13 promote full employment and price stability.

14 **SEC. 202. SMALL BUSINESS FINANCIAL ASSISTANCE PRO-**
15 **GRAM.**

16 (a) IN GENERAL.—The Secretary of the Treasury
17 shall establish a Small Business Financial Assistance Pro-
18 gram under which the Secretary shall provide loans and
19 loan guarantees to small businesses.

20 (b) APPLICATION.—In making loans and loan guar-
21 antees under this section, the Secretary shall—

22 (1) provide a simple application process for bor-
23 rowers; and

24 (2) establish clear and easy to understand un-
25 derwriting standards for such loans.

1 (c) ZERO-INTEREST LOANS.—Loans made by or
2 guaranteed by the Secretary under this section shall be
3 zero-interest loans, if the small business receiving such
4 loan does not involuntarily terminate any employee of the
5 small business during the COVID–19 emergency.

6 (d) ADVANCE.—

7 (1) IN GENERAL.—Upon request from an appli-
8 cant for a loan under this section, the Secretary may
9 provide to such applicant an advance, in cash, to
10 such applicant.

11 (2) AMOUNT.—An advance provided under
12 paragraph (1) shall be in an amount equal to the
13 revenue of the applicant for the period beginning
14 January 1, 2020 and ending January 31, 2020.

15 (3) PROCEDURES.—

16 (A) REVIEW.—The Secretary shall have 1
17 week from the receipt of a request for an ad-
18 vance under paragraph (1) to conduct a risk as-
19 sessment of the applicant to determine whether
20 to approve or deny such request.

21 (B) APPROVAL.—If the Secretary does not
22 deny a request under subparagraph (A), the ad-
23 vance shall be directly deposited into the ac-
24 count identified by the applicant.

1 (C) REMAINING FUNDS.—Not later than 4
2 weeks after approving a request of an applicant
3 under subparagraph (A), the Secretary shall
4 disburse the remaining funds to such applicant.

5 (e) FORGIVENESS.—If small business that receives a
6 loan or loan guarantee under this section demonstrates to
7 the Secretary that the number of full-time employees of
8 such small business on the date such small business sub-
9 mitted an application under this section is greater than
10 or equal to the number of full-time employees of such
11 small business on the date that is 1 year after the date
12 of such submission, the Secretary shall forgive the remain-
13 ing outstanding principal and interest on such loan or loan
14 guarantee.

15 (f) FUNDING.—The Secretary shall use
16 \$50,000,000,000 from the Exchange Stabilization Fund,
17 without further appropriation, to carry out this section.

18 (g) DEFINITIONS.—In this section:

19 (1) COVID–19 EMERGENCY.—The term
20 “COVID–19 emergency” means the period that—

21 (A) begins on the declaration of the emer-
22 gency declared on March 13, 2020, by the
23 President under the Robert T. Stafford Dis-
24 aster Relief and Emergency Assistance Act (42
25 U.S.C. 4121 et seq.) relating to the

1 Coronavirus Disease 2019 (COVID–19) pan-
2 demic; and

3 (B) ends on the termination by the Federal
4 Emergency Management Agency of such emer-
5 gency.

6 (2) SMALL BUSINESS.—The term “small busi-
7 ness” means—

8 (A) a small business concern (as defined
9 under section 3 of the Small Business Act (15
10 U.S.C. 632);

11 (B) a family farm; and

12 (C) an independent contractor.

13 **SEC. 203. SUSPENSION OF SMALL BUSINESS AND NON-**
14 **PROFIT LOAN PAYMENTS.**

15 (a) IN GENERAL.—

16 (1) IN GENERAL.—During the COVID–19
17 emergency, a debt collector may not, with respect to
18 a debt of a small business or non-profit (other than
19 debt related to a federally related mortgage loan)—

20 (A) capitalize unpaid interest;

21 (B) apply a higher interest rate triggered
22 by the nonpayment of a debt to the debt bal-
23 ance;

24 (C) charge a fee triggered by the non-
25 payment of a debt;

1 (D) sue or threaten to sue for nonpayment
2 of a debt;

3 (E) continue litigation to collect a debt
4 that was initiated before the date of enactment
5 of this section;

6 (F) submit or cause to be submitted a con-
7 fession of judgment to any court;

8 (G) enforce a security interest through re-
9 possession, limitation of use, or foreclosure;

10 (H) take or threaten to take any action to
11 enforce collection, or any adverse action for
12 nonpayment of a debt, or for nonappearance at
13 any hearing relating to a debt;

14 (I) commence or continue any action to
15 cause or to seek to cause the collection of a
16 debt, including pursuant to a court order issued
17 before the end of the 120-day period following
18 the end of the COVID–19 emergency, from
19 wages, Federal benefits, or other amounts due
20 to a small business or non-profit by way of gar-
21 nishment, deduction, offset, or other seizure;

22 (J) cause or seek to cause the collection of
23 a debt, including pursuant to a court order
24 issued before the end of the 120-day period fol-
25 lowing the end of the COVID–19 emergency, by

1 levying on funds from a bank account or seizing
2 any other assets of a small business or non-
3 profit;

4 (K) commence or continue an action to
5 evict a small business or non-profit from real or
6 personal property; or

7 (L) disconnect or terminate service from
8 utility service, including electricity, natural gas,
9 telecommunications or broadband, water, or
10 sewer.

11 (2) RULE OF CONSTRUCTION.—Nothing in this
12 subsection may be construed to prohibit a small
13 business or non-profit from voluntarily paying, in
14 whole or in part, a debt.

15 (3) REPAYMENT PERIOD.—After the expiration
16 of the COVID–19 emergency, with respect to a debt
17 described under paragraph (1), a debt collector—

18 (A) may not add to the debt balance any
19 interest or fee prohibited by paragraph (1);

20 (B) shall, for credit with a defined term or
21 payment period, extend the time period to repay
22 the debt balance by 1 payment period for each
23 payment that a small business or non-profit
24 missed during the COVID–19 emergency, with
25 the payments due in the same amounts and at

1 the same intervals as the pre-existing payment
2 schedule;

3 (C) shall, for an open end credit plan (as
4 defined under section 103 of the Truth in
5 Lending Act) or other credit without a defined
6 term, allow the small business or non-profit to
7 repay the debt balance in a manner that does
8 not exceed the amounts permitted by formulas
9 under section 170(c) of the Truth in Lending
10 Act and regulations promulgated thereunder;
11 and

12 (D) shall, when the small business or non-
13 profit notifies the debt collector, offer reason-
14 able and affordable repayment plans, loan
15 modifications, refinancing, options with a rea-
16 sonable time in which to repay the debt.

17 (4) COMMUNICATIONS IN CONNECTION WITH
18 THE COLLECTION OF A DEBT.—

19 (A) IN GENERAL.—During the COVID–19
20 emergency, without prior consent of a small
21 business or non-profit given directly to a debt
22 collector during the COVID–19 emergency, or
23 the express permission of a court of competent
24 jurisdiction, a debt collector may only commu-
25 nicate in writing in connection with the collec-

1 tion of any debt (other than debt related to a
2 federally related mortgage loan).

3 (B) REQUIRED DISCLOSURES.—

4 (i) IN GENERAL.—All written commu-
5 nications described under subparagraph
6 (A) shall inform the small business or non-
7 profit that the communication is for infor-
8 mational purposes and is not an attempt to
9 collect a debt.

10 (ii) REQUIREMENTS.—The disclosure
11 required under clause (i) shall be made—

12 (I) in type or lettering not small-
13 er than 14-point bold type;

14 (II) separate from any other dis-
15 closure;

16 (III) in a manner designed to en-
17 sure that the recipient sees the disclo-
18 sure clearly;

19 (IV) in English and Spanish and
20 in any additional languages in which
21 the debt collector communicates, in-
22 cluding the language in which the
23 loan was negotiated, to the extent
24 known by the debt collector; and

1 (V) may be provided by first-
2 class mail or electronically, if the bor-
3 rower has otherwise consented to elec-
4 tronic communication with the debt
5 collector and has not revoked such
6 consent.

7 (iii) ORAL NOTIFICATION.—Any oral
8 notification shall be provided in the lan-
9 guage the debt collector otherwise uses to
10 communicate with the borrower.

11 (iv) WRITTEN TRANSLATIONS.—In
12 providing written notifications in languages
13 other than English in this Section, a debt
14 collector may rely on written translations
15 developed by the Bureau of Consumer Fi-
16 nancial Protection.

17 (5) VIOLATIONS.—

18 (A) IN GENERAL.—Any person who vio-
19 lates this section shall—

20 (i) except as provided under clause
21 (ii), be subject to civil liability in accord-
22 ance with section 813 of the Fair Debt
23 Collection Practices Act, as if the person is
24 a debt collector for purposes of that sec-
25 tion; and

1 (ii) be liable to the small business or
2 non-profit for an amount 10 times the
3 amounts described in such section 813, for
4 each violation.

5 (B) PREDISPUTE ARBITRATION AGREE-
6 MENTS.—Notwithstanding any other provision
7 of law, no predispute arbitration agreement or
8 predispute joint-action waiver shall be valid or
9 enforceable with respect to a dispute brought
10 under this section, including a dispute as to the
11 applicability of this section, which shall be de-
12 termined under Federal law.

13 (6) TOLLING.—Except as provided in para-
14 graph (7)(D), any applicable time limitations, in-
15 cluding statutes of limitations, related to a debt
16 under Federal or State law shall be tolled during the
17 COVID–19 emergency.

18 (7) CLAIMS OF AFFECTED CREDITORS AND
19 DEBT COLLECTORS.—

20 (A) VALUATION OF PROPERTY.—With re-
21 spect to any action asserting a taking under the
22 Fifth Amendment of the Constitution of the
23 United States as a result of this section or
24 seeking a declaratory judgment regarding the
25 constitutionality of this section, the value of the

1 property alleged to have been taken without
2 just compensation shall be evaluated—

3 (i) with consideration of the likelihood
4 of full and timely payment of the obliga-
5 tion without the actions taken pursuant to
6 this section; and

7 (ii) without consideration of any as-
8 sistance provided directly or indirectly to
9 the small business or non-profit from other
10 Federal, State, and local government pro-
11 grams instituted or legislation enacted in
12 response to the COVID–19 emergency.

13 (B) SCOPE OF JUST COMPENSATION.—In
14 an action described in subparagraph (A), any
15 assistance or benefit provided directly or indi-
16 rectly to the person from other Federal, State,
17 and local government programs instituted in or
18 legislation enacted response to the COVID–19
19 emergency, shall be deemed to be compensation
20 for the property taken, even if such assistance
21 or benefit is not specifically provided as com-
22 pensation for property taken by this section.

23 (C) APPEALS.—Any appeal from an action
24 under this section shall be treated under section
25 158 of title 28, United States Code, as if it

1 were an appeal in a case under title 11, United
2 States Code.

3 (D) REPOSE.—Any action asserting a tak-
4 ing under the Fifth Amendment to the Con-
5 stitution of the United States as a result of this
6 section shall be brought within not later than
7 180 days after the end of the COVID–19 emer-
8 gency.

9 (8) DEFINITIONS.—In this section:

10 (A) COVID–19 EMERGENCY.—The term
11 “COVID–19 emergency” means the period that
12 begins upon the date of the enactment of this
13 Act and ends on the date of the termination by
14 the Federal Emergency Management Agency of
15 the emergency declared on March 13, 2020, by
16 the President under the Robert T. Stafford Dis-
17 aster Relief and Emergency Assistance Act (42
18 U.S.C. 4121 et seq.) relating to the
19 Coronavirus Disease 2019 (COVID–19) pan-
20 demic.

21 (B) CREDITOR.—The term “creditor”
22 means—

23 (i) any person who offers or extends
24 credit creating a debt or to whom a debt
25 is owed or other obligation for payment;

1 (ii) any lessor of real or personal
2 property; or

3 (iii) any provider of utility services.

4 (C) DEBT.—The term “debt”—

5 (i) means any obligation or alleged ob-
6 ligation—

7 (I) for which the original agree-
8 ment, or if there is no agreement, the
9 original obligation to pay was created
10 before the COVID–19 emergency,
11 whether or not such obligation has
12 been reduced to judgment; and

13 (II) that arises out of a trans-
14 action with a small business or non-
15 profit; and

16 (ii) does not include a federally re-
17 lated mortgage loan.

18 (D) DEBT COLLECTOR.—The term “debt
19 collector” means a creditor, and any person or
20 entity that engages in the collection of debt, in-
21 cluding the Federal Government and a State
22 government, irrespective of whether the debt is
23 allegedly owed to or assigned to that person or
24 to the entity.

1 (E) FEDERALLY RELATED MORTGAGE
2 LOAN.—The term “federally related mortgage
3 loan” has the meaning given that term under
4 section 3 of the Real Estate Settlement Proce-
5 dures Act of 1974 (12 U.S.C. 2602).

6 (F) NON-PROFIT.—The term “non-profit”
7 means an organization described in section
8 501(c)(3) of the Internal Revenue Code of 1986
9 and exempt from taxation under section 501(a)
10 of such Code.

11 (G) SMALL BUSINESS.—The term “small
12 business” has the meaning given the term
13 “small business concern” under section 3 of the
14 Small Business Act.

15 (b) CREDIT FACILITY FOR OTHER PURPOSES.—The
16 Board of Governors of the Federal Reserve System shall
17 establish a facility that the Board of Governors shall use
18 to make payments to holders of loans to compensate such
19 holders for documented financial losses—

20 (1) with respect to a loan made to an indi-
21 vidual, small business, or non-profit; and

22 (2) where such losses were caused by a suspen-
23 sion of payments required under Federal law in con-
24 nection with the COVID–19 emergency.

1 **SEC. 204. REAUTHORIZATION OF THE STATE SMALL BUSI-**
2 **NESS CREDIT INITIATIVE ACT OF 2010.**

3 The State Small Business Credit Initiative Act of
4 2010 (15 U.S.C. 5701 et seq.) is amended—

5 (1) by striking “2009 allocation” each place
6 such term appears and inserting “2019 allocation”;

7 (2) by striking “2010 allocation” each place
8 such term appears and inserting “2020 allocation”;

9 (3) by striking “date of enactment of this Act”
10 each place it appears and inserting “date of the en-
11 actment of the Small Business Support and Access
12 to Capital Act of 2020”;

13 (4) by striking “date of the enactment of this
14 Act” each place it appears and inserting “date of
15 the enactment of the Small Business Support and
16 Access to Capital Act of 2020”;

17 (5) in section 3003(b)(2)—

18 (A) in the section heading, by striking
19 “**2009 ALLOCATION FORMULA**” and inserting
20 striking “**2019 ALLOCATION FORMULA**”;

21 (B) by striking “2008 State employment
22 decline” each place such term appears and in-
23 serting “2018 State employment decline”;

24 (C) in subparagraph (A), by striking
25 “2009 allocation” and inserting “2019 alloca-
26 tion”; and

1 (D) in subparagraph (C)—

2 (i) in the subparagraph heading, by
3 striking “2008 STATE EMPLOYMENT DE-
4 CLINE DEFINED” and inserting “2018
5 STATE EMPLOYMENT DECLINE DEFINED”;

6 (ii) in clause (i), by striking “Decem-
7 ber 2007” and inserting “December
8 2017”; and

9 (iii) in clause (ii), by striking “Decem-
10 ber 2008” and inserting “December
11 2018”;

12 (6) in section 3003(b)(3)—

13 (A) in the section heading, by striking
14 “**2010 ALLOCATION FORMULA**” and inserting
15 striking “**2020 ALLOCATION FORMULA**”;

16 (B) by striking “2009 unemployment num-
17 ber” each place such term appears and insert-
18 ing “2019 unemployment number”; and

19 (C) in subparagraph (C)—

20 (i) in the subparagraph heading, by
21 striking “2009 UNEMPLOYMENT NUMBER
22 DEFINED” and inserting “2019 UNEMPLOY-
23 MENT NUMBER DEFINED”; and

24 (ii) by striking “December 2009” and
25 inserting “December 2019”;

1 (7) in section 3005(e), by striking “to the Sec-
2 retary a report” and inserting “to the Secretary and
3 Congress a report”;

4 (8) in section 3007—

5 (A) in subsection (a)(1), by striking “ to
6 the Secretary a report” and inserting “to the
7 Secretary and Congress a report”; and

8 (B) in subsection (b)—

9 (i) by striking “March 31, 2011” and
10 inserting “March 31, 2021”; and

11 (ii) by striking “to the Secretary” and
12 inserting “to the Secretary and Congress”;
13 and

14 (9) in section 3009—

15 (A) in subsection (b), by striking
16 “\$1,500,000,000” and inserting
17 “\$10,000,000,000”;

18 (B) in subsection (c), by adding at the end
19 the following new sentence: “At the end of such
20 period, any amounts that remain unexpended or
21 unobligated shall be transferred to the Commu-
22 nity Development Financial Institutions Fund
23 established under section 104(a) of the Riegle
24 Community Development and Regulatory Im-
25 provement Act of 1994.”.

1 **SEC. 205. FUNDING OF THE INITIATIVE TO BUILD GROWTH**
2 **EQUITY FUNDS FOR MINORITY BUSINESSES.**

3 (a) GRANT.—The Minority Business Development
4 Agency shall provide a grant of \$3,000,000,000 to fully
5 implement the Initiative to Build Growth Equity Funds
6 for Minority Businesses (the “Initiative”; award number
7 MB19OBD8020113), including to use such amounts as
8 capital for the Equity Funds.

9 (b) ADMINISTRATIVE EXPENSES.—Of the amounts
10 provided under subsection (a), the grant recipient may use
11 not more than 2.25 percent of such amount for adminis-
12 trative expenses, of which—

13 (1) not more than 1.5 percent per annum may
14 be used for fees to be paid to investment managers
15 for fund investment activities, including deal
16 sourcing, due diligence, investment monitoring, and
17 investment reporting; and

18 (2) not more than 0.75 percent per annum may
19 be used for fund administration activities by the
20 grant recipient, including fund manager evaluation,
21 selection, monitoring, and overall fund program
22 management.

23 (c) TREATMENT OF INTEREST.—Notwithstanding
24 any other provision of law, with the approval of the Minor-
25 ity Business Development Agency, grant funds made
26 available under subsection (a) may be deposited in inter-

1 est-bearing accounts pending disbursement, and any inter-
2 est which accrues may be retained without returning such
3 interest to the Treasury of the United States and interest
4 earned may be obligated and expended for the purposes
5 for which the grant was made available without further
6 appropriation.

7 (d) REPORTING AND AUDIT REQUIREMENTS.—

8 (1) REPORTING BY RECIPIENT.—The grant re-
9 cipient under this section shall issue a report to the
10 Minority Business Development Agency every 6
11 months detailing the use of grant funds received
12 under this section and any other information that
13 the Minority Business Development Agency may re-
14 quire.

15 (2) ANNUAL REPORT TO CONGRESS.—The Mi-
16 nority Business Development Agency shall issue an
17 annual report to the Congress containing the infor-
18 mation received under paragraph (1) and an anal-
19 ysis of the implementation of the Initiative.

20 (3) GAO AUDIT.—The Comptroller General of
21 the United States shall, every 2 years, carry out an
22 audit of the Initiative and issue a report to the Con-
23 gress and the Minority Business Development Agen-
24 cy containing the results of such audit.

1 (4) FUND MANAGERS.—Fund managers shall
2 annually report on their fund management activities,
3 including—

4 (A) fund performance;

5 (B) impacts of capital investments by in-
6 dustry and geography;

7 (C) racial, ethnic, and gender demo-
8 graphics of minority businesses receiving capital
9 from the Initiative; and

10 (D) any other ancillary and economic bene-
11 fits of capital investments from the Initiative.

12 (e) FUNDING.—There is authorized to be appro-
13 priated to the Minority Business Development Agency
14 \$3,000,000,000 to make the grant described under sub-
15 section (a).

16 **SEC. 206. COMMUNITY DEVELOPMENT FINANCIAL INSTITU-**
17 **TIONS FUND SUPPLEMENTAL APPROPRIA-**
18 **TION AUTHORIZATION.**

19 There is authorized to be appropriated
20 \$1,000,000,000 for fiscal year 2020, for providing finan-
21 cial assistance and technical assistance under subpara-
22 graphs (A) and (B) of section 108(a)(1) of the Community
23 Development Banking and Financial Institutions Act of
24 1994 (12 U.S.C. 4707(a)(1)), except that subsections (d)

1 and (e) of such section 108 shall not apply to the provision
2 of such assistance.

3 **SEC. 207. MINORITY DEPOSITORY INSTITUTION.**

4 (a) SENSE OF CONGRESS ON FUNDING THE LOAN-
5 LOSS RESERVE FUND FOR SMALL DOLLAR LOANS.—The
6 sense of Congress is the following:

7 (1) The Community Development Financial In-
8 stitutions Fund (the “CDFI Fund”) is an agency of
9 the Department of the Treasury, and was estab-
10 lished by the Riegle Community Development and
11 Regulatory Improvement Act of 1994. The mission
12 of the CDFI Fund is “to expand economic oppor-
13 tunity for underserved people and communities by
14 supporting the growth and capacity of a national
15 network of community development lenders, inves-
16 tors, and financial service providers”. A community
17 development financial institution (a “CDFI”) is a
18 specialized financial institution serving low-income
19 communities and a Community Development Entity
20 (a “CDE”) is a domestic corporation or partnership
21 that is an intermediary vehicle for the provision of
22 loans, investments, or financial counseling in low-in-
23 come communities. The CDFI Fund certifies CDFIs
24 and CDEs. Becoming a certified CDFI or CDE al-

1 lows organizations to participate in various CDFI
2 Fund programs as follows:

3 (A) The Bank Enterprise Award Program,
4 which provides FDIC-insured depository institu-
5 tions awards for a demonstrated increase in
6 lending and investments in distressed commu-
7 nities and CDFIs.

8 (B) The CDFI Program, which provides
9 Financial and Technical Assistance awards to
10 CDFIs to reinvest in the CDFI, and to build
11 the capacity of the CDFI, including financing
12 product development and loan loss reserves.

13 (C) The Native American CDFI Assistance
14 Program, which provides CDFIs and spon-
15 soring entities Financial and Technical Assist-
16 ance awards to increase lending and grow the
17 number of CDFIs owned by Native Americans
18 to help build capacity of such CDFIs.

19 (D) The New Market Tax Credit Program,
20 which provides tax credits for making equity in-
21 vestments in CDEs that stimulate capital in-
22 vestments in low-income communities.

23 (E) The Capital Magnet Fund, which pro-
24 vides awards to CDFIs and nonprofit affordable
25 housing organizations to finance affordable

1 housing solutions and related economic develop-
2 ment activities.

3 (F) The Bond Guarantee Program, a
4 source of long-term, patient capital for CDFIs
5 to expand lending and investment capacity for
6 community and economic development purposes.

7 (2) The Department of the Treasury is author-
8 ized to create multi-year grant programs designed to
9 encourage low-to-moderate income individuals to es-
10 tablish accounts at federally insured banks, and to
11 improve low-to-moderate income individuals' access
12 to such accounts on reasonable terms.

13 (3) Under this authority, grants to participants
14 in CDFI Fund programs may be used for loan-loss
15 reserves and to establish small-dollar loan programs
16 by subsidizing related losses. These grants also allow
17 for the providing recipients with the financial coun-
18 seling and education necessary to conduct trans-
19 actions and manage their accounts. These loans pro-
20 vide low-cost alternatives to payday loans and other
21 nontraditional forms of financing that often impose
22 excessive interest rates and fees on borrowers, and
23 lead millions of Americans to fall into debt traps.
24 Small-dollar loans can only be made pursuant to

1 terms, conditions, and practices that are reasonable
2 for the individual consumer obtaining the loan.

3 (4) Program participation is restricted to eligi-
4 ble institutions, which are limited to organizations
5 listed in section 501(c)(3) of the Internal Revenue
6 Code and exempt from tax under 501(a) of such
7 Code, federally insured depository institutions, com-
8 munity development financial institutions and State,
9 local, or Tribal government entities.

10 (5) Since its founding, the CDFI Fund has
11 awarded over \$3,300,000,000 to CDFIs and CDEs,
12 allocated \$54,000,000,000 in tax credits, and
13 \$1,510,000,000 in bond guarantees. According to
14 the CDFI Fund, some programs attract as much as
15 \$10 in private capital for every \$1 invested by the
16 CDFI Fund. The Administration and the Congress
17 should prioritize appropriation of funds for the loan
18 loss reserve fund and technical assistance programs
19 administered by the Community Development Finan-
20 cial Institution Fund, as included in the version of
21 the “Financial Services and General Government
22 Appropriations Act, 2020” (H.R. 3351) that passed
23 the House of Representatives on June, 26, 2019.

24 (b) DEFINITIONS.—In this section:

1 (1) COMMUNITY DEVELOPMENT FINANCIAL IN-
2 STITUTION.—The term “community development fi-
3 nancial institution” has the meaning given under
4 section 103 of the Riegle Community Development
5 and Regulatory Improvement Act of 1994 (12
6 U.S.C. 4702).

7 (2) MINORITY DEPOSITORY INSTITUTION.—The
8 term “minority depository institution” has the
9 meaning given under section 308 of the Financial
10 Institutions Reform, Recovery, and Enforcement Act
11 of 1989 (12 U.S.C. 1463 note), as amended by this
12 Act.

13 (c) INCLUSION OF WOMEN’S BANKS IN THE DEFINI-
14 TION OF MINORITY DEPOSITORY INSTITUTION.—Section
15 308(b)(1) of the Financial Institutions Reform, Recovery,
16 and Enforcement Act of 1989 (12 U.S.C. 1463 note) is
17 amended—

18 (1) by redesignating subparagraphs (A), (B),
19 and (C) as clauses (i), (ii), and (iii), respectively;

20 (2) by striking “means any” and inserting the
21 following: “means—

22 “(A) any”; and

23 (3) in clause (iii) (as so redesignated), by strik-
24 ing the period at the end and inserting “; or”; and

1 (4) by inserting at the end the following new
2 subparagraph:

3 “(B) any bank described in clause (i), (ii),
4 or (iii) of section 19(b)(1)(A) of the Federal
5 Reserve Act—

6 “(i) more than 50 percent of the out-
7 standing shares of which are held by 1 or
8 more women; and

9 “(ii) the majority of the directors on
10 the board of directors of which are
11 women.”.

12 (d) ESTABLISHMENT OF IMPACT BANK DESIGNA-
13 TION.—

14 (1) IN GENERAL.—Each appropriate Federal
15 banking agency shall establish a program under
16 which a depository institution with total consolidated
17 assets of less than \$10,000,000,000 may elect to be
18 designated as an impact bank if 50 percent or more
19 of the loans extended by such covered bank are ex-
20 tended to low-income borrowers.

21 (2) DESIGNATION.—Based on data obtained
22 through examinations, an appropriate Federal bank-
23 ing agency shall submit a notification to a depository
24 institution stating that the depository institution
25 qualifies for designation as an impact bank.

1 (3) APPLICATION.—A depository institution
2 that does not receive a notification described in
3 paragraph (2) may submit an application to the ap-
4 propriate Federal banking agency demonstrating
5 that the depository institution qualifies for designa-
6 tion as an impact bank.

7 (4) ADDITIONAL DATA OR OVERSIGHT.—A de-
8 pository institution is not required to submit addi-
9 tional data to an appropriate Federal banking agen-
10 cy or be subject to additional oversight from such an
11 agency if such data or oversight is related specifi-
12 cally and solely for consideration for a designation
13 as an impact bank.

14 (5) REMOVAL OF DESIGNATION.—If an appro-
15 priate Federal banking agency determines that a de-
16 pository institution designated as an impact bank no
17 longer meets the criteria for such designation, the
18 appropriate Federal banking agency shall rescind
19 the designation and notify the depository institution
20 of such rescission.

21 (6) RECONSIDERATION OF DESIGNATION; AP-
22 PEALS.—A depository institution may—

23 (A) submit to the appropriate Federal
24 banking agency a request to reconsider a deter-

1 mination that such depository institution no
2 longer meets the criteria for the designation; or

3 (B) file an appeal in accordance with pro-
4 cedures established by the appropriate Federal
5 banking agency.

6 (7) RULEMAKING.—Not later than 1 year after
7 the date of the enactment of this Act, the appro-
8 priate Federal banking agencies shall jointly issue
9 rules to carry out the requirements of this sub-
10 section, including by providing a definition of a low-
11 income borrower.

12 (8) FEDERAL DEPOSIT INSURANCE ACT DEFINI-
13 TIONS.—In this subsection, the terms “depository
14 institution” and “appropriate Federal banking agen-
15 cy” have the meanings given such terms, respec-
16 tively, in section 3 of the Federal Deposit Insurance
17 Act (12 U.S.C. 1813).

18 (e) MINORITY DEPOSITORY INSTITUTIONS ADVISORY
19 COMMITTEES.—

20 (1) ESTABLISHMENT.—Each covered regulator
21 shall establish an advisory committee to be called the
22 “Minority Depository Institutions Advisory Com-
23 mittee”.

24 (2) DUTIES.—Each Minority Depository Insti-
25 tutions Advisory Committee shall provide advice to

1 the respective covered regulator on meeting the goals
2 established by section 308 of the Financial Institu-
3 tions Reform, Recovery, and Enforcement Act of
4 1989 (12 U.S.C. 1463 note) to preserve the present
5 number of covered minority institutions, preserve the
6 minority character of minority-owned institutions in
7 cases involving mergers or acquisitions, provide tech-
8 nical assistance, and encourage the creation of new
9 covered minority institutions. The scope of the work
10 of each such Minority Depository Institutions Advi-
11 sory Committee shall include an assessment of the
12 current condition of covered minority institutions,
13 what regulatory changes or other steps the respec-
14 tive agencies may be able to take to fulfill the re-
15 quirements of such section 308, and other issues of
16 concern to minority depository institutions.

17 (3) MEMBERSHIP.—

18 (A) IN GENERAL.—Each Minority Deposi-
19 tory Institutions Advisory Committee shall con-
20 sist of no more than 10 members, who—

21 (i) shall serve for one two-year term;

22 (ii) shall serve as a representative of
23 a depository institution or an insured cred-
24 it union with respect to which the respec-
25 tive covered regulator is the covered regu-

1 lator of such depository institution or in-
2 sured credit union; and

3 (iii) shall not receive pay by reason of
4 their service on the advisory committee,
5 but may receive travel or transportation
6 expenses in accordance with section 5703
7 of title 5, United States Code.

8 (B) DIVERSITY.—To the extent prac-
9 ticable, each covered regulator shall ensure that
10 the members of Minority Depository Institu-
11 tions Advisory Committee of such agency reflect
12 the diversity of depository institutions.

13 (4) MEETINGS.—

14 (A) IN GENERAL.—Each Minority Deposi-
15 tory Institutions Advisory Committee shall meet
16 not less frequently than twice each year.

17 (B) INVITATIONS.—Each Minority Deposi-
18 tory Institutions Advisory Committee shall in-
19 vite the attendance at each meeting of the Mi-
20 nority Depository Institutions Advisory Com-
21 mittee of—

22 (i) one member of the majority party
23 and one member of the minority party of
24 the Committee on Financial Services of the
25 House of Representatives and the Com-

1 mittee on Banking, Housing, and Urban
2 Affairs of the Senate; and

3 (ii) one member of the majority party
4 and one member of the minority party of
5 any relevant subcommittees of such com-
6 mittees.

7 (5) NO TERMINATION OF ADVISORY COMMIT-
8 TEES.—The termination requirements under section
9 14 of the Federal Advisory Committee Act (5 U.S.C.
10 app.) shall not apply to a Minority Depository Insti-
11 tutions Advisory Committee established pursuant to
12 this subsection.

13 (6) DEFINITIONS.—In this subsection:

14 (A) COVERED REGULATOR.—The term
15 “covered regulator” means the Comptroller of
16 the Currency, the Board of Governors of the
17 Federal Reserve System, the Federal Deposit
18 Insurance Corporation, and the National Credit
19 Union Administration.

20 (B) COVERED MINORITY INSTITUTION.—
21 The term “covered minority institution” means
22 a minority depository institution (as defined in
23 section 308(b) of the Financial Institutions Re-
24 form, Recovery, and Enforcement Act of 1989
25 (12 U.S.C. 1463 note)) or a minority credit

1 union (as defined in section 1204(c) of the Fi-
2 nancial Institutions Reform, Recovery, and En-
3 forcement Act of 1989, as amended by this
4 Act).

5 (C) DEPOSITORY INSTITUTION.—The term
6 “depository institution” has the meaning given
7 under section 3 of the Federal Deposit Insur-
8 ance Act (12 U.S.C. 1813).

9 (D) INSURED CREDIT UNION.—The term
10 “insured credit union” has the meaning given
11 in section 101 of the Federal Credit Union Act
12 (12 U.S.C. 1752).

13 (7) TECHNICAL AMENDMENT.—Section 308(b)
14 of the Financial Institutions Reform, Recovery, and
15 Enforcement Act of 1989 (12 U.S.C. 1463 note) is
16 amended by adding at the end the following new
17 paragraph:

18 “(3) DEPOSITORY INSTITUTION.—The term ‘de-
19 pository institution’ means an ‘insured depository in-
20 stitution’ (as defined in section 3 of the Federal De-
21 posit Insurance Act (12 U.S.C. 1813)) and an in-
22 sured credit union (as defined in section 101 of the
23 Federal Credit Union Act (12 U.S.C. 1752)).”.

24 (f) FEDERAL DEPOSITS IN MINORITY DEPOSITORY
25 INSTITUTIONS.—

1 (1) IN GENERAL.—Section 308 of the Financial
2 Institutions Reform, Recovery, and Enforcement Act
3 of 1989 (12 U.S.C. 1463 note) is amended—

4 (A) by adding at the end the following new
5 subsection:

6 “(d) FEDERAL DEPOSITS.—The Secretary of the
7 Treasury shall ensure that deposits made by Federal agen-
8 cies in minority depository institutions and impact banks
9 are fully collateralized or fully insured, as determined by
10 the Secretary. Such deposits shall include reciprocal de-
11 posits as defined in section 337.6(e)(2)(v) of title 12, Code
12 of Federal Regulations (as in effect on March 6, 2019).”;
13 and

14 (B) in subsection (b), as amended by sec-
15 tion 6(g), by adding at the end the following
16 new paragraph:

17 “(4) IMPACT BANK.—The term ‘impact bank’
18 means a depository institution designated by an ap-
19 propriate Federal banking agency pursuant to sec-
20 tion 5 of the Ensuring Diversity in Community
21 Banking Act of 2020.”.

22 (2) TECHNICAL AMENDMENTS.—Section 308 of
23 the Financial Institutions Reform, Recovery, and
24 Enforcement Act of 1989 (12 U.S.C. 1463 note) is
25 amended—

1 (A) in the matter preceding paragraph (1),
2 by striking “section—” and inserting “sec-
3 tion:”; and

4 (B) in the paragraph heading for para-
5 graph (1), by striking “FINANCIAL” and insert-
6 ing “DEPOSITORY”.

7 (g) MINORITY BANK DEPOSIT PROGRAM.—

8 (1) IN GENERAL.—Section 1204 of the Finan-
9 cial Institutions Reform, Recovery, and Enforcement
10 Act of 1989 (12 U.S.C. 1811 note) is amended to
11 read as follows:

12 **“SEC. 1204. EXPANSION OF USE OF MINORITY BANKS AND**
13 **MINORITY CREDIT UNIONS.**

14 “(a) MINORITY BANK DEPOSIT PROGRAM.—

15 “(1) ESTABLISHMENT.—There is established a
16 program to be known as the ‘Minority Bank Deposit
17 Program’ to expand the use of minority banks and
18 minority credit unions.

19 “(2) ADMINISTRATION.—The Secretary of the
20 Treasury, acting through the Fiscal Service, shall—

21 “(A) on application by a depository institu-
22 tion or credit union, certify whether such depos-
23 itory institution or credit union is a minority
24 bank or minority credit union;

1 “(B) maintain and publish a list of all de-
2 pository institutions and credit unions that have
3 been certified pursuant to subparagraph (A);
4 and

5 “(C) periodically distribute the list de-
6 scribed in subparagraph (B) to—

7 “(i) all Federal departments and
8 agencies;

9 “(ii) interested State and local govern-
10 ments; and

11 “(iii) interested private sector compa-
12 nies.

13 “(3) INCLUSION OF CERTAIN ENTITIES ON
14 LIST.—A depository institution or credit union that,
15 on the date of the enactment of this section, has a
16 current certification from the Secretary of the
17 Treasury stating that such depository institution or
18 credit union is a minority bank or minority credit
19 union shall be included on the list described under
20 paragraph (2)(B).

21 “(b) EXPANDED USE AMONG FEDERAL DEPART-
22 MENTS AND AGENCIES.—

23 “(1) IN GENERAL.—Not later than 1 year after
24 the establishment of the program described in sub-
25 section (a), the head of each Federal department or

1 agency shall develop and implement standards and
2 procedures to ensure, to the maximum extent pos-
3 sible as permitted by law, the use of minority banks
4 and minority credit unions to serve the financial
5 needs of each such department or agency.

6 “(2) REPORT TO CONGRESS.—Not later than 2
7 years after the establishment of the program de-
8 scribed in subsection (a), and annually thereafter,
9 the head of each Federal department or agency shall
10 submit to Congress a report on the actions taken to
11 increase the use of minority banks and minority
12 credit unions to serve the financial needs of each
13 such department or agency.

14 “(c) DEFINITIONS.—For purposes of this section:

15 “(1) CREDIT UNION.—The term ‘credit union’
16 has the meaning given the term ‘insured credit
17 union’ in section 101 of the Federal Credit Union
18 Act (12 U.S.C. 1752).

19 “(2) DEPOSITORY INSTITUTION.—The term ‘de-
20 pository institution’ has the meaning given the term
21 ‘insured depository institution’ in section 3 of the
22 Federal Deposit Insurance Act (12 U.S.C. 1813).

23 “(3) MINORITY.—The term ‘minority’ means
24 any Black American, Native American, Hispanic
25 American, or Asian American.

1 “(4) MINORITY BANK.—The term ‘minority
2 bank’ means a minority depository institution as de-
3 fined in section 308 of this Act.

4 “(5) MINORITY CREDIT UNION.—The term ‘mi-
5 nority credit union’ means any credit union for
6 which more than 50 percent of the membership (in-
7 cluding board members) of such credit union are mi-
8 nority individuals, as determined by the National
9 Credit Union Administration pursuant to section
10 308 of this Act.”.

11 (2) CONFORMING AMENDMENTS.—The fol-
12 lowing provisions are amended by striking
13 “1204(c)(3)” and inserting “1204(c)”:

14 (A) Section 808(b)(3) of the Community
15 Reinvestment Act of 1977 (12 U.S.C.
16 2907(b)(3)).

17 (B) Section 40(g)(1)(B) of the Federal De-
18 posit Insurance Act (12 U.S.C.
19 1831q(g)(1)(B)).

20 (C) Section 704B(h)(4) of the Equal Cred-
21 it Opportunity Act (15 U.S.C. 1691c–2(h)(4)).

22 (h) DIVERSITY REPORT AND BEST PRACTICES.—

23 (1) ANNUAL REPORT.—Each covered regulator
24 shall submit to Congress an annual report on diver-
25 sity including the following:

1 (A) Data, based on voluntary self-identi-
2 fication, on the racial, ethnic, and gender com-
3 position of the examiners of each covered regu-
4 lator, disaggregated by length of time served as
5 an examiner.

6 (B) The status of any examiners of cov-
7 ered regulators, based on voluntary self-identi-
8 fication, as a veteran.

9 (C) Whether any covered regulator, as of
10 the date on which the report required under
11 this subsection is submitted, has adopted a pol-
12 icy, plan, or strategy to promote racial, ethnic,
13 and gender diversity among examiners of the
14 covered regulator.

15 (D) Whether any special training is devel-
16 oped and provided for examiners related specifi-
17 cally to working with banks that serve commu-
18 nities that are predominantly minorities, low in-
19 come, or rural, and the key focus of such train-
20 ing.

21 (2) BEST PRACTICES.—Each Office of Minority
22 and Women Inclusion of a covered regulator shall
23 develop, provide to the head of the covered regulator,
24 and make publicly available best practices—

1 (A) for increasing the diversity of can-
2 didates applying for examiner positions, includ-
3 ing through outreach efforts to recruit diverse
4 candidate to apply for entry-level examiner posi-
5 tions; and

6 (B) for retaining and providing fair consid-
7 eration for promotions within the examiner
8 staff for purposes of achieving diversity among
9 examiners.

10 (3) COVERED REGULATOR DEFINED.—In this
11 subsection, the term “covered regulator” means the
12 Comptroller of the Currency, the Board of Gov-
13 ernors of the Federal Reserve System, the Federal
14 Deposit Insurance Corporation, and the National
15 Credit Union Administration.

16 (i) INVESTMENTS IN MINORITY DEPOSITORY INSTI-
17 TUTIONS AND IMPACT BANKS.—

18 (1) CONTROL FOR CERTAIN INSTITUTIONS.—
19 Section 7(j)(8)(B) of the Federal Deposit Insurance
20 Act (12 U.S.C. 1817(j)(8)(B)) is amended to read
21 as follows:

22 “(B) ‘control’ means the power, directly or indi-
23 rectly—

24 “(i) to direct the management or policies
25 of an insured depository institution; or

1 “(ii)(I) with respect to an insured deposi-
2 tory institution, of a person to vote 25 per cen-
3 tum or more of any class of voting securities of
4 such institution; or

5 “(II) with respect to an insured depository
6 institution that is an impact bank (as des-
7 ignated pursuant to section 5 of the Ensuring
8 Diversity in Community Banking Act of 2020)
9 or a minority depository institution (as defined
10 in section 308(b) of the Financial Institutions
11 Reform, Recovery, and Enforcement Act of
12 1989), of an individual to vote 30 percent of
13 more of any class of voting securities of such an
14 impact bank or a minority depository institu-
15 tion.”.

16 (2) RULEMAKING.—The appropriate Federal
17 banking agency (as defined in section 3 of the Fed-
18 eral Deposit Insurance Act (12 U.S.C. 1813)) shall
19 jointly issue rules for de novo minority depository in-
20 stitutions and de novo impact banks (as designated
21 pursuant to section 5) to allow 3 years to meet the
22 capital requirements otherwise applicable to minority
23 depository institutions and impact banks.

24 (3) REPORT.—Not later than 1 year after the
25 date of the enactment of this Act, the appropriate

1 Federal banking agencies shall jointly submit to
2 Congress a report on—

3 (A) the principal causes for the low num-
4 ber of de novo minority depository institutions
5 during the 10-year period preceding the date of
6 the report;

7 (B) the main challenges to the creation of
8 de novo minority depository institutions and de
9 novo impact banks; and

10 (C) regulatory and legislative consider-
11 ations to promote the establishment of de novo
12 minority depository institutions and de novo im-
13 pact banks.

14 (j) REQUIREMENT TO MENTOR MINORITY DEPOSI-
15 TORY INSTITUTIONS OR COMMUNITY DEVELOPMENT FI-
16 NANCIAL INSTITUTIONS TO SERVE AS A DEPOSITORY OR
17 FINANCIAL AGENT.—

18 (1) IN GENERAL.—Before a large financial in-
19 stitution may be employed as a financial agent of
20 the Department of the Treasury or perform any rea-
21 sonable duties as depository of public moneys of the
22 Department of the Treasury, the large financial in-
23 stitution shall demonstrate participation as a mentor
24 in a covered mentor-protege program to a protege

1 firm that is a minority depository institution or a
2 community development financial institution.

3 (2) REPORT.—Not later than 6 months after
4 the date of the enactment of this Act and annually
5 thereafter, the Secretary of the Treasury shall sub-
6 mit to Congress a report on participants in a cov-
7 ered mentor-protege program, including an analysis
8 of outcomes of such program.

9 (3) PROCEDURES.—The Secretary of the Treas-
10 ury shall publish procedures for compliance with the
11 requirements of this subsection for large financial
12 institutions.

13 (4) DEFINITIONS.—In this subsection:

14 (A) COVERED MENTOR-PROTEGE PRO-
15 GRAM.—The term “covered mentor-protege pro-
16 gram” means a mentor-protege program estab-
17 lished by the Secretary of the Treasury pursu-
18 ant to section 45 of the Small Business Act (15
19 U.S.C. 657r).

20 (B) LARGE FINANCIAL INSTITUTION.—The
21 term “large financial institution” means any
22 entity—

23 (i) regulated by the Comptroller of the
24 Currency, the Board of Governors of the
25 Federal Reserve System, the Federal De-

1 posit Insurance Corporation, or the Na-
2 tional Credit Union Administration; and

3 (ii) that has total consolidated assets
4 greater than or equal to \$50,000,000,000.

5 (k) CUSTODIAL DEPOSIT PROGRAM FOR COVERED
6 MINORITY DEPOSITORY INSTITUTIONS AND IMPACT
7 BANKS.—

8 (1) ESTABLISHMENT.—The Secretary of the
9 Treasury shall establish a custodial deposit program
10 (in this subsection referred to as the “Program”)
11 under which a covered bank shall receive monthly
12 deposits from a qualifying account.

13 (2) APPLICATION.—A covered bank shall sub-
14 mit to the Secretary an application to participate in
15 the Program at such time, in such manner, and con-
16 taining such information as the Secretary may deter-
17 mine.

18 (3) PROGRAM OPERATIONS.—

19 (A) DESIGNATION OF CUSTODIAL ENTI-
20 TIES.—The Secretary shall designate eligible
21 custodial entities to make monthly deposits with
22 covered banks selected for participation in the
23 Program on behalf of a qualifying account.

24 (B) CUSTODIAL ACCOUNTS.—

1 (i) IN GENERAL.—The Secretary shall
2 establish a custodial deposit account for
3 each qualifying account with the eligible
4 custodial entity designated to make depos-
5 its with covered banks for each such quali-
6 fying account.

7 (ii) AMOUNT.—The Secretary shall
8 deposit a total amount not greater than 5
9 percent of a qualifying account into any
10 custodial deposit accounts established
11 under subparagraph (A).

12 (iii) DEPOSITS WITH PROGRAM PAR-
13 TICIPANTS.—

14 (I) MONTHLY DEPOSITS.—Each
15 month, each eligible custodial entity
16 designated by the Secretary shall de-
17 posit an amount not greater than the
18 insured amount, in the aggregate,
19 from each custodial deposit account,
20 in a single covered bank.

21 (II) LIMITATION.—With respect
22 to the funds of an individual quali-
23 fying account, the eligible custodial
24 entity may not deposit an amount

1 greater than the insured amount in a
2 single covered bank.

3 (III) INSURED AMOUNT DE-
4 FINED.—In this clause, the term “in-
5 sured amount” means the amount
6 that is the greater of—

7 (aa) the standard maximum
8 deposit insurance amount (as de-
9 fined in section 11(a)(1)(E) of
10 the Federal Deposit Insurance
11 Act (12 U.S.C. 1821(a)(1)(E)));
12 or

13 (bb) such higher amount ne-
14 gotiated between the Secretary
15 and the Corporation under which
16 the Corporation will insure all de-
17 posits of such higher amount.

18 (iv) LIMITATIONS.—The total amount
19 of funds deposited under the Program in a
20 covered bank may not exceed the lesser
21 of—

22 (I) 10 percent of the average
23 amount of deposits held by such cov-
24 ered bank in the previous quarter; or

25 (II) \$100,000,000.

1 (C) INTEREST.—

2 (i) IN GENERAL.—Each eligible custo-
3 dial entity designated by the Secretary
4 shall—

5 (I) collect interest from each cov-
6 ered bank in which such custodial en-
7 tity deposits funds pursuant to sub-
8 paragraph (B); and

9 (II) disburse such interest to the
10 Secretary each month.

11 (ii) INTEREST RATE.—The rate of any
12 interest collected under this subparagraph
13 may not exceed 50 percent of the discount
14 window primary credit interest rate most
15 recently published on the Federal Reserve
16 Statistical Release on selected interest
17 rates (daily or weekly), commonly referred
18 to as the H.15 release (commonly known
19 as the “Federal funds rate”).

20 (D) STATEMENTS.—Each eligible custodial
21 entity designated by the Secretary shall submit
22 to the Secretary monthly statements that in-
23 clude the total amount of funds deposited with,
24 and interest rate received from, each covered

1 bank by the eligible custodial entity on behalf of
2 qualifying entities.

3 (E) RECORDS.—The Secretary shall issue
4 a quarterly report to Congress and make pub-
5 licly available a record identifying all covered
6 banks participating in the Program and
7 amounts deposited under the Program in cov-
8 ered banks.

9 (4) REQUIREMENTS RELATING TO DEPOSITS.—
10 Deposits made with covered banks under this sub-
11 section may not—

12 (A) be considered by the Corporation to be
13 funds obtained, directly or indirectly, by or
14 through any deposit broker for deposit into 1 or
15 more deposit accounts (as described under sec-
16 tion 29 of the Federal Deposit Insurance Act
17 (12 U.S.C. 1831f)); or

18 (B) be subject to insurance fees from the
19 Corporation that are greater than insurance
20 fees for typical demand deposits not obtained,
21 directly or indirectly, by or through any deposit
22 broker (commonly known as “core deposits”).

23 (5) MODIFICATIONS.—

24 (A) IN GENERAL.—The Secretary shall
25 provide a 3-month period for public notice and

1 comment before making any material change to
2 the operation of the Program.

3 (B) EXCEPTION.—The requirements of
4 subparagraph (A) shall not apply if the Sec-
5 retary makes a material change to the Program
6 to comply with safety and soundness standards
7 or other law.

8 (6) TERMINATION.—

9 (A) BY COVERED BANK.—A covered bank
10 selected for participation in the Program pursu-
11 ant to paragraph (3) may terminate participa-
12 tion in the Program by providing the Secretary
13 a notification 60 days prior to termination.

14 (B) BY SECRETARY.—The Secretary may
15 terminate the participation of a covered bank in
16 the Program if the Secretary determines the
17 covered bank—

18 (i) violated any terms of participation
19 in the Program;

20 (ii) failed to comply with Federal
21 bank secrecy laws, as documented in writ-
22 ing by the primary regulator of the covered
23 bank;

24 (iii) failed to remain well capitalized;
25 or

1 (iv) failed comply with safety and
2 soundness standards, as documented in
3 writing by the primary regulator of the
4 covered bank.

5 (7) DEFINITIONS.—In this subsection:

6 (A) CORPORATION.—The term “Corpora-
7 tion” means the Federal Deposit Insurance
8 Corporation.

9 (B) COVERED BANK.—The term “covered
10 bank” means—

11 (i) a minority depository institution
12 that is regulated by the Corporation or the
13 National Credit Union Administration that
14 is well capitalized (as defined in section
15 38(b) of the Federal Deposit Insurance
16 Act (12 U.S.C. 1831o(b))); or

17 (ii) a depository institution designated
18 pursuant to section 5 of the Ensuring Di-
19 versity in Community Banking Act of 2020
20 that is well capitalized (as defined in sec-
21 tion 38(b) of the Federal Deposit Insur-
22 ance Act (12 U.S.C. 1831o(b))).

23 (C) ELIGIBLE CUSTODIAL ENTITY.—The
24 term “eligible custodial entity” means—

1 (i) an insured depository institution
2 (as defined in section 3 of the Federal De-
3 posit Insurance Act (12 U.S.C. 1813)),
4 (ii) an insured credit union (as de-
5 fined in section 101 of the Federal Credit
6 Union Act (12 U.S.C. 1752)), or
7 (iii) or a well capitalized State-char-
8 tered trust company,
9 designated by the Secretary under subsection
10 (k)(3)(A).

11 (D) FEDERAL BANK SECRECY LAWS.—The
12 term “Federal bank secrecy laws” means—

13 (i) section 21 of the Federal Deposit
14 Insurance Act (12 U.S.C. 1829b);
15 (ii) section 123 of Public Law 91–
16 508; and
17 (iii) subchapter II of chapter 53 of
18 title 31, United States Code.

19 (E) QUALIFYING ACCOUNT.—The term
20 “qualifying account” means any account estab-
21 lished in the Department of the Treasury
22 that—

23 (i) is controlled by the Secretary; and

1 (ii) is expected to maintain a balance
2 greater than \$200,000,000 for the fol-
3 lowing calendar month.

4 (F) SECRETARY.—The term “Secretary”
5 means the Secretary of the Treasury.

6 (G) WELL CAPITALIZED.—The term “well
7 capitalized” has the meaning given in section
8 38 of the Federal Deposit Insurance Act (12
9 U.S.C. 1831o).

10 (I) STREAMLINED COMMUNITY DEVELOPMENT FI-
11 NANCIAL INSTITUTION APPLICATIONS AND REPORTING.—

12 (1) APPLICATION PROCESSES.—Not later than
13 12 months after the date of the enactment of this
14 Act and with respect to any person having assets
15 under \$3,000,000,000 that submits an application
16 for deposit insurance with the Federal Deposit In-
17 surance Corporation that could also become a com-
18 munity development financial institution, the Fed-
19 eral Deposit Insurance Corporation, in consultation
20 with the Administrator of the Community Develop-
21 ment Financial Institutions Fund, shall—

22 (A) develop systems and procedures to
23 record necessary information to allow the Ad-
24 ministrator to conduct preliminary analysis for

1 such person to also become a community devel-
2 opment financial institution; and

3 (B) develop procedures to streamline the
4 application and annual certification processes
5 and to reduce costs for such person to become,
6 and maintain certification as, a community de-
7 velopment financial institution that serves low-
8 and moderate-income neighborhoods (as defined
9 under the Community Reinvestment Act of
10 1977 (12 U.S.C. 2901 et seq.)).

11 (2) REPORT ON IMPLEMENTATION.—Not later
12 than 18 months after the date of the enactment of
13 this Act, the Federal Deposit Insurance Corporation
14 shall submit to Congress a report describing the sys-
15 tems and procedures required under paragraph (1).

16 (3) ANNUAL REPORT.—

17 (A) IN GENERAL.—Section 17(a)(1) of the
18 Federal Deposit Insurance Act (12 U.S.C.
19 1827(a)(1)) is amended—

20 (i) in subparagraph (E), by striking
21 “and” at the end;

22 (ii) by redesignating subparagraph
23 (F) as subparagraph (G);

24 (iii) by inserting after subparagraph
25 (E) the following new subparagraph:

1 “(F) applicants for deposit insurance that
2 could also become a community development fi-
3 nancial institution (as defined in section 103 of
4 the Riegle Community Development and Regu-
5 latory Improvement Act of 1994), a minority
6 depository institution (as defined in section 308
7 of the Financial Institutions Reform, Recovery,
8 and Enforcement Act of 1989), or an impact
9 bank (as designated pursuant to section 5 of
10 the Ensuring Diversity in Community Banking
11 Act of 2020); and”.

12 (B) APPLICATION.—The amendment made
13 by this paragraph shall apply with respect to
14 the first report to be submitted after the date
15 that is 2 years after the date of the enactment
16 of this Act.

17 (m) TASK FORCE ON LENDING TO SMALL BUSINESS
18 CONCERNS.—

19 (1) IN GENERAL.—Not later than 6 months
20 after the date of the enactment of this Act, the Ad-
21 ministrator of the Small Business Administration
22 shall establish a task force to examine methods for
23 improving relationships between the Small Business
24 Administration and community development finan-
25 cial institutions, minority depository institutions,

1 and impact bank (as designated pursuant to section
2 5 of the Ensuring Diversity in Community Banking
3 Act of 2020) to increase the volume of loans pro-
4 vided by such institutions to small business concerns
5 (as defined under section 3 of the Small Business
6 Act (15 U.S.C. 632)).

7 (2) REPORT TO CONGRESS.—Not later than 18
8 months after the establishment of the task force de-
9 scribed in paragraph (1), the Administrator of the
10 Small Business Administration shall submit to Con-
11 gress a report on the findings of such task force.

12 (n) ASSISTANCE TO MINORITY DEPOSITORY INSTI-
13 TUTIONS AND IMPACT BANKS.—The Secretary of the
14 Treasury shall establish a program to provide assistance
15 to a minority depository institution or an impact bank (as
16 designated pursuant to section 5 of the Ensuring Diversity
17 in Community Banking Act of 2020) to support growth
18 and development of such minority depository institutions
19 and impact banks, including by providing assistance with
20 obtaining or converting a charter, bylaw amendments,
21 field-of-membership expansion requests, and online train-
22 ing and resources.

23 **SEC. 208. LOANS TO MDIS AND CDFIS.**

24 (a) IN GENERAL.—During the COVID–19 emergency
25 period, the Board of Governors of the Federal Reserve

1 System shall provide zero-interest loans to minority depos-
2 itory institutions and community development financial in-
3 stitutions to help mitigate the economic impact of
4 COVID–19 in low-income, underserved communities.

5 (b) ASSET LIMITATION.—Subsection (a) shall only
6 apply to minority depository institutions and community
7 development financial institutions with less than
8 \$1,000,000,000 in assets.

9 (c) INTEREST TO RESUME 18 MONTHS AFTER PAN-
10 DEMIC.—Notwithstanding subsection (a), the Board of
11 Governors shall charge interest on loans made pursuant
12 to subsection (a) after the end of the 18-month period be-
13 ginning at the end of the COVID–19 emergency period,
14 at a rate to be determined by the Board of Governors
15 based on the interest amount charged under the discount
16 window lending programs.

17 (d) COVID–19 PANDEMIC DEFINED.—In this sec-
18 tion, the term “COVID–19 emergency period” means the
19 period that begins upon the date of the enactment of this
20 Act and ends upon the date of the termination by the Fed-
21 eral Emergency Management Administration of the emer-
22 gency declared on March 13, 2020, by the President under
23 the Robert T. Stafford Disaster Relief and Emergency As-
24 sistance Act (42 U.S.C. 4121 et seq.) relating to the
25 Coronavirus Disease 2019 (COVID–19) pandemic.

1 **SEC. 209. INSURANCE OF TRANSACTION ACCOUNTS.**

2 (a) BANKS AND SAVINGS ASSOCIATIONS.—

3 (1) AMENDMENTS.—Section 11(a)(1) of the
4 Federal Deposit Insurance Act (12 U.S.C.
5 1821(a)(1)) is amended—

6 (A) in subparagraph (B)—

7 (i) by striking “The net amount” and
8 inserting the following:

9 “(i) IN GENERAL.—Subject to clause
10 (ii), the net amount”; and

11 (ii) by adding at the end the following
12 new clauses:

13 “(ii) AUTHORIZATION FOR INSURANCE
14 FOR TRANSACTION ACCOUNTS.—Notwith-
15 standing clause (i), the Corporation may
16 fully insure the net amount that any de-
17 positor at an insured depository institution
18 maintains in a transaction account. Such
19 amount shall not be taken into account
20 when computing the net amount due to
21 such depositor under clause (i).

22 “(iii) TRANSACTION ACCOUNT DE-
23 FINED.—For purposes of this subpara-
24 graph, the term ‘transaction account’ has
25 the meaning given that term under section

1 19 of the Federal Reserve Act (12 U.S.C.
2 461).”; and

3 (B) in subparagraph (C), by striking “sub-
4 paragraph (B)” and inserting “subparagraph
5 (B)(i)”.

6 (2) PROSPECTIVE REPEAL.—Effective January
7 1, 2022, section 11(a)(1) of the Federal Deposit In-
8 surance Act (12 U.S.C. 1821(a)(1)), as amended by
9 paragraph (1), is amended—

10 (A) in subparagraph (B)—

11 (i) by striking “DEPOSIT.—” and all
12 that follows through “clause (ii), the net
13 amount” and insert “DEPOSIT.—The net
14 amount”; and

15 (ii) by striking clauses (ii) and (iii);
16 and

17 (B) in subparagraph (C), by striking “sub-
18 paragraph (B)(i)” and inserting “subparagraph
19 (B)”.

20 (b) CREDIT UNIONS.—

21 (1) AMENDMENTS.—Section 207(k)(1) of the
22 Federal Credit Union Act (12 U.S.C. 1787(k)(1)) is
23 amended—

24 (A) in subparagraph (A)—

1 (i) by striking “Subject to the provi-
2 sions of paragraph (2), the net amount”
3 and inserting the following:

4 “(i) NET AMOUNT OF INSURANCE
5 PAYABLE.—Subject to clause (ii) and the
6 provisions of paragraph (2), the net
7 amount”; and

8 (ii) by adding at the end the following
9 new clauses:

10 “(ii) AUTHORIZATION FOR INSURANCE
11 FOR TRANSACTION ACCOUNTS.—Notwith-
12 standing clause (i), the Board may fully in-
13 sure the net amount that any member or
14 depositor at an insured credit union main-
15 tains in a transaction account. Such
16 amount shall not be taken into account
17 when computing the net amount due to
18 such member or depositor under clause (i).

19 “(iii) TRANSACTION ACCOUNT DE-
20 FINED.—For purposes of this subpara-
21 graph, the term ‘transaction account’ has
22 the meaning given that term under section
23 19 of the Federal Reserve Act (12 U.S.C.
24 461).”; and

1 (B) in subparagraph (B), by striking “sub-
2 paragraph (A)” and inserting “subparagraph
3 (A)(i)”.

4 (2) PROSPECTIVE REPEAL.—Effective January
5 1, 2022, section 207(k)(1) of the Federal Credit
6 Union Act (12 U.S.C. 1787(k)(1)), as amended by
7 paragraph (1), is amended—

8 (A) in subparagraph (A)—

9 (i) by striking “(i) NET AMOUNT OF
10 INSURANCE PAYABLE.—” and all that fol-
11 lows through “paragraph (2), the net
12 amount” and inserting “Subject to the
13 provisions of paragraph (2), the net
14 amount”; and

15 (ii) by striking clauses (ii) and (iii);
16 and

17 (B) in subparagraph (B), by striking “sub-
18 paragraph (A)(i)” and inserting “subparagraph
19 (A)”.

20 (c) COVID–19 EMERGENCY DEFINED.—In this sec-
21 tion, the term “COVID–19 emergency” means the period
22 that begins upon the date of the enactment of this Act
23 and ends upon the date of the termination by the Federal
24 Emergency Management Agency of the emergency de-
25 clared on March 13, 2020, by the President under the

1 Robert T. Stafford Disaster Relief and Emergency Assist-
2 ance Act (42 U.S.C. 4121 et seq.) relating to the
3 Coronavirus Disease 2019 (COVID–19) pandemic.

4 **TITLE III—SUPPORTING STATE,**
5 **TERRITORY, AND LOCAL GOV-**
6 **ERNMENTS**

7 **SEC. 301. MUNI FACILITY.**

8 (a) AMENDMENT TO AUTHORITY TO BUY AND SELL
9 BONDS AND NOTES.—Section 14(b) of the Federal Re-
10 serve Act (12 U.S.C. 355) is amended—

11 (1) in paragraph (1)—

12 (A) by inserting “and during unusual and
13 exigent circumstances,” before “bonds issued”;
14 and

15 (B) by striking “of 1933” and all that fol-
16 lows through “assured revenues”; and

17 (2) by adding at the end the following:

18 “(3) STATE DEFINED.—In this section, the
19 term ‘State’ means each of the several States, the
20 District of Columbia, each territory and possession
21 of the United States, and each federally recognized
22 Indian Tribe.”.

23 (b) FEDERAL RESERVE AUTHORIZATION TO PUR-
24 CHASE COVID–19 RELATED MUNICIPAL ISSUANCES.—

1 (1) AUTHORITY.—Within seven days after the
2 date of enactment of this subsection, the Federal
3 Reserve Board of Governors shall establish a facility
4 to buy and sell, at home or abroad, bills, notes,
5 bonds, and warrants with a maturity from date of
6 purchase of not exceeding 10 years that are issued
7 by any State or political subdivision thereof between
8 March 1, 2020, and July 1, 2021, in order to fund
9 a public health or public service response to the
10 COVID–19 pandemic. The Board of Governors of
11 the Federal Reserve System may extend the author-
12 ity under this subsection if the Board determines
13 necessary.

14 (2) REQUIRED PURCHASES.—The Board of
15 Governors of the Federal Reserve System shall es-
16 tablish policies and procedures to require the direct
17 placement of bills, notes, bonds, and warrants de-
18 scribed in paragraph (1) with the Board at an inter-
19 est cost that does not exceed the Federal funds rate
20 target for short-term interbank lending, within seven
21 days after the date of enactment of this section.

22 (3) REVIEW OF SPENDING.—During the 3-year
23 period beginning on the date on which all purchases
24 under this section are completed, relevant Federal
25 authorities shall review such purchases to determine

1 if funds were diverted from legitimate public health
2 or public services responses to the COVID–19 pan-
3 demic to make such purchase. The relevant Federal
4 authorities shall take appropriate action based on
5 findings of such review.

6 (4) DEFINITIONS.—In this subsection:

7 (A) PUBLIC HEALTH OR PUBLIC SERVICE
8 RESPONSE TO THE COVID–19 PANDEMIC.—The
9 term “public health or public service response
10 to the COVID–19 pandemic” means—

11 (i) the purchase, manufacture, or de-
12 livery of medical equipment, facilities, or
13 services—

14 (I) to treat or quarantine
15 COVID–19 patients;

16 (II) to protect first responders
17 interacting with such patients; or

18 (III) to test for COVID–19 infec-
19 tions and track social contacts of pa-
20 tients who have tested positive for the
21 virus;

22 (ii) the purchase, manufacture, or de-
23 livery of basic living supports for individ-
24 uals who are not COVID–19 patients dur-
25 ing periods of voluntary or mandatory so-

1 cial distancing or quarantine designed to
2 prevent the spread of COVID–19; or

3 (iii) the maintenance and delivery of
4 basic public services to communities re-
5 sponding to the public health or economic
6 effects of the COVID–19 pandemic.

7 (B) STATE.—The term “State” means
8 each of the several States, the District of Co-
9 lumbia, each territory and possession of the
10 United States, and each federally recognized In-
11 dian Tribe.

12 **SEC. 302. TEMPORARY WAIVER AND REPROGRAMMING AU-**
13 **THORITY.**

14 (a) WAIVER AUTHORITY.—

15 (1) IN GENERAL.—With respect to a covered
16 grant awarded to a State, territory, or local govern-
17 ment by a Federal financial regulator, the Federal
18 financial regulator may, upon request, waive any
19 matching or cost-sharing requirements with respect
20 to such grant until January 1, 2023.

21 (2) REQUIREMENTS FOR WAIVER RECIPI-
22 ENTS.—A State, territory, or local government
23 granted a waiver with respect to a grant under sub-
24 section (a) shall waive any matching or cost-sharing

1 requirements that such government imposes on sub-
2 grantees on such grant until January 1, 2023.

3 (b) REPROGRAMMING AUTHORITY.—

4 (1) IN GENERAL.—With respect to a covered
5 grant awarded to a State, territory, or local govern-
6 ment by a Federal financial regulator, the Federal
7 financial regulator may, upon request, permit the
8 State, territory, or local government to reprogram
9 awarded grant funds for purposes related to unem-
10 ployment, childcare, and healthcare, if the majority
11 of normally funded activities under such grant are
12 not in areas related to unemployment, childcare, and
13 healthcare.

14 (2) CONSIDERATION FOR FUTURE GRANTS.—
15 Any grantee (or sub-grantee) with respect to which
16 a Federal financial regulator allows to reprogram
17 funds under paragraph (1) shall be given priority by
18 such Federal financial regulator for future awards of
19 the type reprogrammed.

20 (c) DEFINITIONS.—In this section:

21 (1) COVERED GRANTS.—The term “covered
22 award” means a grant—

23 (A) that was awarded to a State, territory,
24 or local government before the date of enact-
25 ment of this Act and under which the State,

1 territory, or local government may still receive
2 additional grant amounts; or

3 (B) with respect to which the period of
4 performance does not expire before January 1,
5 2023.

6 (2) FEDERAL FINANCIAL REGULATOR.—The
7 term “Federal financial regulator” means the Board
8 of Governors of the Federal Reserve System, the
9 Bureau of Consumer Financial Protection, the De-
10 partment of Housing and Urban Development, the
11 Department of the Treasury (other than the Inter-
12 nal Revenue Service), the Federal Deposit Insurance
13 Corporation, the Office of the Comptroller of the
14 Currency, the National Credit Union Administra-
15 tion, and the Securities and Exchange Commission.

16 **TITLE IV—PROMOTING FINAN-**
17 **CIAL STABILITY AND TRANS-**
18 **PARENT MARKETS**

19 **SEC. 401. TEMPORARY HALT TO RULEMAKINGS UNRE-**
20 **LATED TO COVID-19.**

21 (a) IN GENERAL.—Until the end of the 30-day period
22 following the end of the COVID-19 emergency period, the
23 Federal financial regulators—

24 (1) may not adopt or amend any rule, regula-
25 tion, guidance, or order unless such rule, regulation,

1 guidance, or order is directly related to responding
2 to the COVID–19 emergency; and

3 (2) shall keep open and extend any ongoing
4 public comment period related to a proposed or final
5 rule, unless such rule is related to responding to the
6 COVID–19 emergency.

7 (b) NOTICE AND SUNSET OF EMERGENCY AC-
8 TIONS.—The Federal financial regulators shall—

9 (1) provide the Committee on Financial Serv-
10 ices of the House of Representatives and the Com-
11 mittee on Banking, Housing, and Urban Affairs of
12 the Senate with a notice of any regulatory actions
13 taken during the COVID–19 emergency period,
14 along with an explanation of how such action was
15 necessary and appropriate in response to the
16 COVID–19 emergency; and

17 (2) limit the period of effectiveness of any ac-
18 tion taken in response to the COVID–19 emergency
19 to be not longer than 12-months following the end
20 of the COVID–19 emergency period.

21 (c) VOTING BY REGULATORS.—Any action taken pur-
22 suant to this section by a Federal financial regulator head-
23 ed by a multi-person entity may only be taken by unani-
24 mous vote.

25 (d) DEFINITIONS.—In this section:

1 (1) COVID–19 EMERGENCY PERIOD.—For pur-
2 poses of this Act, the term “COVID–19 emergency
3 period” means the period that begins upon the date
4 of the enactment of this Act and ends upon the date
5 of the termination by the Federal Emergency Man-
6 agement Agency of the emergency declared on
7 March 13, 2020, by the President under the Robert
8 T. Stafford Disaster Relief and Emergency Assist-
9 ance Act (42 U.S.C. 4121 et seq.) relating to the
10 Coronavirus Disease 2019 (COVID–19) pandemic.

11 (2) FEDERAL FINANCIAL REGULATOR.—In this
12 section, the term “Federal financial regulator”
13 means the Board of Governors of the Federal Re-
14 serve System, the Bureau of Consumer Financial
15 Protection, the Department of Housing and Urban
16 Development, the Department of the Treasury
17 (other than the Internal Revenue Service), the Fed-
18 eral Deposit Insurance Corporation, the Federal
19 Housing Finance Agency, the Office of the Comp-
20 troller of the Currency, the National Credit Union
21 Administration, and the Securities and Exchange
22 Commission.

23 **SEC. 402. TEMPORARY BAN ON STOCK BUYBACKS.**

24 (a) IN GENERAL.—It shall be unlawful for any issuer,
25 the securities of which are traded on a national securities

1 exchange, to purchase securities of the issuer during the
2 period beginning on the date of enactment of this section
3 and ending 120 days after the end of the COVID–19
4 emergency period.

5 (b) EARLY TERMINATION.—The Securities and Ex-
6 change Commission may terminate the prohibition under
7 subsection (a) after the end of the COVID–19 emergency
8 period and before the end of the 120-day period described
9 under subsection (a), if—

10 (1) the Commission determines such termi-
11 nation is in the public interest; and

12 (2) immediately notifies the Congress and the
13 public of such determination and the reason for such
14 determination, including on the website of the Com-
15 mission.

16 (c) ENFORCEMENT; RULEMAKING.—

17 (1) IN GENERAL.—The Securities and Ex-
18 change Commission shall have the authority to en-
19 force this Act and may issue such rules as may be
20 necessary to carry out this Act.

21 (2) COMMISSION VOTING.—Any action taken by
22 the Commission pursuant to this section may only be
23 taken upon a unanimous vote of the commissioners.

24 (d) DEFINITIONS.—In this section:

1 (1) COVID–19 EMERGENCY PERIOD.—The
2 term “COVID–19 emergency period” means the pe-
3 riod that begins upon the date of the enactment of
4 this Act and ends upon the date of the termination
5 by the Federal Emergency Management Agency of
6 the emergency declared on March 13, 2020, by the
7 President under the Robert T. Stafford Disaster Re-
8 lief and Emergency Assistance Act (42 U.S.C. 4121
9 et seq.) relating to the Coronavirus Disease 2019
10 (COVID–19) pandemic.

11 (2) OTHER DEFINITIONS.—The terms “issuer”,
12 “national securities exchange”, and “security” have
13 the meaning given those terms, respectively, under
14 section 3 of the Securities Exchange Act of 1934.

15 **SEC. 403. DISCLOSURES RELATED TO SUPPLY CHAIN DIS-**
16 **RUPTION RISK.**

17 Section 13 of the Securities Exchange Act of 1934
18 (15 U.S.C. 78m) is amended by adding at the end the
19 following:

20 “(s) DISCLOSURES RELATED TO SUPPLY CHAIN DIS-
21 RUPTION RISK.—

22 “(1) IN GENERAL.—Each issuer required to file
23 an annual report under subsection (a) shall disclose
24 in that report—

25 “(A) an identification of—

1 “(i) the risks in the issuer’s sourcing
2 of goods, labor, services, and other supply
3 chain related matters, including—

4 “(I) risks of dependency upon
5 sole sourcing arrangements or
6 sourcing concentrated in one geo-
7 graphic locality;

8 “(II) shipping risks; and

9 “(III) risks arising from natural
10 disasters, pandemics, extreme weath-
11 er, armed conflicts, refugee and re-
12 lated disruptions, trade conflicts or
13 disruptions, and labor wage, safety,
14 and health care practices; and

15 “(ii) the impacts any risk or disrup-
16 tion identified in clause (i) would have on
17 the issuer’s workforce, suppliers, and cus-
18 tomers;

19 “(B) the issuer’s business continuity or
20 other contingency plans that will be imple-
21 mented in the case of a supply chain disruption
22 in order to mitigate such risks and impacts;
23 and

24 “(C) all other material information.

1 “(2) UPDATES.—Disclosures required under
2 this subsection shall be updated when there are ma-
3 terial changes.”.

4 **SEC. 404. DISCLOSURES RELATED TO GLOBAL PANDEMIC**
5 **RISK.**

6 (a) IN GENERAL.—Section 13 of the Securities Ex-
7 change Act of 1934 (15 U.S.C. 78m), as amended by sec-
8 tion 403, is further amended by adding at the end the
9 following:

10 “(t) DISCLOSURES RELATED TO GLOBAL PANDEMIC
11 RISK.—

12 “(1) IN GENERAL.—Each issuer required to file
13 current reports under subsection (a) shall, in the
14 event the World Health Organization declares a pan-
15 demic, file a report with the Commission containing
16 a description of—

17 “(A) the risks and exposures to the issuer
18 related to the pandemic, including risks to
19 health and worker safety faced by the issuer’s
20 employees and independent contractors;

21 “(B) the steps the issuer is taking to miti-
22 gate such risks and exposures, including meas-
23 ures to protect the workforce, including infor-
24 mation related to wages, healthcare, and leave;

1 “(C) a preliminary view on the effect the
2 pandemic may have on the issuer’s business,
3 solvency, and workforce; and

4 “(D) all other material information.

5 “(2) UPDATES.—Disclosures required under
6 this subsection shall be updated when there are ma-
7 terial changes.

8 “(3) PUBLIC AVAILABILITY OF REPORTS.—The
9 Commission shall make each report filed to the
10 Commission under paragraph (1) available to the
11 public, including on the website of the Commis-
12 sion.”.

13 (b) APPLICATION.—Section 13(t) of the Securities
14 Exchange Act of 1934, as added by subsection (a), shall
15 apply to a pandemic declared by the World Health Organi-
16 zation that is in existence on the date of enactment of
17 this Act or that is declared after the date of enactment
18 of this Act.

19 **SEC. 405. OVERSIGHT OF FEDERAL AID RELATED TO**
20 **COVID-19.**

21 (a) CONGRESSIONAL COVID-19 AID OVERSIGHT
22 PANEL.—

23 (1) ESTABLISHMENT.—There is hereby estab-
24 lished the Congressional COVID-19 Aid Oversight
25 Panel (hereafter in this subsection referred to as the

1 “Oversight Panel”) as an establishment in the legis-
2 lative branch.

3 (2) DUTIES.—The Oversight Panel shall review
4 the current state of the financial markets and the
5 regulatory system and submit regular reports to
6 Congress on the following:

7 (A) The use of Federal aid provided during
8 the COVID–19 emergency.

9 (B) The impact of Federal aid related to
10 COVID–19 on the financial markets and finan-
11 cial institutions.

12 (3) MEMBERSHIP.—

13 (A) IN GENERAL.—The Oversight Panel
14 shall consist of 5 members, as follows:

15 (i) 1 member appointed by the Speak-
16 er of the House of Representatives.

17 (ii) 1 member appointed by the minor-
18 ity leader of the House of Representatives.

19 (iii) 1 member appointed by the ma-
20 jority leader of the Senate.

21 (iv) 1 member appointed by the mi-
22 nority leader of the Senate.

23 (v) 1 member appointed by the Speak-
24 er of the House of Representatives and the
25 majority leader of the Senate, after con-

1 sultation with the minority leader of the
2 Senate and the minority leader of the
3 House of Representatives.

4 (B) PAY.—Each member of the Oversight
5 Panel shall each be paid at a rate equal to the
6 daily equivalent of the annual rate of basic pay
7 for level I of the Executive Schedule for each
8 day (including travel time) during which such
9 member is engaged in the actual performance of
10 duties vested in the Commission.

11 (C) PROHIBITION OF COMPENSATION OF
12 FEDERAL EMPLOYEES.—Members of the Over-
13 sight Panel who are full-time officers or em-
14 ployees of the United States or Members of
15 Congress may not receive additional pay, allow-
16 ances, or benefits by reason of their service on
17 the Oversight Panel.

18 (D) TRAVEL EXPENSES.—Each member
19 shall receive travel expenses, including per diem
20 in lieu of subsistence, in accordance with appli-
21 cable provisions under subchapter I of chapter
22 57 of title 5, United States Code.

23 (E) QUORUM.—Four members of the Over-
24 sight Panel shall constitute a quorum but a
25 lesser number may hold hearings.

1 (F) VACANCIES.—A vacancy on the Over-
2 sight Panel shall be filled in the manner in
3 which the original appointment was made.

4 (G) MEETINGS.—The Oversight Panel
5 shall meet at the call of the Chairperson or a
6 majority of its members.

7 (4) STAFF.—

8 (A) IN GENERAL.—The Oversight Panel
9 may appoint and fix the pay of any personnel
10 as the Oversight Panel considers appropriate.

11 (B) EXPERTS AND CONSULTANTS.—The
12 Oversight Panel may procure temporary and
13 intermittent services under section 3109(b) of
14 title 5, United States Code.

15 (C) STAFF OF AGENCIES.—Upon request
16 of the Oversight Panel, the head of any Federal
17 department or agency may detail, on a reim-
18 bursable basis, any of the personnel of that de-
19 partment or agency to the Oversight Panel to
20 assist it in carrying out its duties under this
21 section.

22 (5) POWERS.—

23 (A) HEARINGS AND SESSIONS.—The Over-
24 sight Panel may, for the purpose of carrying
25 out this section, hold hearings, sit and act at

1 times and places, take testimony, and receive
2 evidence as the Panel considers appropriate and
3 may administer oaths or affirmations to wit-
4 nesses appearing before it.

5 (B) POWERS OF MEMBERS AND AGENTS.—
6 Any member or agent of the Oversight Panel
7 may, if authorized by the Oversight Panel, take
8 any action which the Oversight Panel is author-
9 ized to take by this section.

10 (C) OBTAINING OFFICIAL DATA.—The
11 Oversight Panel may secure directly from any
12 department or agency of the United States in-
13 formation necessary to enable it to carry out
14 this section. Upon request of the Chairperson of
15 the Oversight Panel, the head of that depart-
16 ment or agency shall furnish that information
17 to the Oversight Panel.

18 (D) REPORTS.—The Oversight Panel shall
19 receive and consider all reports required to be
20 submitted to the Oversight Panel under this
21 section.

22 (6) AUTHORIZATION OF APPROPRIATIONS.—
23 There is authorized to be appropriated to the Over-
24 sight Panel such sums as may be necessary for any
25 fiscal year, half of which shall be derived from the

1 applicable account of the House of Representatives,
2 and half of which shall be derived from the contin-
3 gent fund of the Senate.

4 (7) SUNSET.—The Oversight Panel established
5 by this subsection shall terminate on the date that
6 is two years following the termination by the Federal
7 Emergency Management Agency of the emergency
8 declared on March 13, 2020, by the President under
9 the Robert T. Stafford Disaster Relief and Emer-
10 gency Act (42 U.S.C. 4121 et seq.) relating to the
11 Coronavirus Disease 2019 (COVID–19) pandemic.

12 (8) DEFINITIONS.—In this subsection:

13 (A) COVID–19 EMERGENCY.—The term
14 “COVID–19 emergency” means the period that
15 begins upon the date of the enactment of this
16 Act and ends one year after the termination by
17 the Federal Emergency Management Agency of
18 the emergency declared on March 13, 2020, by
19 the President under the Robert T. Stafford Dis-
20 aster Relief and Emergency Act (42 U.S.C.
21 4121 et seq.) relating to the Coronavirus Dis-
22 ease 2019 (COVID–19) pandemic.

23 (B) FEDERAL AID.—The term “Federal
24 aid” means any emergency lending provided
25 under section 13(3) of the Federal Reserve Act

1 or any Federal financial support in the form of
2 a grant, loan, or loan guarantee.

3 (b) SPECIAL INSPECTOR GENERAL AUTHORITY OVER
4 FEDERAL AID RELATED TO COVID-19.—Section 121 of
5 the Emergency Economic Stabilization Act of 2008 (12
6 U.S.C. 5231) is amended—

7 (1) in subsection (k)—

8 (A) in paragraph (1), by striking “or” at
9 the end;

10 (B) in paragraph (2), by striking the pe-
11 riod at the end and inserting “; or”; and

12 (C) by adding at the end the following:

13 “(3) the date on which all Federal aid related
14 to the COVID-19 emergency is repaid.”; and

15 (2) by adding at the end the following:

16 “(l) RESPONSIBILITY WITH RESPECT TO FEDERAL
17 AID RELATED TO COVID-19.—

18 “(1) IN GENERAL.—The Special Inspector Gen-
19 eral shall have the same authority and responsibil-
20 ities with respect to Federal aid provided during the
21 COVID-19 emergency as the Special Inspector Gen-
22 eral has with respect to financial assistance (includ-
23 ing the purchase of troubled assets) provided under
24 this title.

25 “(2) DEFINITIONS.—In this section:

1 “(A) COVID–19 EMERGENCY.—The term
2 ‘COVID–19 emergency’ means the period that
3 begins upon the date of the enactment of this
4 Act and ends one year after the termination by
5 the Federal Emergency Management Agency of
6 the emergency declared on March 13, 2020, by
7 the President under the Robert T. Stafford Dis-
8 aster Relief and Emergency Act (42 U.S.C.
9 4121 et seq.) relating to the Coronavirus Dis-
10 ease 2019 (COVID–19) pandemic.

11 “(B) FEDERAL AID.—The term ‘Federal
12 aid’ means any emergency lending provided
13 under section 13(3) of the Federal Reserve Act
14 or any Federal financial support in the form of
15 a grant, loan, or loan guarantee.”.

16 **SEC. 406. INTERNATIONAL FINANCIAL INSTITUTIONS.**

17 (a) UNITED STATES PARTICIPATION IN, AND CON-
18 TRIBUTIONS TO, THE NINETEENTH REPLENISHMENT OF
19 THE RESOURCES OF THE INTERNATIONAL DEVELOPMENT
20 ASSOCIATION.— The International Development Associa-
21 tion Act (22 U.S.C. 284 et seq.) is amended by adding
22 at the end the following:

23 **“SEC. 31. NINETEENTH REPLENISHMENT.**

24 “(a) The United States Governor of the International
25 Development Association is authorized to contribute on

1 behalf of the United States \$3,004,200,000 to the nine-
2 tenth replenishment of the resources of the Association,
3 subject to obtaining the necessary appropriations.

4 “(b) In order to pay for the United States contribu-
5 tion provided for in subsection (a), there are authorized
6 to be appropriated, without fiscal year limitation,
7 \$3,004,200,000 for payment by the Secretary of the
8 Treasury.”.

9 (b) UNITED STATES PARTICIPATION IN, AND CON-
10 TRIBUTIONS TO, THE FIFTEENTH REPLENISHMENT OF
11 THE RESOURCES OF THE AFRICAN DEVELOPMENT
12 FUND.—The African Development Fund Act (22 U.S.C.
13 290g et seq.) is amended by adding at the end the fol-
14 lowing:

15 **“SEC. 226. FIFTEENTH REPLENISHMENT.**

16 “(a) The United States Governor of the Fund is au-
17 thorized to contribute on behalf of the United States
18 \$513,900,000 to the fifteenth replenishment of the re-
19 sources of the Fund, subject to obtaining the necessary
20 appropriations.

21 “(b) In order to pay for the United States contribu-
22 tion provided for in subsection (a), there are authorized
23 to be appropriated, without fiscal year limitation,
24 \$513,900,000 for payment by the Secretary of the Treas-
25 ury.”.

1 (c) UNITED STATES PARTICIPATION IN, AND CON-
2 TRIBUTIONS TO, THE SEVENTH CAPITAL INCREASE FOR
3 THE AFRICAN DEVELOPMENT BANK.— The African De-
4 velopment Bank Act (22 U.S.C. 290i et seq.) is amended
5 by adding at the end the following:

6 **“SEC. 1345. SEVENTH CAPITAL INCREASE.**

7 “(a) SUBSCRIPTION AUTHORIZED.—

8 “(1) The United States Governor of the Bank
9 may subscribe on behalf of the United States to
10 532,023 additional shares of the capital stock of the
11 Bank.

12 “(2) Any subscription by the United States to
13 the capital stock of the Bank shall be effective only
14 to such extent and in such amounts as are provided
15 in advance in appropriations Acts.

16 “(b) LIMITATIONS ON AUTHORIZATION OF APPRO-
17 PRIATIONS.—

18 “(1) In order to pay for the increase in the
19 United States subscription to the Bank under sub-
20 section (a), there are authorized to be appropriated,
21 without fiscal year limitation, \$7,286,587,008 for
22 payment by the Secretary of the Treasury.

23 “(2) Of the amount authorized to be appro-
24 priated under paragraph (1)—

1 “(A) \$437,190,016 shall be for paid in
2 shares of the Bank; and

3 “(B) \$6,849,396,992 shall be for callable
4 shares of the Bank.”.

5 **SEC. 407. CONDITIONS ON FEDERAL AID TO CORPORA-**
6 **TIONS.**

7 (a) REQUIREMENTS ON ALL CORPORATIONS UNTIL
8 FEDERAL AID RELATED TO COVID-19 IS REPAID.—Any
9 corporation that receives Federal aid related to COVID-
10 19 shall, until the date on which all such Federal aid is
11 repaid by the corporation to the Federal Government,
12 comply with the following:

13 (1) RESTRICTIONS ON EXECUTIVE BONUSES.—
14 The corporation may not pay a bonus to any execu-
15 tive of the corporation.

16 (2) BAN ON EXECUTIVE GOLDEN PARA-
17 CHUTES.—The corporation may not pay any type of
18 compensation (whether present, deferred, or contin-
19 gent) to an executive of the corporation, if such com-
20 pensation is in connection with the termination of
21 employment of the executive.

22 (3) BAN ON STOCK BUYBACKS.—The corpora-
23 tion may not purchase securities of the corporation.

24 (4) BAN ON DIVIDENDS.—The corporation may
25 not pay dividends on securities of the corporation.

1 (5) BAN ON FEDERAL LOBBYING.—The cor-
2 poration may not carry out any Federal lobbying ac-
3 tivities.

4 (b) PERMANENT REQUIREMENTS ON ACCELERATED
5 FILERS RECEIVING FEDERAL AID RELATED TO COVID-
6 19.—

7 (1) IN GENERAL.—An accelerated filer that re-
8 ceives Federal aid related to COVID-19 shall per-
9 manently comply with the following:

10 (A) WORKER BOARD REPRESENTATION.—

11 (i) IN GENERAL.—At least $\frac{1}{3}$ of the
12 members of the accelerated filer’s directors
13 are chosen by the employees of the acceler-
14 ated filer in a one-employee-one-vote elec-
15 tion process.

16 (ii) COMPLIANCE DATE.—An acceler-
17 ated filer shall comply with the require-
18 ments under clause (i) not later than the
19 end of the 2-year period beginning on the
20 date of enactment of this Act.

21 (iii) DEFINITIONS.—In this subpara-
22 graph—

23 (I) the term “director” has the
24 meaning given the term in section 3

1 of the Securities Exchange Act of
2 1934 (15 U.S.C. 78c); and

3 (II) the term “employee” has the
4 meaning given the term in section 2
5 of the National Labor Relations Act
6 (29 U.S.C. 152).

7 (B) ADDITIONAL DISCLOSURES.—If the se-
8 curities of the corporation are traded on a na-
9 tional securities exchange, the corporation shall
10 issue the following disclosures to the Securities
11 and Exchange Commission on a quarterly basis
12 (and make such disclosures available to share-
13 holders of the corporation and the public):

14 (i) The political spending disclosures
15 required under paragraph (2).

16 (ii) The human capital management
17 disclosures required under paragraph (3).

18 (iii) The environmental, social, and
19 governance disclosures required under
20 paragraph (4).

21 (iv) The Federal aid disclosures re-
22 quired under paragraph (5).

23 (v) The disclosures of financial per-
24 formance on a country-by-country basis re-
25 quired under paragraph (6).

1 (2) POLITICAL SPENDING DISCLOSURES.—

2 (A) IN GENERAL.—With respect to an ac-
3 celerated filer, the disclosures required under
4 this paragraph are—

5 (i) a description of any expenditure
6 for political activities made during the pre-
7 ceding quarter;

8 (ii) the date of each expenditure for
9 political activities;

10 (iii) the amount of each expenditure
11 for political activities;

12 (iv) if the expenditure for political ac-
13 tivities was made in support of or opposed
14 to a candidate, the name of the candidate
15 and the office sought by, and the political
16 party affiliation of, the candidate;

17 (v) the name or identity of trade asso-
18 ciations or organizations described in sec-
19 tion 501(c) of the Internal Revenue Code
20 of 1986 and exempt from tax under sec-
21 tion 501(a) of such Code which receive
22 dues or other payments as described in
23 paragraph (1)(A)(i)(III);

24 (vi) a summary of each expenditure
25 for political activities made during the pre-

1 ceding year in excess of \$10,000, and each
2 expenditure for political activities for a
3 particular election if the total amount of
4 such expenditures for that election is in ex-
5 cess of \$10,000;

6 (vii) a description of the specific na-
7 ture of any expenditure for political activi-
8 ties the corporation intends to make for
9 the forthcoming fiscal year, to the extent
10 the specific nature is known to the cor-
11 poration; and

12 (viii) the total amount of expenditures
13 for political activities intended to be made
14 by the corporation for the forthcoming fis-
15 cal year.

16 (B) DEFINITIONS.—In this paragraph:

17 (i) EXPENDITURE FOR POLITICAL AC-
18 TIVITIES.—The term “expenditure for po-
19 litical activities”—

20 (I) means—

21 (aa) an independent expend-
22 iture (as defined in section
23 301(17) of the Federal Election
24 Campaign Act of 1971 (52
25 U.S.C. 30101(17)));

1 (bb) an electioneering com-
2 munication (as defined in section
3 304(f)(3) of that Act (52 U.S.C.
4 30104(f)(3))) and any other pub-
5 lic communication (as defined in
6 section 301(22) of that Act (52
7 U.S.C. 30101(22))) that would
8 be an electioneering communica-
9 tion if it were a broadcast, cable,
10 or satellite communication; or

11 (cc) dues or other payments
12 to trade associations or organiza-
13 tions described in section 501(c)
14 of the Internal Revenue Code of
15 1986 and exempt from tax under
16 section 501(a) of that Code that
17 are, or could reasonably be an-
18 ticipated to be, used or trans-
19 ferred to another association or
20 organization for the purposes de-
21 scribed in item (aa) or (bb); and
22 (II) does not include—

23 (aa) direct lobbying efforts
24 through registered lobbyists em-

1 employed or hired by the corpora-
2 tion;

3 (bb) communications by a
4 corporation to its shareholders
5 and executive or administrative
6 personnel and their families; or

7 (cc) the establishment and
8 administration of contributions to
9 a separate segregated fund to be
10 utilized for political purposes by
11 a corporation.

12 (ii) EXCEPTION.—The term “corpora-
13 tion” does not include an investment com-
14 pany registered under section 8 of the In-
15 vestment Company Act of 1940 (15 U.S.C.
16 80a–8).

17 (3) HUMAN CAPITAL MANAGEMENT DISCLO-
18 SURES.—With respect to an accelerated filer, the
19 disclosures required under this paragraph are the
20 following:

21 (A) Workforce demographic information,
22 including the number of full-time employees,
23 the number of part-time employees, the number
24 of contingent workers (including temporary and
25 contract workers), and any policies or practices

1 relating to subcontracting, outsourcing, and
2 insourcing.

3 (B) Workforce stability information, in-
4 cluding information about the voluntary turn-
5 over or retention rate, the involuntary turnover
6 rate, the internal hiring rate, and the internal
7 promotion rate.

8 (C) Workforce composition, including data
9 on diversity (including racial and gender com-
10 position) and any policies and audits related to
11 diversity.

12 (D) Workforce skills and capabilities, in-
13 cluding information about training of employees
14 (including the average number of hours of
15 training and spending on training per employee
16 per year), skills gaps, and alignment of skills
17 and capabilities with business strategy.

18 (E) Workforce culture and empowerment,
19 including information about—

20 (i) policies and practices of the cor-
21 poration relating to freedom of association
22 and work-life balance initiatives;

23 (ii) any incidents of verified workplace
24 harassment in the previous 5 fiscal years
25 of the corporation;

1 (iii) policies and practices of the cor-
2 poration relating to employee engagement
3 and psychological wellbeing, including
4 management discussion regarding—

5 (I) the creation of an autono-
6 mous work environment;

7 (II) fostering a sense of purpose
8 in the workforce;

9 (III) trust in management; and

10 (IV) a supportive, fair, and con-
11 structive workplace.

12 (F) Workforce health and safety, including
13 information about—

14 (i) the frequency, severity, and lost
15 time due to injuries, illness, and fatalities;

16 (ii) the total dollar value of assessed
17 fines under the Occupational Safety and
18 Health Act of 1970;

19 (iii) the total number of actions
20 brought under section 13 of the Occupa-
21 tional Safety and Health Act of 1970 to
22 prevent imminent dangers; and

23 (iv) the total number of actions
24 brought against the corporation under sec-

1 tion 11(c) of the Occupational Safety and
2 Health Act of 1970.

3 (G) Workforce compensation and incen-
4 tives, including information about—

5 (i) total workforce compensation, in-
6 cluding disaggregated information about
7 compensation for full-time, part-time, and
8 contingent workers;

9 (ii) policies and practices about how
10 performance, productivity, and sustain-
11 ability are considered when setting pay and
12 making promotion decisions; and

13 (iii) policies and practices relating to
14 any incentives and bonuses provided to em-
15 ployees below the named executive level
16 and any policies or practices designed to
17 counter any risks create by such incentives
18 and bonuses.

19 (H) Workforce recruiting, including infor-
20 mation about the quality of hire, new hire en-
21 gagement rate, and new hire retention rate.

22 (4) ENVIRONMENTAL, SOCIAL AND GOVERN-
23 ANCE DISCLOSURES.—With respect to an accelerated
24 filer, the disclosures required under this paragraph
25 are disclosures that satisfy the recommendations of

1 the Task Force on Climate-related Financial Disclo-
2 sures of the Financial Stability Board as reported in
3 June, 2017.

4 (5) FEDERAL AID DISCLOSURES.—With respect
5 to an accelerated filer, the disclosure required under
6 this paragraph is a description of how the Federal
7 aid related to COVID–19 received by the corporation
8 is being used to support the corporation’s employees.

9 (6) DISCLOSURES OF FINANCIAL PERFORMANCE
10 ON A COUNTRY-BY-COUNTRY BASIS.—

11 (A) IN GENERAL.—With respect to an ac-
12 celerated filer, the disclosures required under
13 this paragraph are the following:

14 (i) CONSTITUENT ENTITY INFORMA-
15 TION.—Information on any constituent en-
16 tity of the corporation, including the fol-
17 lowing:

18 (I) The complete legal name of
19 the constituent entity.

20 (II) The tax jurisdiction, if any,
21 in which the constituent entity is resi-
22 dent for tax purposes.

23 (III) The tax jurisdiction in
24 which the constituent entity is orga-

1 nized or incorporated (if different
2 from the tax jurisdiction of residence).

3 (IV) The tax identification num-
4 ber, if any, used for the constituent
5 entity by the tax administration of the
6 constituent entity's tax jurisdiction of
7 residence.

8 (V) The main business activity or
9 activities of the constituent entity.

10 (ii) TAX JURISDICTION.—Information
11 on each tax jurisdiction in which one or
12 more constituent entities is resident, pre-
13 sented as an aggregated or consolidated
14 form of the information for the constituent
15 entities resident in each tax jurisdiction,
16 including the following:

17 (I) Revenues generated from
18 transactions with other constituent
19 entities.

20 (II) Revenues not generated from
21 transactions with other constituent
22 entities.

23 (III) Profit or loss before income
24 tax.

1 (IV) Total income tax paid on a
2 cash basis to all tax jurisdictions.

3 (V) Total accrued tax expense re-
4 corded on taxable profits or losses.

5 (VI) Stated capital.

6 (VII) Total accumulated earn-
7 ings.

8 (VIII) Total number of employ-
9 ees on a full-time equivalent basis.

10 (IX) Net book value of tangible
11 assets, which, for purposes of this sec-
12 tion, does not include cash or cash
13 equivalents, intangibles, or financial
14 assets.

15 (iii) SPECIAL RULES.—The informa-
16 tion listed in clause (ii) shall be provided,
17 in aggregated or consolidated form, for any
18 constituent entity or entities that have no
19 tax jurisdiction of residence. In addition, if
20 a constituent entity is an owner of a con-
21 stituent entity that does not have a juris-
22 diction of tax residence, then the owner's
23 share of such entity's revenues and profits
24 will be aggregated or consolidated with the

1 information for the owner’s tax jurisdiction
2 of residence.

3 (B) DEFINITIONS.—In this paragraph—

4 (i) the term “constituent entity”
5 means, with respect to an accelerated filer,
6 any separate business entity of the acceler-
7 ated filer;

8 (ii) the term “tax jurisdiction”—

9 (I) means a country or a jurisdic-
10 tion that is not a country but that has
11 fiscal autonomy; and

12 (II) includes a territory or pos-
13 session of the United States that has
14 fiscal autonomy.

15 (c) PERMANENT REQUIREMENTS ON ALL CORPORA-
16 TIONS RECEIVING FEDERAL AID RELATED TO COVID-
17 19.—Any corporation that receives Federal aid related to
18 COVID-19 shall permanently comply with the following:

19 (1) PAID LEAVE FOR WORKERS.—The corpora-
20 tion shall provide at least 14 days of paid leave to
21 workers (employees and contractors, full-time and
22 part-time) who—

23 (A) are unable to telework;

24 (B) need to be isolated or quarantined to
25 prevent the spread of COVID-19; or

1 (C) need time off to care for the needs of
2 family members.

3 (2) MINIMUM WAGE.—The corporation shall
4 pay each employee (full-time and part-time) of the
5 corporation a wage of not less than \$15 an hour, be-
6 ginning not later than January 1, 2021.

7 (3) LIMITATION ON CEO AND EXECUTIVE
8 PAY.—The corporation may not have a CEO to me-
9 dian worker pay ratio of greater than 50 to 1 and
10 no officer or employee of the corporation may re-
11 ceived higher compensation than the chief executive
12 officer (or any equivalent position).

13 (d) REQUIREMENTS ON ALL CORPORATIONS RECEIV-
14 ING FEDERAL AID RELATED TO COVID–19 UNTIL THE
15 END OF THE EMERGENCY.—Any corporation that receives
16 Federal aid related to COVID–19 shall, until the COVID–
17 19 emergency ends, comply with the following:

18 (1) WORKFORCE LEVELS AND BENEFITS.—The
19 corporation shall maintain at least the same work-
20 force levels and benefits that existed before the
21 COVID–19 emergency.

22 (2) MAINTENANCE OF WORKER PAY.—The cor-
23 poration shall maintain worker (employee or con-
24 tractor, full-time and part-time) pay throughout the
25 entire duration of the COVID–19 emergency at or

1 above the pay level the worker was earning before
2 the emergency.

3 (3) MAINTENANCE OF COLLECTIVE BARGAINING
4 AGREEMENTS.—The corporation may not alter any
5 collective bargaining agreement that was in place at
6 the beginning of the COVID–19 emergency.

7 (e) ENFORCEMENT; RULEMAKING.—The Securities
8 and Exchange Commission and the Secretary of the
9 Treasury shall have the authority to enforce this section
10 and may issue such rules as may be necessary to carry
11 out this section.

12 (f) DEFINITIONS.—In this section:

13 (1) ACCELERATED FILER.—The Securities and
14 Exchange Commission shall define the term “accel-
15 erated filer” for purposes of this section.

16 (2) CEO TO MEDIAN WORKER PAY RATIO.—
17 With respect to an accelerated filer, the term “CEO
18 to median worker pay ratio” means the ratio of—

19 (A) the annual total compensation of the
20 chief executive officer (or any equivalent posi-
21 tion) of the corporation; and

22 (B) the median of the annual total com-
23 pensation of all employees of the corporation,
24 except the chief executive officer (or any equiva-
25 lent position) of the corporation.

1 (3) COVID–19 EMERGENCY.—The term
2 “COVID–19 emergency” means the period that be-
3 gins upon the date of the enactment of this Act and
4 ends upon the termination by the Federal Emer-
5 gency Management Agency of the emergency de-
6 clared on March 13, 2020, by the President under
7 the Robert T. Stafford Disaster Relief and Emer-
8 gency Act (42 U.S.C. 4121 et seq.) relating to the
9 Coronavirus Disease 2019 (COVID–19).

10 (4) FEDERAL AID.—The term “Federal aid”
11 means any emergency lending provided under section
12 13(3) of the Federal Reserve Act or any Federal fi-
13 nancial support in the form of a grant, loan, or loan
14 guarantee.

15 (5) S CORPORATION.—The term “S corpora-
16 tion” has the meaning given that term under section
17 1361(a) of the Internal Revenue Code of 1986.

18 (6) SECURITIES TERMS.—The terms “national
19 securities exchange” and “security” have the mean-
20 ing given those terms, respectively, under section 3
21 of the Securities Exchange Act of 1934.

22 **SEC. 408. AUTHORITY FOR WARRANTS AND DEBT INSTRU-**
23 **MENTS.**

24 (a) DEFINITIONS.—In this section:

1 (1) ASSET.—The term “asset” means any fi-
2 nancial instrument that the Secretary, after con-
3 sultation with the Chairman of the Board of Gov-
4 ernors of the Federal Reserve System, determines
5 the purchase of which or the guarantee of which is
6 necessary to promote economic stability.

7 (2) COMPANY.—The term “company” means
8 any entity that is not subject to the prohibitions in
9 subsection (e).

10 (3) SECRETARY.—The term “Secretary” means
11 the Secretary of the Treasury.

12 (b) WARRANT OR SENIOR DEBT INSTRUMENT.—The
13 Secretary may not purchase, or make any commitment to
14 purchase, or guarantee, or make any commitment to guar-
15 antee, any asset in response to the coronavirus disease
16 (COVID–19) outbreak, unless the Secretary receives from
17 the company from which such assets are to be purchased
18 or are to be guaranteed—

19 (1) in the case of a company, the securities of
20 which are traded on a national securities exchange,
21 a warrant giving the right to the Secretary to receive
22 preferred voting stock; or

23 (2) in the case of any company other than one
24 described in paragraph (1), a warrant for preferred

1 voting stock, or a senior debt instrument from such
2 company.

3 (c) TERMS AND CONDITIONS.—The terms and condi-
4 tions of any warrant or senior debt instrument required
5 under subsection (b) shall meet the following require-
6 ments:

7 (1) PURPOSES.—Such terms and conditions
8 shall, at a minimum, be designed—

9 (A) to provide for reasonable participation
10 by the Secretary, for the benefit of taxpayers,
11 in equity appreciation in the case of a warrant
12 or other equity security, or a reasonable interest
13 rate premium, in the case of a debt instrument;
14 and

15 (B) to provide additional protection for the
16 taxpayer against losses from sale of assets by
17 the Secretary and any associated administrative
18 expenses.

19 (2) TERMS OF PREFERRED VOTING STOCK.—
20 Any preferred voting stock received from a company
21 should include the following terms:

22 (A) VOTING RIGHTS.—The Secretary shall
23 have the right to vote on matters brought be-
24 fore the stockholders generally. The Secretary
25 shall control a percentage of votes equal to the

1 percentage of the total value of the company
2 the government's share will represent after the
3 investment.

4 (B) BANKRUPTCY IMMUNITY.—The rights
5 associated with the preferred voting stock shall
6 not be subject to modification, amendment, or
7 any change by the bankruptcy laws of the
8 United States or any other state.

9 (3) AUTHORITY TO SELL, EXERCISE, OR SUR-
10 RENDER.—

11 (A) IN GENERAL.—For the primary benefit
12 of taxpayers, the Secretary may sell, exercise,
13 or surrender a warrant or any senior debt in-
14 strument received under this section, based on
15 the conditions established under paragraph (1).

16 (B) PROCEEDS.—Of any proceeds received
17 through the sale, exercise, or surrender of any
18 warrant or any senior debt instrument—

19 (i) 65 percent shall be transferred or
20 credited to the Housing Trust Fund estab-
21 lished under section 1338 of the Federal
22 Housing Enterprises Financial Safety and
23 Soundness Act of 1992 (12 U.S.C. 4568);
24 and

1 (ii) 35 percent shall be transferred or
2 credited to the Capital Magnet Fund under
3 section 1339 of the Federal Housing En-
4 terprises Financial Safety and Soundness
5 Act of 1992 (12 U.S.C. 4569).

6 (4) CONVERSION.—The warrant shall provide
7 that if, after the warrant is received by the Sec-
8 retary under this section, the company that issued
9 the warrant is no longer listed or traded on a na-
10 tional securities exchange or securities association,
11 as described in subsection (b)(1), the Secretary will
12 have an option to convert the warrants to senior
13 debt to ensure that the Treasury is appropriately
14 compensated for the value of the warrant, in an
15 amount determined by the Secretary for the primary
16 benefit of taxpayers.

17 (5) PROTECTIONS.—Any warrant representing
18 securities to be received by the Secretary under this
19 section shall contain anti-dilution provisions of the
20 type employed in capital market transactions, as de-
21 termined by the Secretary for the primary benefit of
22 taxpayers. Such provisions shall protect the value of
23 the securities from market transactions such as
24 stock splits, stock distributions, dividends, and other

1 distributions, mergers, and other forms of reorga-
2 nization or recapitalization.

3 (6) EXERCISE PRICE.—The exercise price for
4 any warrant issued pursuant to this section shall be
5 set by the Secretary, for the primary benefit of tax-
6 payers.

7 (7) SUFFICIENCY.—The company shall guar-
8 antee to the Secretary that it has authorized shares
9 of stock available to fulfill its obligations under this
10 section. Should the company not have sufficient au-
11 thorized shares, including preferred shares that may
12 carry dividend rights equal to a multiple number of
13 common shares, the Secretary may, to the extent
14 necessary for the primary benefit of taxpayers, ac-
15 cept a senior debt note in an amount, and on such
16 terms as will compensate the Secretary with equiva-
17 lent value, in the event that a sufficient shareholder
18 vote to authorize the necessary additional shares
19 cannot be obtained.

20 (d) EXCEPTIONS.—The Secretary may establish an
21 exception to the requirements of this section and appro-
22 priate alternative requirements for any participating com-
23 pany that is legally prohibited from issuing securities and
24 debt instruments, so as not to allow circumvention of the
25 requirements of this section.

1 (e) PROHIBITIONS OF FOREIGN COMPANIES.—

2 (1) IN GENERAL.—The Secretary may not pur-
3 chase, or make any commitment to purchase, or
4 guarantee, or make any commitment to guarantee,
5 any asset in response to the coronavirus disease
6 (COVID–19) outbreak from—

7 (A) any foreign incorporated entity that
8 the Secretary has determined is an inverted do-
9 mestic corporation or any subsidiary of such en-
10 tity; or

11 (B) any joint venture if more than 10 per-
12 cent of the joint venture (by vote or value) is
13 held by a foreign incorporated entity that the
14 Secretary has determined is an inverted domes-
15 tic corporation or any subsidiary of such entity.

16 (2) INVERTED DOMESTIC CORPORATION.—

17 (A) IN GENERAL.—For purposes of this
18 subsection, a foreign incorporated entity shall
19 be treated as an inverted domestic corporation
20 if, pursuant to a plan (or a series of related
21 transactions)—

22 (i) the entity completes on or after
23 May 8, 2014, the direct or indirect acquisi-
24 tion of—

1 (I) substantially all of the prop-
2 erties held directly or indirectly by a
3 domestic corporation; or

4 (II) substantially all of the assets
5 of, or substantially all of the prop-
6 erties constituting a trade or business
7 of, a domestic partnership; and

8 (ii) after the acquisition, either—

9 (I) more than 50 percent of the
10 stock (by vote or value) of the entity
11 is held—

12 (aa) in the case of an acqui-
13 sition with respect to a domestic
14 corporation, by former share-
15 holders of the domestic corpora-
16 tion by reason of holding stock in
17 the domestic corporation; or

18 (bb) in the case of an acqui-
19 sition with respect to a domestic
20 partnership, by former partners
21 of the domestic partnership by
22 reason of holding a capital or
23 profits interest in the domestic
24 partnership; or

1 (II) the management and control
2 of the expanded affiliated group which
3 includes the entity occurs, directly or
4 indirectly, primarily within the United
5 States, as determined pursuant to
6 regulations prescribed by the Sec-
7 retary, and such expanded affiliated
8 group has significant domestic busi-
9 ness activities.

10 (B) EXCEPTION FOR CORPORATIONS WITH
11 SUBSTANTIAL BUSINESS ACTIVITIES IN FOR-
12 EIGN COUNTRY OF ORGANIZATION.—

13 (i) IN GENERAL.—A foreign incor-
14 porated entity described in subparagraph
15 (A) shall not be treated as an inverted do-
16 mestic corporation if after the acquisition
17 the expanded affiliated group which in-
18 cludes the entity has substantial business
19 activities in the foreign country in which or
20 under the law of which the entity is cre-
21 ated or organized when compared to the
22 total business activities of such expanded
23 affiliated group.

24 (ii) SUBSTANTIAL BUSINESS ACTIVI-
25 TIES.—The Secretary shall establish regu-

1 lations for determining whether an affili-
2 ated group has substantial business activi-
3 ties for purposes of clause (i), except that
4 such regulations may not treat any group
5 as having substantial business activities if
6 such group would not be considered to
7 have substantial business activities under
8 the regulations prescribed under section
9 7874 of the Internal Revenue Code of
10 1986, as in effect on January 18, 2017.

11 (C) SIGNIFICANT DOMESTIC BUSINESS AC-
12 TIVITIES.—

13 (i) IN GENERAL.—For purposes of
14 subparagraph (A)(ii)(II), an expanded af-
15 filiated group has significant domestic
16 business activities if at least 25 percent
17 of—

18 (I) the employees of the group
19 are based in the United States;

20 (II) the employee compensation
21 incurred by the group is incurred with
22 respect to employees based in the
23 United States;

24 (III) the assets of the group are
25 located in the United States; or

1 (IV) the income of the group is
2 derived in the United States.

3 (ii) DETERMINATION.—Determina-
4 tions pursuant to clause (i) shall be made
5 in the same manner as such determina-
6 tions are made for purposes of determining
7 substantial business activities under regu-
8 lations referred to in subparagraph (B) as
9 in effect on January 18, 2017, but applied
10 by treating all references in such regula-
11 tions to “foreign country” and “relevant
12 foreign country” as references to “the
13 United States”. The Secretary may issue
14 regulations decreasing the threshold per-
15 cent in any of the tests under such regula-
16 tions for determining if business activities
17 constitute significant domestic business ac-
18 tivities for purposes of this subparagraph.

19 (3) WAIVER.—

20 (A) IN GENERAL.—The Secretary may
21 waive paragraph (1) if the Secretary determines
22 that the waiver is—

23 (i) required in the interest of national
24 security; or

1 (ii) necessary for the efficient or effec-
2 tive administration of Federal or federally
3 funded—

4 (I) programs that provide health
5 benefits to individuals; or

6 (II) public health programs.

7 (B) REPORT TO CONGRESS.—The Sec-
8 retary shall, not later than 14 days after
9 issuing such waiver, submit a written notifica-
10 tion of the waiver to the relevant authorizing
11 committees of Congress and the Committees on
12 Appropriations of the Senate and the House of
13 Representatives.

14 (4) DEFINITIONS AND SPECIAL RULES.—

15 (A) DEFINITIONS.—In this subsection, the
16 terms “expanded affiliated group”, “foreign in-
17 corporated entity”, “domestic”, and “foreign”
18 have the meaning given those terms in section
19 835(c) of the Homeland Security Act of 2002
20 (6 U.S.C. 395(c)).

21 (B) SPECIAL RULES.—In applying para-
22 graph (2) of this subsection for purposes of
23 paragraph (1) of this subsection, the rules de-
24 scribed under 835(c)(1) of the Homeland Secu-

1 rity Act of 2002 (6 U.S.C. 395(c)(1)) shall
2 apply.

3 (5) REGULATIONS REGARDING MANAGEMENT
4 AND CONTROL.—

5 (A) IN GENERAL.—The Secretary shall, for
6 purposes of this subsection, prescribe regula-
7 tions for purposes of determining cases in which
8 the management and control of an expanded af-
9 filiated group is to be treated as occurring, di-
10 rectly or indirectly, primarily within the United
11 States. The regulations prescribed under the
12 preceding sentence shall apply to periods after
13 May 8, 2014.

14 (B) EXECUTIVE OFFICERS AND SENIOR
15 MANAGEMENT.—The regulations prescribed
16 under subparagraph (A) shall provide that the
17 management and control of an expanded affili-
18 ated group shall be treated as occurring, di-
19 rectly or indirectly, primarily within the United
20 States if substantially all of the executive offi-
21 cers and senior management of the expanded
22 affiliated group who exercise day-to-day respon-
23 sibility for making decisions involving strategic,
24 financial, and operational policies of the ex-
25 panded affiliated group are based or primarily

1 located within the United States. Individuals
2 who in fact exercise such day-to-day responsibil-
3 ities shall be treated as executive officers and
4 senior management regardless of their title.

5 (f) PREEMPTION.—Any State or Federal laws that
6 prohibit the transactions authorized by this statute, in-
7 cluding state or federal laws that prohibit company direc-
8 tors from agreeing to the transactions authorized by this
9 statute, are preempted and superseded by this statute.

10 **SEC. 409. AUTHORIZATION TO PARTICIPATE IN THE NEW**
11 **ARRANGEMENTS TO BORROW OF THE INTER-**
12 **NATIONAL MONETARY FUND.**

13 Section 17 of the Bretton Woods Agreements Act (22
14 U.S.C. 286e-2) is amended—

15 (1) in subsection (a)—

16 (A) by redesignating paragraphs (3)
17 through (5) as paragraphs (4) through (6) and
18 inserting after paragraph (2) the following:

19 “(3) In order to carry out the purposes of a
20 one-time decision of the Executive Directors of the
21 International Monetary Fund (the Fund) to expand
22 the resources of the New Arrangements to Borrow,
23 established pursuant to the decision of January 27,
24 1997 referred to in paragraph (1) above, the Sec-
25 retary of the Treasury is authorized to make loans,

1 in an amount not to exceed the dollar equivalent of
2 28,202,470,000 of Special Drawing Rights, in addi-
3 tion to any amounts previously authorized under this
4 section; except that prior to activation of the New
5 Arrangements to Borrow, the Secretary shall report
6 to Congress on whether supplementary resources are
7 needed to forestall or cope with an impairment of
8 the international monetary system and whether the
9 Fund has fully explored other means of funding to
10 the Fund.”; and

11 (B) in paragraph (6) (as so redesignated
12 by subparagraph (A) of this paragraph), by
13 striking “December 16, 2022” and inserting
14 “December 31, 2025”; and

15 (2) in subsection (e)(1), by inserting “(a)(3),”
16 after “(a)(2),”.

17 **SEC. 410. EMERGENCY RELIEF THROUGH LOANS AND LOAN**
18 **GUARANTEES.**

19 (a) IN GENERAL.—Notwithstanding any other provi-
20 sion of law, to provide liquidity to eligible businesses re-
21 lated to losses incurred as a direct result of coronavirus,
22 the Secretary is authorized to make or guarantee loans
23 to eligible businesses, including women-owned, minority-
24 owned, veteran-owned and rural businesses, that do not,
25 in the aggregate, exceed **【\$150,000,000,000】** and provide

1 the subsidy amounts necessary for such loans and loan
2 guarantees in accordance with the provisions of the Fed-
3 eral Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).

4 (c) LOANS AND LOAN GUARANTEES.—

5 (1) IN GENERAL.—The Secretary shall review
6 and decide on applications for loans and loan guar-
7 antees under this section and may enter into agree-
8 ments to make or guarantee loans to one or more
9 obligors if the Secretary determines, in the Sec-
10 retary's discretion, that—

11 (A) the obligor is a eligible business for
12 which credit is not reasonably available at the
13 time of the transaction;

14 (B) the intended obligation by the obligor
15 is prudently incurred; and

16 (C) the loan is sufficiently secured.

17 (2) TERMS AND LIMITATIONS.—

18 (A) FORMS; TERMS AND CONDITIONS.—

19 Subject to section 407 of this division, a loan
20 or loan guarantee shall be issued under this
21 section in such form and on such terms and
22 conditions and contain such covenants, rep-
23 resentatives, warranties, and requirements (in-
24 cluding requirements for audits) as the Sec-
25 retary determines appropriate. Any loans made

1 by the Secretary under this section shall be at
2 a rate not less than a rate determined by the
3 Secretary taking into consideration the current
4 average yield on outstanding marketable obliga-
5 tions of the United States of comparable matu-
6 rity.

7 (B) PROCEDURES.—As soon as prac-
8 ticable, but in no case later than 10 days after
9 the date of enactment of this Act, the Secretary
10 shall publish procedures for application and
11 minimum requirements, which may be supple-
12 mented by the Secretary in the Secretary's dis-
13 cretion, for the making of loans and loan guar-
14 antees under this section.

15 (d) FINANCIAL PROTECTION OF GOVERNMENT.—

16 (1) IN GENERAL.—To the extent feasible and
17 practicable, the Secretary shall ensure that the Fed-
18 eral Government is compensated for the risk as-
19 sumed in making loans and loan guarantees under
20 this section.

21 (2) GOVERNMENT PARTICIPATION IN GAINS.—If
22 an eligible business receives a loan or loan guarantee
23 from the Federal Government under this section, the
24 Secretary is authorized to enter into contracts under
25 which the Federal Government, contingent on the fi-

1 nancial success of the eligible business, would par-
2 ticipate in the gains of the eligible business or its se-
3 curity holders through the use of such instruments
4 as warrants, stock options, common or preferred
5 stock, or other appropriate equity instruments.

6 (e) DEPOSIT OF PROCEEDS.—Amounts collected by
7 the Secretary under this section, including the proceeds
8 of investments, earnings, and interest collected, shall be
9 deposited in the Treasury as miscellaneous receipts.

10 (f) ADMINISTRATIVE EXPENSES.—Notwithstanding
11 any other provision of law, the Secretary may use
12 \$100,000,000 of the funds made available under this sec-
13 tion to pay costs and administrative expenses associated
14 with the provision of direct loans or guarantees authorized
15 under this section.

16 (g) CONFORMING AMENDMENT.—Section 5302(a)(1)
17 of title 31, United States Code, is amended—

18 (1) by striking “and” before “section 3”; and

19 (2) by inserting “Financial Protections and As-
20 sistance for America’s Consumers, States, Busi-
21 nesses, and Vulnerable Populations Act,” before
22 “and for investing”.

1 **SEC. 411. LIMITATION ON CERTAIN EMPLOYEE COMPENSA-**
2 **TION.**

3 (a) IN GENERAL.—The Secretary may only enter into
4 a loan or loan agreement under section 410(a) with an
5 eligible business after the eligible business enters into a
6 legally binding agreement with the Secretary that, during
7 the period beginning March 1, 2020, and ending March
8 1, 2022 or the termination of the loan or loan agreement
9 under section 410(a), which is later, no officer or employee
10 of the eligible business—

11 (1) will receive from the eligible business total
12 compensation which exceeds \$425,000, during any
13 12 consecutive months of such period; and

14 (2) will receive from the eligible business sever-
15 ance pay or other benefits upon termination of em-
16 ployment with the eligible business which exceeds
17 twice the compensation described in paragraph (1).

18 (b) TOTAL COMPENSATION DEFINED.—In this sec-
19 tion, the term “total compensation” includes salary, bo-
20 nuses, awards of stock, and other financial benefits pro-
21 vided by an eligible business to an officer or employee of
22 the eligible business.

23 **SEC. 412. INTERNATIONAL FINANCE CORPORATION.**

24 The International Finance Corporation Act (22
25 U.S.C. 282 et seq.) is amended by adding at the end the
26 following:

1 **“SEC. 18. CAPITAL INCREASES AND AMENDMENT TO THE**
2 **ARTICLES OF AGREEMENT.**

3 “(a) VOTES AUTHORIZED.—The United States Gov-
4 ernor of the Corporation is authorized to vote in favor of—

5 “(1) a resolution to increase the authorized cap-
6 ital stock of the Corporation by 16,999,998 shares,
7 to implement the conversion of a portion of the re-
8 tained earnings of the Corporation into paid-in cap-
9 ital, which will result in the United States being
10 issued an additional 3,771,899 shares of capital
11 stock, without any cash contribution;

12 “(2) a resolution to increase the authorized cap-
13 ital stock of the Corporation on a general basis by
14 4,579,995 shares; and

15 “(3) a resolution to increase the authorized cap-
16 ital stock of the Corporation on a selective basis by
17 919,998 shares.

18 “(b) AMENDMENT OF THE ARTICLES OF AGREE-
19 MENT.—The United States Governor of the Corporation
20 is authorized to agree to and accept an amendment to Ar-
21 ticle II, Section 2(c)(ii) of the Articles of Agreement of
22 the Corporation that would increase the vote by which the
23 Board of Governors of the Corporation may increase the
24 capital stock of the Corporation from a four-fifths major-
25 ity to an 85 percent majority.”.

1 **SEC. 413. OVERSIGHT AND REPORTS.**

2 (a) OVERSIGHT.—

3 (1) SIGTARP.—As provided for under section
4 405 of this division, the Special Inspector General
5 for the Troubled Asset Relief Program (SIGTARP)
6 shall have oversight of the Secretary's administra-
7 tion of the loans and loan guarantees provided under
8 section 410, the use of the funds by eligible busi-
9 nesses, and compliance with the requirements of sec-
10 tion 407.

11 (2) OVERSIGHT PANEL.—As provided for under
12 section 405 of this division, the Congressional
13 COVID–19 Aid Oversight Panel shall have oversight
14 of the Secretary's administration of the loans and
15 loan guarantees provided under section 410, the use
16 of the funds by eligible businesses, and compliance
17 with the requirements of section 407.

18 (b) SECRETARY.—The Secretary shall, with respect
19 to the loans and loan guarantees provided under section
20 410, make such reports as are required under section
21 5302 of title 31, United States Code.

22 (c) GOVERNMENT ACCOUNTABILITY OFFICE.—

23 (1) STUDY.—The Comptroller General of the
24 United States shall conduct a study on the loans
25 and loan guarantees provided under section 410.

1 (2) REPORT.—Not later than 9 months after
2 the date of enactment of this Act, and annually
3 thereafter through the year succeeding the last year
4 for which loans or loan guarantees provided under
5 section 410 are in effect, the Comptroller General
6 shall submit to the Committee on Financial Services,
7 the Committee on Appropriations, and the Com-
8 mittee on the Budget of the House of Representa-
9 tives and the Committee on Banking, Housing, and
10 Urban Affairs, the Committee on Appropriations,
11 and the Committee on the Budget of the Senate a
12 report on the loans and loan guarantees provided
13 under section 410.

14 (d) DIVERSITY REPORT.—The Congressional
15 COVID–19 Aid Oversight Panel, in conjunction with the
16 SIGTARP, shall collect diversity data from any corpora-
17 tion that receives Federal aid related to COVID–19, and
18 issue a report that will be made publicly available no later
19 than one year after the disbursement of funds. In addition
20 to any other data, the report shall include the following:

21 (1) EMPLOYEE DEMOGRAPHICS.—The gender,
22 race, and ethnic identity (and to the extent possible,
23 results disaggregated by ethnic group) of the cor-
24 poration’s employees, as otherwise known or pro-
25 vided voluntarily for the total number of employees

1 (full- and part-time) and the career level of employ-
2 ees (executive and manager versus employees in
3 other roles).

4 (2) SUPPLIER DIVERSITY.—The number and
5 dollar value invested with minority- and women-
6 owned suppliers (and to the extent possible, results
7 disaggregated by ethnic group), including profes-
8 sional services (legal and consulting) and asset man-
9 agers, and deposits and other accounts with minority
10 depository institutions, as compared to all vendor in-
11 vestments.

12 (3) PAY EQUITY.—A comparison of pay
13 amongst racial and ethnic minorities (and to the ex-
14 tent possible, results disaggregated by ethnic group)
15 as compared to their white counterparts and com-
16 parison of pay between men and women for similar
17 roles and assignments.

18 (4) CORPORATE BOARD DIVERSITY.—Corporate
19 board demographic data, including total number of
20 board members, gender, race and ethnic identity of
21 board members (and to the extent possible, results
22 disaggregated by ethnic group), as otherwise known
23 or provided voluntarily, board position titles, as well
24 as any leadership and subcommittee assignments.

1 (5) DIVERSITY AND INCLUSION OFFICES.—The
2 reporting structure of lead diversity officials, number
3 of staff and budget dedicated to diversity and inclu-
4 sion initiatives.

5 (e) DIVERSITY AND INCLUSION INITIATIVES.—Any
6 corporation that receives Federal aid related to COVID–
7 19 must maintain officials and budget dedicated to diver-
8 sity and inclusion initiatives for no less than 5 years after
9 disbursement of funds.

10 **SEC. 414. DEFINITIONS.**

11 In this title:

12 (1) COVERED LOSS.—The term “covered loss”
13 includes losses, direct or incremental, incurred as a
14 result of COVID–19, as determined by the Sec-
15 retary.

16 (2) ELIGIBLE BUSINESS.—The term “eligible
17 business” means a United States business that has
18 incurred covered losses such that the continued oper-
19 ations of the business are jeopardized, as determined
20 by the Secretary, and that has not otherwise applied
21 for or received economic relief in the form of loans
22 or loan guarantees provided under any other provi-
23 sion of this Act.

1 (3) SECRETARY.—The term “Secretary” means
2 the Secretary of the Treasury, or the designee of the
3 Secretary of the Treasury.

4 **SEC. 415. RULE OF CONSTRUCTION.**

5 Nothing in this title shall be construed to allow the
6 Secretary to provide relief to eligible businesses except in
7 the form of secured loans and loan guarantees as provided
8 in this title and under terms and conditions that are in
9 the interest of the Federal Government.

10 **TITLE V—INVESTING IN A**
11 **SUSTAINABLE RECOVERY**

12 **SEC. 501. IMPROVING CORPORATE GOVERNANCE**
13 **THROUGH DIVERSITY.**

14 (a) PURPOSE.—The purpose of this section, and the
15 amendment made by this section, is to create account-
16 ability to ensure that corporate boards reflect the diversity
17 and perspectives of the communities and consumers im-
18 pacted by the hardships due to the coronavirus disease
19 (COVID–19) outbreak and future major disasters.

20 (b) SUBMISSION OF DATA RELATING TO DIVERSITY
21 BY ISSUERS.—

22 (1) IN GENERAL.—Section 13 of the Securities
23 Exchange Act of 1934 (15 U.S.C. 78m) is amended
24 by adding at the end the following:

1 “(s) SUBMISSION OF DATA RELATING TO DIVER-
2 SITY.—

3 “(1) DEFINITIONS.—In this subsection—

4 “(A) the term ‘executive officer’ has the
5 meaning given the term in section 230.501(f) of
6 title 17, Code of Federal Regulations, as in ef-
7 fect on the date of enactment of this subsection;
8 and

9 “(B) the term ‘veteran’ has the meaning
10 given the term in section 101 of title 38, United
11 States Code.

12 “(2) SUBMISSION OF DISCLOSURE.—Each
13 issuer required to file an annual report under sub-
14 section (a) shall disclose in any proxy statement and
15 any information statement relating to the election of
16 directors filed with the Commission the following:

17 “(A) Data, based on voluntary self-identi-
18 fication, on the racial, ethnic, and gender com-
19 position of—

20 “(i) the board of directors of the
21 issuer;

22 “(ii) nominees for the board of direc-
23 tors of the issuer; and

24 “(iii) the executive officers of the
25 issuer.

1 “(B) The status of any member of the
2 board of directors of the issuer, any nominee
3 for the board of directors of the issuer, or any
4 executive officer of the issuer, based on vol-
5 untary self-identification, as a veteran.

6 “(C) Whether the board of directors of the
7 issuer, or any committee of that board of direc-
8 tors, has, as of the date on which the issuer
9 makes a disclosure under this paragraph,
10 adopted any policy, plan, or strategy to promote
11 racial, ethnic, and gender diversity among—

12 “(i) the board of directors of the
13 issuer;

14 “(ii) nominees for the board of direc-
15 tors of the issuer; or

16 “(iii) the executive officers of the
17 issuer.

18 “(3) ALTERNATIVE SUBMISSION.—In any 1-
19 year period in which an issuer required to file an an-
20 nual report under subsection (a) does not file with
21 the Commission a proxy statement relating to the
22 election of directors or an information statement, the
23 issuer shall disclose the information required under
24 paragraph (2) in the first annual report of issuer

1 that the issuer submits to the Commission after the
2 end of that 1-year period.

3 “(4) ANNUAL REPORT.—Not later than 18
4 months after the date of the enactment of this sub-
5 section, and annually thereafter, the Commission
6 shall submit to the Committee on Financial Services
7 of the House of Representatives and to the Com-
8 mittee on Banking, Housing, and Urban Affairs of
9 the Senate and publish on the website of the Com-
10 mission a report that analyzes the information dis-
11 closed pursuant to paragraphs (1), (2), and (3) and
12 identifies any trends in such information.

13 “(5) BEST PRACTICES.—

14 “(A) IN GENERAL.—The Director of the
15 Office of Minority and Women Inclusion of the
16 Commission shall, not later than the end of the
17 3-year period beginning on the date of the en-
18 actment of this subsection and every three
19 years thereafter, publish best practices for com-
20 pliance with this subsection.

21 “(B) COMMENTS.—The Director of the Of-
22 fice of Minority and Women Inclusion of the
23 Commission may, pursuant to subchapter II of
24 chapter 5 of title 5, United States Code, solicit

1 public comments related to the best practices
2 published under subparagraph (A).”.

3 (2) RULEMAKING.—

4 (A) IN GENERAL.—The Securities and Ex-
5 change Commission shall issue rules to carry
6 out the amendment made by paragraph (1)
7 within the 6-month period beginning on the end
8 of the COVID–19 emergency period.

9 (B) COVID–19 EMERGENCY PERIOD DE-
10 FINED.—In this subsection, the term “COVID–
11 19 emergency period” means the period that
12 begins upon the date of the enactment of this
13 Act and ends upon the date of the termination
14 by the Federal Emergency Management Admin-
15 istration of the emergency declared on March
16 13, 2020, by the President under the Robert T.
17 Stafford Disaster Relief and Emergency Assist-
18 ance Act (42 U.S.C. 4121 et seq.) relating to
19 the Coronavirus Disease 2019 (COVID–19)
20 pandemic.

21 (c) DIVERSITY ADVISORY GROUP.—

22 (1) ESTABLISHMENT.—The Securities and Ex-
23 change Commission shall establish a Diversity Advi-
24 sory Group (the “Advisory Group”), which shall be

1 composed of representatives from the government,
2 academia, and the private sector.

3 (2) STUDY AND RECOMMENDATIONS.—The Ad-
4 visory Group shall—

5 (A) carry out a study that identifies strate-
6 gies that can be used to increase gender, racial,
7 and ethnic diversity among members of boards
8 of directors of issuers; and

9 (B) not later than 9 months after the es-
10 tablishment of the Advisory Group, submit a re-
11 port to the Commission, the Committee on Fi-
12 nancial Services of the House of Representa-
13 tives, and the Committee on Banking, Housing,
14 and Urban Affairs of the Senate that—

15 (i) describes any findings from the
16 study conducted pursuant to subparagraph
17 (A); and

18 (ii) makes recommendations of strate-
19 gies that issuers could use to increase gen-
20 der, racial, and ethnic diversity among
21 board members.

22 (3) ANNUAL REPORT.—Not later than 1 year
23 following the submission of a report pursuant to
24 paragraph (2), and annually thereafter, the Commis-
25 sion shall submit a report to the Committee on Fi-

1 nancial Services of the House of Representatives and
2 the Committee on Banking, Housing, and Urban Af-
3 fairs of the Senate that describes the status of gen-
4 der, racial, and ethnic diversity among members of
5 the board of directors of issuers.

6 (4) PUBLIC AVAILABILITY OF REPORTS.—The
7 Commission shall make all reports of the Advisory
8 Group available to issuers and the public, including
9 on the website of the Commission.

10 (5) DEFINITIONS.—For the purposes of this
11 subsection:

12 (A) ISSUER.—The term “issuer” has the
13 meaning given the term in section 3 of the Se-
14 curities Exchange Act of 1934.

15 (B) COMMISSION.—The term “Commis-
16 sion” means the Securities and Exchange Com-
17 mission.

18 **SEC. 502. DIVERSE INVESTMENT ADVISERS.**

19 (a) FINDINGS.—The Congress finds the following:

20 (1) Diverse individual-owned and controlled
21 firms continue to face obstacles, such as discrimina-
22 tion and other related barriers, when competing for
23 investment adviser services opportunities, including
24 Federal opportunities.

1 (2) The Government Accountability Office
2 found in September 2017 that asset management
3 firms (also known as firms providing investment ad-
4 viser services) registered in the United States man-
5 age more than \$70,000,000,000,000 of assets and
6 that minority- and women-owned asset management
7 firms manage less than 1 percent of such assets.

8 (3) Conscious efforts to facilitate diverse and
9 inclusive firm selection for investment advisers serv-
10 ices opportunities are required to overcome obstacles
11 facing diverse individual-owned and controlled firms,
12 especially as women- and minority-owned businesses
13 across the financial services sector struggle to re-
14 cover from the impacts of the coronavirus disease
15 (COVID–19) outbreak and future major disasters.

16 (4) Despite evidence that women and minority-
17 owned firms perform as well as and sometimes out-
18 perform their industry counterparts, they are not
19 consistently selected to manage institutional assets.
20 Although women and minority-owned firms account
21 for approximately 8.6 percent of the asset manage-
22 ment industry, recent reports show that they only
23 manage 1.1 percent of all assets under management
24 or \$785 billion out of \$71.4 trillion, and are under-
25 represented as managers in every asset class.

1 (b) INVESTMENT ADVISER CONTRACTING BY PER-
2 SONS REGISTERED WITH THE SECURITIES AND EX-
3 CHANGE COMMISSION.—The Securities Exchange Act of
4 1934 (15 U.S.C. 78a et seq.) is amended by inserting after
5 section 15G the following:

6 **“SEC. 15H. INVESTMENT ADVISER CONTRACTING REQUIRE-**
7 **MENTS.**

8 “(a) REQUIRED FOR REGISTRATION.—No broker,
9 dealer, investment adviser, investment company, or self-
10 regulatory organization may be registered with the Com-
11 mission unless such person—

12 “(1) does not contract for the services of an in-
13 vestment adviser for externally managed funds; or

14 “(2) in contracting for the services of an invest-
15 ment adviser for externally managed funds after the
16 date of the enactment of this section, has in place
17 procedures that require the person, before con-
18 tracting for such services—

19 “(A) to publish, unless prohibited by law
20 or regulation, a request for proposal for such
21 services; and

22 “(B) if one or more diverse individual
23 owned and controlled firms submits a proposal
24 to provide such services that satisfies the cri-
25 teria set forth in the request for proposal, to in-

1 vite at least one such diverse individual-owned
2 and controlled firm to present their proposal, or
3 certify to the Commission that no diverse indi-
4 vidual-owned and controlled firms submitted a
5 proposal, unless such invitation is prohibited by
6 other law or regulation.

7 “(b) REPORTS.—

8 “(1) PERSONS CONTRACTING FOR THE SERV-
9 ICES OF INVESTMENT ADVISERS FOR EXTERNALLY
10 MANAGED FUNDS.—Each broker, dealer, investment
11 adviser, investment company, and self-regulatory or-
12 ganization who contracts for the services of an in-
13 vestment adviser for externally managed funds and
14 who is registered with the Commission shall, each
15 fiscal year of such person, submit to the Office of
16 Minority and Women Inclusion of the Commission a
17 report that identifies, for the previous fiscal year—

18 “(A) the percentage of services of invest-
19 ment advisers for externally managed funds the
20 person contracted for that were provided by a
21 diverse individual-owned and controlled firm;

22 “(B) the dollar value of any contracts with
23 diverse-individual owned and controlled firms
24 providing the services of investment advisers for
25 externally managed funds as a percentage of

1 the dollar value of all contracts with all firms
2 providing the services of investment advisers for
3 externally managed funds;

4 “(C) the efforts made by the person to
5 communicate opportunities for investment ad-
6 viser services for externally managed funds to
7 diverse-individual owned and controlled firms
8 providing the services of investment advisers for
9 externally managed funds;

10 “(D) the number of diverse-individual
11 owned and controlled firms that were consid-
12 ered by the person to provide the services of in-
13 vestment advisers for externally managed funds
14 and, with respect to each such firm, the race
15 and gender of the owners of such firm; and

16 “(E) for any investment adviser for exter-
17 nally managed funds services contract oppor-
18 tunity in which a diverse-individual owned and
19 controlled firm was not considered, a descrip-
20 tion of why a diverse-individual owned and con-
21 trolled firm was not considered.

22 “(2) INCLUSION OF REPORT INFORMATION ON
23 FORM ADV.—Any person who is required to file a re-
24 port under paragraph (1) shall, in any Form ADV
25 filed by, or required to be filed by such person, in-

1 include all information required to be filed in the re-
2 port under paragraph (1) in such Form ADV filing.

3 “(3) ANNUAL REPORT BY THE OFFICE OF MI-
4 NORITY AND WOMEN INCLUSION.—The Director of
5 the Office of Minority and Women Inclusion of the
6 Commission shall issue an annual report to the
7 Commission and the Congress on the use of diverse
8 individual-owned and controlled firms offering in-
9 vestment advising services for externally managed
10 funds, including a summary of reports received
11 under paragraph (1) and under section 13B(b).

12 “(4) COMMISSION REPORT TO CONGRESS.—The
13 Commission shall issue a report every 5 years to the
14 Congress on the steps taken by the Commission to
15 implement this section and section 13B.

16 “(c) EXCEPTION.—This section shall not apply to—

17 “(1) a contract described in section 15 of the
18 Investment Company Act of 1940, except for an ini-
19 tial contract—

20 “(A) pursuant to which a person serves or
21 acts as an unaffiliated sub-adviser to a reg-
22 istered investment company; and

23 “(B) which is exempt from the shareholder
24 approval requirement of section 15 in reliance
25 on an order or rule of the Commission; or

1 “(2) a diverse individual-owned and controlled
2 firm with assets under \$100,000,000.

3 “(d) DEFINITIONS.—For the purposes of this section:

4 “(1) AFFILIATED PERSON.—The term ‘affili-
5 ated person’ has the meaning given that term under
6 section 2(a) of the Investment Company Act of
7 1940.

8 “(2) DIVERSE INDIVIDUAL-OWNED AND CON-
9 TROLLED FIRM.—The term ‘diverse individual-owned
10 and controlled firm’ means a firm—

11 “(A) which is at least 51 percent owned by
12 one or more individuals who are women, minori-
13 ties, or veterans; or

14 “(B) whose management and daily busi-
15 ness operations are—

16 “(i) in the case of a firm the shares
17 of which are traded on a national securities
18 exchange, controlled by a board with a ma-
19 jority of members who are women, minori-
20 ties, or veterans; and

21 “(ii) in the case of any other firm, at
22 least 51 percent controlled by one or more
23 individuals who are women, minorities, or
24 veterans.

1 “(3) INVESTMENT ADVISER.—The term ‘invest-
2 ment adviser’ has the meaning given the term in sec-
3 tion 202(a)(11) of the Investment Advisers Act of
4 1940.

5 “(4) MINORITY.—The term ‘minority’ has the
6 meaning given the term in section 308(b) of the Fi-
7 nancial Institutions Reform, Recovery, and Enforce-
8 ment Act of 1989 and also includes any indigenous
9 person in the United States or its territories.

10 “(5) UNAFFILIATED SUB-ADVISER TO A REG-
11 ISTERED INVESTMENT COMPANY.—With respect to a
12 registered investment company, the term ‘unaffili-
13 ated sub-adviser to a registered investment company’
14 means a person described under section 2(a)(20)(B)
15 of the Investment Company Act of 1940 that is not
16 an affiliated person of a person described under sec-
17 tion 2(a)(20)(A) of the Investment Company Act of
18 1940.

19 “(6) VETERAN.—The term ‘veteran’ has the
20 meaning given the term in section 101 of title 38,
21 United States Code.”.

22 (c) INVESTMENT ADVISER CONTRACTING BY PER-
23 SONS REGISTERING SECURITIES.—The Securities Ex-
24 change Act of 1934 is amended by inserting after section
25 13A the following:

1 **“SEC. 13B. INVESTMENT ADVISER CONTRACTING REQUIRE-**
2 **MENTS.**

3 “(a) IN GENERAL.—Any issuer required to file an an-
4 nual report under section 13 shall, when contracting for
5 the services of an investment adviser for externally man-
6 age funds—

7 “(1) publish, unless prohibited by law or regula-
8 tion, a request for proposal for such services; and

9 “(2) if one or more diverse individual owned
10 and controlled firms submits a proposal to provide
11 such services that satisfies the criteria set forth in
12 the request for proposal, invite at least one such di-
13 verse individual-owned and controlled firm to present
14 their proposal, or certify to the Commission that no
15 diverse individual-owned and controlled firms sub-
16 mitted a proposal, unless such invitation is prohib-
17 ited by other law or regulation.

18 “(b) REPORT.—Any issuer required to file an annual
19 report under section 13 who contracts for the services of
20 an investment adviser for externally managed funds shall,
21 each fiscal year of such issuer, submit to the Office of
22 Minority and Women Inclusion of the Commission a re-
23 port that identifies, for the previous fiscal year—

24 “(1) the percentage of services of investment
25 advisers for externally managed funds the issuer

1 contracted for that were provided by a diverse indi-
2 vidual-owned and controlled firm;

3 “(2) the dollar value of any contracts with di-
4 verse-individual owned and controlled firms pro-
5 viding the services of investment advisers for exter-
6 nally managed funds as a percentage of the dollar
7 value of all contracts with all firms providing the
8 services of investment advisers for externally man-
9 aged funds;

10 “(3) the efforts made by the issuer to commu-
11 nicate investment adviser services for externally
12 managed funds contract opportunities to diverse-in-
13 dividual owned and controlled firms providing the
14 services of investment advisers for externally man-
15 aged funds;

16 “(4) the number of diverse-individual owned
17 and controlled firms that were considered by the
18 issuer to provide the services of investment advisers
19 for externally managed funds and, with respect to
20 each such firm, the race and gender of the owners
21 of such firm; and

22 “(5) for any investment adviser services for ex-
23 ternally managed funds contract opportunity in
24 which a diverse-individual owned and controlled firm
25 was not considered, a description of why a diverse-

1 individual owned and controlled firm was not consid-
2 ered.

3 “(c) EXCEPTION.—This section shall not apply to—

4 “(1) a contract described in section 15 of the
5 Investment Company Act of 1940, except for an ini-
6 tial contract—

7 “(A) pursuant to which a person serves or
8 acts as an unaffiliated sub-adviser to a reg-
9 istered investment company; and

10 “(B) which is exempt from the shareholder
11 approval requirement of section 15 in reliance
12 on an order or rule of the Commission; or

13 “(2) a diverse individual-owned and controlled
14 firm with assets under \$100,000,000.

15 “(d) DEFINITIONS.—In this section, the terms, ‘af-
16 filiated person’, ‘diverse individual-owned and controlled
17 firm’, ‘investment adviser’, ‘minority’, ‘unaffiliated sub-ad-
18 viser to a registered investment company’, and ‘veteran’
19 have the meaning given such terms in section 15H(d).”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 section shall take effect after the end of the 180-day pe-
22 riod beginning on the date of the termination by the Fed-
23 eral Emergency Management Administration of the emer-
24 gency declared on March 13, 2020, by the President under
25 the Robert T. Stafford Disaster Relief and Emergency As-

1 sistence Act (42 U.S.C. 4121 et seq.) relating to the
2 Coronavirus Disease 2019 (COVID–19) pandemic.

3 **SEC. 503. FINANCIAL LITERACY EDUCATION COMMISSION**
4 **EMERGENCY RESPONSE.**

5 (a) PURPOSE.—The purpose of this section is to pro-
6 vide financial literacy education, including information on
7 access to banking services and other financial products,
8 for individuals seeking information and resources as they
9 recover from any financial distress caused by the
10 coronavirus disease (COVID–19) outbreak and future
11 major disasters.

12 (b) FINANCIAL LITERACY AND EDUCATION COMMIS-
13 SION RESPONSE TO THE COVID–19 EMERGENCY.—

14 (1) SPECIAL MEETING.—Not later than the end
15 of the 60-day period beginning on the date of enact-
16 ment of this section, the Financial Literacy and
17 Education Commission (the “Commission”) shall
18 convene a special meeting to discuss and plan assist-
19 ance related to the financial impacts of the COVID–
20 19 emergency.

21 (2) UPDATE OF THE COMMISSION’S WEBSITE.—

22 (A) IN GENERAL.—Not later than the end
23 of the 60-day period beginning on the date of
24 enactment of this section, the Commission shall
25 update the website of the Commission with a

1 full list of tools to help individuals recover from
2 any financial hardship as a result of the
3 COVID–19 emergency.

4 (B) SPECIFIC REQUIREMENTS.—In per-
5 forming the update required under subpara-
6 graph (A), the Commission shall—

7 (i) place special emphasis on providing
8 an additional set of tools geared towards
9 women, racial and ethnic minorities, vet-
10 erans, disabled, and LGBTQ+ commu-
11 nities; and

12 (ii) provide information in English
13 and Spanish.

14 (C) INFORMATION FROM MEMBERS.—Not
15 later than the end of the 60-day period begin-
16 ning on the date of enactment of this section,
17 each Federal department or agency that is a
18 member of the Commission shall provide an up-
19 date on the website of the Commission dis-
20 closing any tools that the department or agency
21 is offering to individuals or to employees of the
22 department or agency related to the COVID–19
23 emergency.

24 (3) IMPLEMENTATION REPORT TO CONGRESS.—

25 The Secretary of the Treasury and the Director of

1 the Bureau of Consumer Financial Protection shall,
2 jointly and not later than the end of the 30-day pe-
3 riod following the date on which the meeting re-
4 quired under paragraph (1) is held and all updates
5 required under paragraph (2) have been completed,
6 report to Congress on the implementation of this
7 section.

8 (4) COVID–19 EMERGENCY DEFINED.—In this
9 subsection, the term “COVID–19 emergency” means
10 the emergency declared on March 13, 2020, by the
11 President under the Robert T. Stafford Disaster Re-
12 lief and Emergency Assistance Act (42 U.S.C. 4121
13 et seq.) relating to the Coronavirus Disease 2019
14 (COVID–19) pandemic.

15 **SEC. 504. INTERAGENCY PANDEMIC GUIDANCE FOR CON-**
16 **SUMERS.**

17 (a) INTERAGENCY PANDEMIC GUIDANCE.—

18 (1) GUIDANCE.—Not later than the end of the
19 60-day period beginning on the date of enactment of
20 this section, the Federal financial regulators shall
21 issue interagency regulatory guidance on prepared-
22 ness, flexibility, and relief options for consumers in
23 pandemics and major disasters, such as deferment,
24 forbearance, affordable payment plan options, and

1 other options such as delays on debt collections and
2 wage garnishments.

3 (2) UPDATES.—The Federal financial regu-
4 lators shall update the guidance required under
5 paragraph (1) as necessary to keep such guidance
6 current.

7 (b) PANDEMIC PREPAREDNESS TESTING.—

8 (1) IN GENERAL.—Not later than the end of
9 the 2-year period beginning on the date of enact-
10 ment of this section, and every 5 years thereafter,
11 the Federal financial regulators shall carry out test-
12 ing along with the institutions regulated by the Fed-
13 eral financial regulators to determine how effectively
14 such institutions will be able to respond to a pan-
15 demic or major disaster.

16 (2) REPORT.—After the end of each test re-
17 quired under paragraph (1), the Federal financial
18 regulators shall, jointly, issue a report to Congress
19 containing the results of such test and any regu-
20 latory or legislative recommendations the regulators
21 may have to increase pandemic preparedness.

22 (c) DEFINITIONS.—In this section:

23 (1) FEDERAL FINANCIAL REGULATORS.—The
24 term “Federal financial regulators” means the
25 Board of Governors of the Federal Reserve System,

1 the Bureau of Consumer Financial Protection, the
2 Comptroller of the Currency, the Director of the
3 Federal Housing Finance Agency, the Federal De-
4 posit Insurance Corporation, the National Credit
5 Union Administration, the Secretary of Agriculture,
6 and the Secretary of Housing and Urban Develop-
7 ment.

8 (2) MAJOR DISASTER.—The term “major dis-
9 aster” means a major disaster declared by the Presi-
10 dent under section 401 of the Robert T. Stafford
11 Disaster Relief and Emergency Assistance Act (42
12 U.S.C. 5170), under which assistance is authorized
13 under section 408 of such Act (42 U.S.C. 5174), or
14 section 501 of such Act (42 U.S.C. 5191).

15 **SEC. 505. SEC PANDEMIC GUIDANCE FOR INVESTORS.**

16 (a) PANDEMIC GUIDANCE.—

17 (1) GUIDANCE.—Not later than the end of the
18 60-day period beginning on the date of enactment of
19 this section, the Securities and Exchange Commis-
20 sion shall issue regulatory guidance on preparedness,
21 flexibility, relief, and investor protection for inves-
22 tors in pandemics and major disasters, including rel-
23 evant disclosures.

1 (2) UPDATES.—The Commission shall update
2 the guidance required under paragraph (1) as nec-
3 essary to keep such guidance current.

4 (b) PANDEMIC PREPAREDNESS TESTING.—

5 (1) IN GENERAL.—Not later than the end of
6 the 60-day period beginning on the date of enact-
7 ment of this Act, and every 5 years thereafter, the
8 Securities and Exchange Commission shall carry out
9 testing along with the entities regulated by the Com-
10 mission to determine how effectively such entities
11 will be able to respond to a pandemic or major dis-
12 aster.

13 (2) REPORT.—After the end of each test re-
14 quired under paragraph (1), the Commission shall
15 issue a report to Congress containing the results of
16 such test and any regulatory or legislative rec-
17 ommendations the Commission may have to increase
18 pandemic preparedness.

19 (c) MAJOR DISASTER DEFINED.—In this section, the
20 term “major disaster” means a major disaster declared
21 by the President under section 401 of the Robert T. Staf-
22 ford Disaster Relief and Emergency Assistance Act (42
23 U.S.C. 5170), under which assistance is authorized
24 under section 408 of such Act (42 U.S.C. 5174), or sec-
25 tion 501 of such Act (42 U.S.C. 5191).

1 **SEC. 506. UPDATES OF THE PANDEMIC INFLUENZA PLAN**
2 **AND NATIONAL PLANNING FRAMEWORKS.**

3 (a) IN GENERAL.—Not later than one year following
4 the end of the Declaration of the National Emergency, the
5 President shall ensure that the Pandemic Influenza Plan
6 (2017 Update) and the National Planning Frameworks
7 are updated. The Secretary of the Treasury, in consulta-
8 tion with the Federal financial regulators, shall provide
9 to the President the following:

10 (1) An assessment of the effectiveness of cur-
11 rent plans and strategies to address the economic, fi-
12 nancial, and monetary issues arising from a pan-
13 demic or other disaster.

14 (2) A description of the most significant chal-
15 lenges to protecting the economy, the financial sys-
16 tem, and consumers, during a pandemic or other
17 disaster, including the specific challenges experi-
18 enced by women, racial and ethnic minorities, di-
19 verse-owned businesses, veterans, and the disabled.

20 (3) Actions that could be carried out in a crisis,
21 as defined by the preparedness plans described in
22 subsection (a), such as the following:

23 (A) Significant increases of unemployment
24 insurance benefits (including payment amounts)
25 for all workers under a certain income thresh-

1 old, including freelancers and the self-employed,
2 during the crisis.

3 (B) Loan deference, modification, and for-
4 bearance mechanisms of all consumer and busi-
5 ness payments, allowing long-term repayment
6 plans and excluding no industries, during the
7 crisis.

8 (C) Suspension of foreclosure and eviction
9 proceedings taken against individuals or busi-
10 nesses during the crisis.

11 (D) Suspension of all negative consumer
12 credit reporting during the crisis.

13 (E) Prohibition of debt collection, reposses-
14 sion, and garnishment of wages during the cri-
15 sis.

16 (F) Provision of emergency homeless as-
17 sistance during the crisis.

18 (G) An increase in Community Develop-
19 ment Block Grants during the crisis and to im-
20 prove community response.

21 (H) Reduction of hurdles in the form of
22 waivers and authorities to modify existing hous-
23 ing and homelessness programs to facilitate re-
24 sponse to the crisis.

1 (I) Expand the size standards for eligible
2 businesses with access no-interest or low-inter-
3 est loans through the Small Business Adminis-
4 tration during the crisis.

5 (J) Remove the size standard limits on eli-
6 gible businesses with access no-interest or low-
7 interest loans through the Small Business Ad-
8 ministration during the crisis for businesses
9 that agree to maintain their employment work-
10 force and preserve benefits during the crisis.

11 (K) Support for additional no-interest or
12 low-interest loans for small businesses through
13 the Small Business Administration during the
14 crisis.

15 (L) Utilization of the Community Develop-
16 ment Financial Institutions (CDFI) Fund to
17 support small businesses as well as low-income
18 communities during the crisis.

19 (M) Support for State, territory, and local
20 government financing during the crisis.

21 (N) Waiver of matching requirements for
22 municipal governments during the crisis.

23 (O) Suspension of requirements relating to
24 minimum distributions for retirement plans and

1 individual retirement accounts for the calendar
2 years of which the crisis is occurring.

3 (b) SPECIAL CONSIDERATION FOR DIVERSITY.—In
4 issuing the updates required under subsection (a), the
5 President shall ensure that consideration is given as to
6 how to minimize the economic impacts of a crisis on
7 women, minorities, diverse-owned businesses, veterans,
8 and the disabled.

9 (c) MAKING PLANS PUBLIC.—The updated plans de-
10 scribed in subsection (a) shall be made publicly available,
11 but may have classified information redacted.

12 (d) DEFINITIONS.—In this section:

13 (1) DECLARATION OF THE NATIONAL EMER-
14 GENCY.—The term “Declaration of the National
15 Emergency” means the emergency declared by the
16 President under section 501 of the Robert T. Staf-
17 ford Disaster Relief and Emergency Assistance Act
18 (42 U.S.C. 5191) relating to the COVID–19 pan-
19 demic.

20 (2) FEDERAL FINANCIAL REGULATOR.—The
21 term “Federal financial regulators” means the Bu-
22 reau of Consumer Financial Protection, the Federal
23 Deposit Insurance Corporation, the Federal Housing
24 Finance Agency, the Board of Governors of the Fed-
25 eral Reserve System, the Office of the Comptroller

1 of the Currency, the National Credit Union Adminis-
2 tration, and the Securities and Exchange Commis-
3 sion.

4 **DIVISION J—EDUCATION RELIEF**
5 **AND OTHER PROGRAMS**
6 **TITLE I—EDUCATION**
7 **PROVISIONS**

8 **SEC. 100101. SHORT TITLE.**

9 This title may be cited as the “COVID–19 Pandemic
10 Education Relief Act of 2020”.

11 **SEC. 100102. DEFINITIONS.**

12 In this title:

13 (1) CORONAVIRUS.—The term “coronavirus”
14 has the meaning given that term in section 506 of
15 the Coronavirus Preparedness and Response Supple-
16 mental Appropriations Act, 2020 (Public Law 116–
17 123).

18 (2) INSTITUTION OF HIGHER EDUCATION.—The
19 term “institution of higher education” has the
20 meaning given that term in section 102 of the High-
21 er Education Act of 1965 (20 U.S.C. 1002).

22 (3) QUALIFYING EMERGENCY.—The term
23 “qualifying emergency” means—

24 (A) a public health emergency related to
25 the coronavirus declared by the Secretary of

1 Health and Human Services pursuant to sec-
2 tion 319 of the Public Health Service Act (42
3 U.S.C. 247d);

4 (B) an event related to the coronavirus for
5 which the President declared a major disaster
6 or an emergency under section 401 or 501, re-
7 spectively, of the Robert T. Stafford Disaster
8 Relief and Emergency Assistance Act (42
9 U.S.C. 5170 and 5191); or

10 (C) a national emergency related to the
11 coronavirus declared by the President under
12 section 201 of the National Emergencies Act
13 (50 U.S.C. 1601 et seq.).

14 (4) SECRETARY.—The term “Secretary” means
15 the Secretary of Education.

16 (5) FOREIGN INSTITUTION.—The term “foreign
17 institution” means an institution of higher education
18 located outside the United States that is described
19 in paragraphs (1)(C) and (2) of section 102(a) of
20 the Higher Education Act of 1965 (20 U.S.C.
21 1002(a)).

22 **SEC. 100103. CAMPUS-BASED AID WAIVERS.**

23 (a) WAIVER OF NON-FEDERAL SHARE REQUIRE-
24 MENT.—Notwithstanding sections 413C(a)(2) and
25 443(b)(5) of the Higher Education Act of 1965 (20

1 U.S.C. 1070b–2(a)(2) and 1087–53(b)(5)), with respect
2 to funds made available for award years 2019–2020 and
3 2020–2021, the Secretary shall waive the requirement
4 that a participating institution of higher education provide
5 a non-Federal share to match Federal funds provided to
6 the institution for the programs authorized pursuant to
7 subpart 3 of part A and part C of title IV of the Higher
8 Education Act of 1965 (20 U.S.C. 1070b et seq. and
9 1087–51 et seq.), except nothing in this subsection shall
10 affect the non-Federal share requirement under section
11 443(c)(3) of such Act that applies to private for-profit or-
12 ganizations.

13 (b) AUTHORITY TO REALLOCATE.—Notwithstanding
14 sections 413D, 442, and 488 of the Higher Education Act
15 of 1965 (20 U.S.C. 1070b–3, 1087–52, and 1095), during
16 a period of a qualifying emergency, an institution may
17 transfer up to 100 percent of the institution’s unexpended
18 allotment under section 442 of such Act to the institu-
19 tion’s allotment under section 413D of such Act, but may
20 not transfer any funds from the institution’s unexpended
21 allotment under section 413D of such Act to the institu-
22 tion’s allotment under section 442 of such Act.

1 **SEC. 100104. USE OF SUPPLEMENTAL EDUCATIONAL OP-**
2 **PORTUNITY GRANTS FOR EMERGENCY AID.**

3 (a) IN GENERAL.—Notwithstanding section 413B of
4 the Higher Education Act of 1965 (20 U.S.C. 1070b–1),
5 an institution of higher education may reserve any amount
6 of an institution’s allocation under subpart 3 of part A
7 of title IV of the Higher Education Act of 1965 (20 U.S.C.
8 1070b et seq.) for a fiscal year to award, in such fiscal
9 year, emergency financial aid grants to assist under-
10 graduate or graduate students for unexpected expenses
11 and unmet financial need as the result of a qualifying
12 emergency.

13 (b) DETERMINATIONS.—In determining eligibility for
14 and awarding emergency financial aid grants under this
15 section, an institution of higher education may—

16 (1) waive the amount of need calculation under
17 section 471 of the Higher Education Act of 1965
18 (20 U.S.C. 1087kk);

19 (2) allow for a student affected by a qualifying
20 emergency to receive funds in an amount that is not
21 more than the maximum Federal Pell Grant for the
22 applicable award year; and

23 (3) utilize a contract with a scholarship-grant-
24 ing organization designated for the sole purpose of
25 accepting applications from or disbursing funds to
26 students enrolled in the institution of higher edu-

1 cation, if such scholarship-granting organization dis-
2 burses the full allocated amount provided to the in-
3 stitution of higher education to the recipients.

4 (c) SPECIAL RULE.—Any emergency financial aid
5 grants to students under this section shall not be treated
6 as other financial assistance for the purposes of section
7 471 of the Higher Education Act of 1965 (20 U.S.C.
8 1087kk).

9 **SEC. 100105. FEDERAL WORK-STUDY DURING A QUALIFYING**
10 **EMERGENCY.**

11 (a) IN GENERAL.—In the event of a qualifying emer-
12 gency, an institution of higher education participating in
13 the program under part C of title IV of the Higher Edu-
14 cation Act of 1965 (20 U.S.C. 1087–51 et seq.) may make
15 payments under such part to affected work-study stu-
16 dents, for the period of time (not to exceed one academic
17 year) in which affected students were unable to fulfill the
18 students' work-study obligation for all or part of such aca-
19 demic year due to such qualifying emergency, as follows:

20 (1) Payments may be made under such part to
21 affected work-study students in an amount equal to
22 or less than the amount of wages such students
23 would have been paid under such part had the stu-
24 dents been able to complete the work obligation nec-

1 essary to receive work study funds, as a one time
2 grant or as multiple payments.

3 (2) Payments shall not be made to any student
4 who was not eligible for work study or was not com-
5 pleting the work obligation necessary to receive work
6 study funds under such part prior to the occurrence
7 of the qualifying emergency.

8 (3) Any payments made to affected work-study
9 students under this subsection shall meet the match-
10 ing requirements of section 443 of the Higher Edu-
11 cation Act of 1965 (20 U.S.C. 1087–53), unless
12 such matching requirements are waived by the Sec-
13 retary.

14 (b) DEFINITION OF AFFECTED WORK-STUDY STU-
15 DENT.—In this section, the term “affected work-study
16 student” means a student enrolled at an eligible institu-
17 tion participating in the program under part C of title IV
18 of the Higher Education Act of 1965 (20 U.S.C. 1087–
19 51 et seq.) who—

20 (1) received a work-study award under section
21 443 of the Higher Education Act of 1965 (20
22 U.S.C. 1087–53) for the academic year during which
23 a qualifying emergency occurred;

24 (2) earned Federal work-study wages from such
25 eligible institution for such academic year; and

1 (3) was prevented from fulfilling the student's
2 work-study obligation for all or part of such aca-
3 demic year due to such qualifying emergency.

4 **SEC. 100106. ADJUSTMENT OF SUBSIDIZED LOAN USAGE**
5 **LIMITS.**

6 Notwithstanding section 455(q)(3) of the Higher
7 Education Act of 1965 (20 U.S.C. 1087e(q)(3)), the Sec-
8 retary shall exclude from a student's period of enrollment
9 for purposes of loans made under part D of title IV of
10 the Higher Education Act of 1965 (20 U.S.C. 1087a et
11 seq.) any semester (or the equivalent) that the student
12 does not complete due to a qualifying emergency, if the
13 Secretary is able to administer such policy in a manner
14 that limits complexity and the burden on the student.

15 **SEC. 100107. EXCLUSION FROM FEDERAL PELL GRANT DU-**
16 **RATION LIMIT.**

17 The Secretary shall exclude from a student's Federal
18 Pell Grant duration limit under section 401(c)(5) of the
19 Higher Education Act of 1965 (2 U.S.C. 1070a(c)(5)) any
20 semester (or the equivalent) that the student does not
21 complete due to a qualifying emergency if the Secretary
22 is able to administer such policy in a manner that limits
23 complexity and the burden on the student.

1 **SEC. 100108. INSTITUTIONAL REFUNDS AND FEDERAL STU-**
2 **DENT LOAN FLEXIBILITY.**

3 (a) INSTITUTIONAL WAIVER.—

4 (1) IN GENERAL.—The Secretary shall waive
5 the institutional requirement under section 484B of
6 the Higher Education Act of 1965 (20 U.S.C.
7 1091b) with respect to the amount of grant or loan
8 assistance (other than assistance received under part
9 C of title IV of such Act) to be returned under such
10 section if a recipient of assistance under title IV of
11 the Higher Education Act of 1965 (20 U.S.C. 1070
12 et seq.) withdraws from the institution of higher
13 education during the payment period or period of
14 enrollment as a result of a qualifying emergency.

15 (2) WAIVERS.—The Secretary shall require
16 each institution using a waiver relating to the with-
17 drawal of recipients under this subsection to report
18 the number of such recipients, the amount of grant
19 or loan assistance (other than assistance received
20 under part C of title IV of such Act) associated with
21 each such recipient, and the total amount of grant
22 or loan assistance (other than assistance received
23 under part C of title IV of such Act) for which each
24 institution has not returned assistance under title IV
25 to the Secretary.

1 (b) STUDENT WAIVER.—The Secretary shall waive
2 the amounts that students are required to return under
3 section 484B of the Higher Education Act of 1965 (20
4 U.S.C. 1091b) with respect to Federal Pell Grants or
5 other grant assistance if the withdrawals on which the re-
6 turns are based are withdrawals by students who withdrew
7 from the institution of higher education as a result of a
8 qualifying emergency.

9 (c) CANCELING LOAN OBLIGATION.—Notwith-
10 standing any other provision of the Higher Education Act
11 of 1965 (20 U.S.C. 1001 et seq.), the Secretary shall can-
12 cel the borrower's obligation to repay the entire portion
13 of a loan made under part D of title IV of such Act (20
14 U.S.C. 1087a et seq.) associated with a payment period
15 for a recipient of such loan who withdraws from the insti-
16 tution of higher education during the payment period as
17 a result of a qualifying emergency.

18 (d) APPROVED LEAVE OF ABSENCE.—Notwith-
19 standing any other provision of the Higher Education Act
20 of 1965 (20 U.S.C. 1001 et seq.), for purposes of receiving
21 assistance under title IV of the Higher Education Act of
22 1965 (20 U.S.C. 1070 et seq.), an institution of higher
23 education may, as a result of a qualifying emergency, pro-
24 vide a student with an approved leave of absence that does
25 not require the student to return at the same point in the

1 academic program that the student began the leave of ab-
2 sence if the student returns within the same semester (or
3 the equivalent).

4 **SEC. 100109. SATISFACTORY ACADEMIC PROGRESS.**

5 Notwithstanding section 484 of the Higher Education
6 Act of 1965 (20 U.S.C. 1091), in determining whether a
7 student is maintaining satisfactory academic progress for
8 purposes of title IV of the Higher Education Act of 1965
9 (20 U.S.C. 1070 et seq.), an institution of higher edu-
10 cation may, as a result of a qualifying emergency, exclude
11 from the quantitative component of the calculation any at-
12 tempted credits that were not completed by such student
13 without requiring an appeal by such student.

14 **SEC. 100110. CONTINUING EDUCATION AT AFFECTED FOR-**
15 **EIGN INSTITUTIONS.**

16 (a) IN GENERAL.—Notwithstanding section 481(b)
17 of the Higher Education Act of 1965 (20 U.S.C. 1088(b)),
18 with respect to a foreign institution, in the case of a public
19 health emergency, major disaster or emergency, or na-
20 tional emergency declared by the applicable government
21 authorities in the country in which the foreign institution
22 is located, the Secretary may permit any part of an other-
23 wise eligible program to be offered via distance education
24 for the duration of such emergency or disaster and the

1 following payment period for purposes of title IV of the
2 Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

3 (b) ELIGIBILITY.—An otherwise eligible program
4 that is offered in whole or in part through distance edu-
5 cation by a foreign institution between March 1, 2020, and
6 the date of enactment of this Act shall be deemed eligible
7 for the purposes of part D of title IV of the Higher Edu-
8 cation Act of 1965 (20 U.S.C. 1087a et seq.) for the dura-
9 tion of the emergency or disaster affecting the institution
10 as described in subsection (a) and the following payment
11 period for purposes of title IV of the Higher Education
12 Act of 1965 (20 U.S.C. 1070 et seq.). An institution of
13 higher education that uses the authority provided in the
14 previous sentence shall report such use to the Secretary—

15 (1) for the 2019–2020 award year, not later
16 than June 30, 2020; and

17 (2) for an award year subsequent to the 2019–
18 2020 award year, not later than 30 days after such
19 use.

20 (c) REPORT.—Not later than 180 days after the date
21 of enactment of this Act, and every 180 days thereafter
22 for the duration of the applicable disaster or emergency
23 and the following payment period, the Secretary shall sub-
24 mit to the authorizing committees (as defined in section
25 103 of the Higher Education Act of 1965 (20 U.S.C.

1 1003)) a report that identifies each foreign institution
2 that carried out a distance education program authorized
3 under this section.

4 (d) WRITTEN ARRANGEMENTS.—

5 (1) IN GENERAL.—Notwithstanding section 102
6 of the Higher Education Act of 1965 (20 U.S.C.
7 1002), with respect to a foreign institution, in the
8 case of a public health emergency, major disaster or
9 emergency, or national emergency declared by the
10 applicable government authorities in the country in
11 which the foreign institution is located, the Sec-
12 retary may allow a foreign institution to enter into
13 a written arrangement with an institution of higher
14 education located in the United States that partici-
15 pates in the Federal Direct Loan Program under
16 part D of title IV of the Higher Education Act of
17 1965 (20 U.S.C. 1087a et seq.), for the duration of
18 such emergency or disaster and the following pay-
19 ment period, for the purpose of allowing a student
20 of the foreign institution who is a borrower of a loan
21 made under such part to take courses from the insti-
22 tution of higher education located in the United
23 States.

24 (2) FORM OF ARRANGEMENTS.—

1 (A) PUBLIC OR OTHER NONPROFIT INSTI-
2 TUTIONS.—A foreign institution that is a public
3 or other nonprofit institution may enter into a
4 written arrangement under paragraph (1) only
5 with an institution of higher education de-
6 scribed in section 101 of such Act (20 U.S.C.
7 1001).

8 (B) OTHER INSTITUTIONS.—A foreign in-
9 stitution that is a graduate medical school,
10 nursing school, or a veterinary school and that
11 is not a public or other nonprofit institution
12 may enter into a written arrangement under
13 paragraph (1) with an institution of higher edu-
14 cation described in section 101 or section 102
15 of such Act (20 U.S.C. 1001 and 1002).

16 (3) REPORT ON USE.—An institution of higher
17 education that uses the authority described in para-
18 graph (2) shall report such use to the Secretary—

19 (A) for the 2019–2020 award year, not
20 later than June 30, 2020; and

21 (B) for an award year subsequent to the
22 2019–2020 award year, not later than 30 days
23 after such use.

24 (4) REPORT FROM THE SECRETARY.—Not later
25 than 180 days after the date of enactment of this

1 Act, and every 180 days thereafter for the duration
2 of the applicable disaster or emergency and the fol-
3 lowing payment period, the Secretary shall submit to
4 the authorizing committees (as defined in section
5 103 of the Higher Education Act of 1965 (20
6 U.S.C. 1003)) a report that identifies each foreign
7 institution that entered into a written arrangement
8 authorized under paragraph (1).

9 **SEC. 100111. HBCU CAPITAL FINANCING.**

10 (a) DEFERMENT PERIOD.—

11 (1) IN GENERAL.—Notwithstanding any provi-
12 sion of title III of the Higher Education Act of 1965
13 (20 U.S.C. 1051 et seq.), or any regulation promul-
14 gated under such title, the Secretary may grant a
15 deferment, for the duration of a qualifying emer-
16 gency, to an institution of higher education that has
17 received a loan under part D of title III of such Act
18 (20 U.S.C. 1066 et seq.).

19 (2) TERMS.—During the deferment period
20 granted under this subsection—

21 (A) the institution of higher education
22 shall not be required to pay any periodic install-
23 ment of principal or interest required under the
24 loan agreement for such loan; and

1 (B) the Secretary shall make principal and
2 interest payments otherwise due under the loan
3 agreement.

4 (3) CLOSING.—At the closing of a loan deferred
5 under this subsection, terms shall be set under
6 which the institution of higher education shall be re-
7 quired to repay the Secretary for the payments of
8 principal and interest made by the Secretary during
9 the deferment, on a schedule that begins upon re-
10 payment to the lender in full on the loan agreement,
11 except in no case shall repayment be required to
12 begin before the date that is 1 full fiscal year after
13 the date that is the end of the qualifying emergency.

14 (b) TERMINATION DATE.—

15 (1) IN GENERAL.—The authority provided
16 under this section to grant a loan deferment under
17 subsection (a) shall terminate on the date on which
18 the qualifying emergency is no longer in effect.

19 (2) DURATION.—Any provision of a loan agree-
20 ment or insurance agreement modified by the au-
21 thority under this section shall remain so modified
22 for the duration of the period covered by the loan
23 agreement or insurance agreement.

24 (c) REPORT.—Not later than 180 days after the date
25 of enactment of this Act, and every 180 days thereafter

1 during the period beginning on the first day of the quali-
2 fying emergency and ending on September 30 of the fiscal
3 year following the end of the qualifying emergency, the
4 Secretary shall submit to the authorizing committees (as
5 defined in section 103 of the Higher Education Act of
6 1965 (20 U.S.C. 1003)) a report that identifies each insti-
7 tution of higher education that received assistance under
8 this section.

9 **SEC. 100112. WAIVER AUTHORITY AND REPORTING RE-**
10 **QUIREMENT FOR INSTITUTIONAL AID.**

11 (a) **WAIVER AUTHORITY.**—Notwithstanding any
12 other provision of the Higher Education Act of 1965
13 (U.S.C. 1001 et seq.), unless enacted with specific ref-
14 erence to this section, for any institution of higher edu-
15 cation that was receiving assistance under title III, title
16 V, or subpart 4 of part A of title VII of such Act (20
17 U.S.C. 1051 et seq.; 1101 et seq.; 1136a et seq.) at the
18 time of a qualifying emergency, the Secretary may, for the
19 period beginning on the first day of the qualifying emer-
20 gency and ending on September 30 of the fiscal year fol-
21 lowing the end of the qualifying emergency—

22 (1) waive—

23 (A) the eligibility data requirements set
24 forth in section 391(d) and 521(e) of the High-

1 er Education Act of 1965 (20 U.S.C. 1068(d)
2 and 1103(e));

3 (B) the wait-out period set forth in section
4 313(d) of the Higher Education Act of 1965
5 (20 U.S.C. 1059(d));

6 (C) the allotment requirements under
7 paragraphs (2) and (3) of subsection 318(e) of
8 the Higher Education Act of 1965 (20 U.S.C.
9 1059e(e)), and references to “the academic year
10 preceding the beginning of that fiscal year” in
11 paragraph (1);

12 (D) the allotment requirements under sub-
13 sections (b), (c), and (g) of section 324 of the
14 Higher Education Act of 1965 (20 U.S.C.
15 1063), and references to “the end of the school
16 year preceding the beginning of that fiscal
17 year” under subsection (a) and references to
18 “the academic year preceding such fiscal year”
19 under subsection (h) of such section;

20 (E) subparagraphs (A), (C), (D), and (E)
21 of section 326(f)(3) of the Higher Education
22 Act of 1965 (20 U.S.C. 1063b(f)(3)), and ref-
23 erences to “previous year” under subparagraph
24 (B) of such section;

1 (F) subparagraphs (A), (C), (D), and (E)
2 of section 723(f)(3) and section 724(f)(3) of the
3 Higher Education Act of 1965 (20 U.S.C.
4 1136a(f)(3) and 1136b(f)(3)), and references to
5 “previous academic year” under subparagraph
6 (B) of such sections; and

7 (G) the allotment restriction set forth in
8 section 318(d)(4) and 323(c)(2) of the Higher
9 Education Act of 1965 (20 U.S.C. 1059e(d)(4)
10 and 1062(c)(2)); and

11 (2) waive or modify any statutory or regulatory
12 provision to ensure that institutions that were re-
13 ceiving assistance under such titles at the time of a
14 qualifying emergency are not adversely affected by
15 any formula calculation for fiscal year 2020 and for
16 the period beginning on the first day of the quali-
17 fying emergency and ending on September 30 of the
18 fiscal year following the end of the qualifying emer-
19 gency, as necessary.

20 (b) USE OF UNEXPENDED FUNDS.—Any funds paid
21 to an institution under title III, title V, or subpart 4 of
22 part A of title VII of the Higher Education Act of 1965
23 (20 U.S.C. 1051 et seq.; 1101 et seq.) and not expended
24 or used for the purposes for which the funds were paid
25 to the institution during the 5-year period following the

1 date on which the funds were first paid to the institution,
2 may be carried over and expended during the succeeding
3 5-year period.

4 (c) REPORT.—Not later than 180 days after the date
5 of enactment of this Act, and every 180 days thereafter
6 for the period beginning on the first day of the qualifying
7 emergency and ending on September 30 of the fiscal year
8 following the end of the qualifying emergency, the Sec-
9 retary shall submit to the authorizing committees (as de-
10 fined in section 103 of the Higher Education Act of 1965
11 (20 U.S.C. 1003)) a report that identifies each institution
12 that received a waiver or modification under this section.

13 **SEC. 100113. AUTHORIZED USES AND OTHER MODIFICA-**
14 **TIONS FOR GRANTS.**

15 (a) IN GENERAL.—The Secretary is authorized to
16 modify the required and allowable uses of funds for grants
17 awarded under part A or B of title III, chapters I or II
18 of subpart 2 of part A of title IV, title V, or subpart 4
19 of part A of title VII of the Higher Education Act of 1965
20 (20 U.S.C. 1057 et seq.; 1060 et seq.; 1070a–11 et seq.;
21 1070a–21 et seq.; 1101 et seq.; 1136a et seq.) to an insti-
22 tution of higher education or other grant recipient (not
23 including individual recipients of Federal student financial
24 assistance), at the request of an institution of higher edu-
25 cation or other recipient of a grant (not including indi-

1 vidual recipients of Federal student financial assistance)
2 as a result of a qualifying emergency, for the period begin-
3 ning on the first day of the qualifying emergency and end-
4 ing on September 30 of the fiscal year following the end
5 of the qualifying emergency.

6 (b) MATCHING REQUIREMENT MODIFICATIONS.—
7 Notwithstanding any other provision of the Higher Edu-
8 cation Act of 1965 (20 U.S.C. 1001 et seq.), the Secretary
9 is authorized to modify any Federal share or other finan-
10 cial matching requirement for a grant awarded on a com-
11 petitive basis, or a grant awarded under part A or B of
12 title III or subpart 4 of part A of title VII of the Higher
13 Education Act of 1965 (20 U.S.C. 1057 et seq.; 1060 et
14 seq.; 1136a et seq.) at the request of an institution of
15 higher education or other grant recipient as a result of
16 a qualifying emergency, for the period beginning on the
17 first day of the qualifying emergency and ending on Sep-
18 tember 30 of the fiscal year following the end of the quali-
19 fying emergency.

20 (c) REPORTS.—Not later than 180 days after the
21 date of enactment of this Act, and every 180 days there-
22 after for the duration of the period beginning on the first
23 day of the qualifying emergency and ending on September
24 30 of the fiscal year following the end of the qualifying
25 emergency, the Secretary shall submit to the authorizing

1 committees (as defined in section 103 of the Higher Edu-
2 cation Act of 1965 (20 U.S.C. 1003)) a report that identi-
3 fies each institution of higher education or other grant re-
4 cipient that received a modification under this section.

5 **SEC. 100114. SERVICE OBLIGATIONS FOR TEACHERS.**

6 (a) **TEACH GRANTS.**—For the purposes of section
7 420N of the Higher Education Act of 1965 (20 U.S.C.
8 1070g–2), during a qualifying emergency, the Secretary—

9 (1) may modify the categories of extenuating
10 circumstances under which a recipient of a grant
11 under subpart 9 of part A of title IV of such Act
12 who is unable to fulfill all or part of the recipient’s
13 service obligation may be excused from fulfilling that
14 portion of the service obligation; and

15 (2) shall consider teaching service that, as a re-
16 sult of a qualifying emergency, is part-time or tem-
17 porarily interrupted to be full-time service and to
18 fulfill the service obligations under section 420N.

19 (b) **TEACHER LOAN FORGIVENESS.**—Notwith-
20 standing section 428J or 460 of the Higher Education Act
21 of 1965 (20 U.S.C. 1078–10; 1087j), the Secretary shall
22 waive the requirements under such sections that years of
23 teaching service shall be consecutive if—

1 (1) the teaching service of a borrower is tempo-
2 rarily interrupted due to a qualifying emergency;
3 and

4 (2) after the temporary interruption due to a
5 qualifying emergency, the borrower resumes teaching
6 service and completes a total of five years of quali-
7 fying teaching service under such sections, including
8 qualifying teaching service performed before, during,
9 and after such qualifying emergency.

10 **SEC. 100115. PAYMENTS FOR STUDENT LOAN BORROWERS**

11 **AS A RESULT OF A NATIONAL EMERGENCY.**

12 (a) PAYMENTS FOR STUDENT LOAN BORROWERS
13 DURING A NATIONAL EMERGENCY.—

14 (1) IN GENERAL.—Part G of title IV of the
15 Higher Education Act of 1965 (20 U.S.C. 1088 et
16 seq.) is amended by inserting after section 493D the
17 following:

18 **“SEC. 493E. PAYMENTS FOR STUDENT LOAN BORROWERS**

19 **DURING A NATIONAL EMERGENCY.**

20 “(a) DEFINITIONS.—In this section:

21 “(1) CORONAVIRUS.—The term ‘coronavirus’
22 has the meaning given the term in section 506 of the
23 Coronavirus Preparedness and Response Supple-
24 mental Appropriations Act, 2020 (Public Law 116–
25 123).

1 “(2) INCOME-DRIVEN REPAYMENT.—The term
2 ‘income-driven repayment’ means—

3 “(A) income-based repayment authorized
4 under section 493C for loans made, insured, or
5 guaranteed under part B or part D; or

6 “(B) income contingent repayment author-
7 ized under section 455(e) for loans made under
8 part D.

9 “(3) INVOLUNTARY COLLECTION.—The term
10 ‘involuntary collection’ means—

11 “(A) a wage garnishment authorized under
12 section 488A of this Act or section 3720D of
13 title 31, United States Code;

14 “(B) a reduction of tax refund by amount
15 of debt authorized under section 3720A of title
16 31, United States Code;

17 “(C) a reduction of any other Federal ben-
18 efit payment by administrative offset authorized
19 under section 3716 of title 31, United States
20 Code (including a benefit payment due to an in-
21 dividual under the Social Security Act or any
22 other provision described in subsection
23 (c)(3)(A)(i) of such section); and

24 “(D) any other involuntary collection activ-
25 ity.

1 “(4) NATIONAL EMERGENCY.—The term ‘na-
2 tional emergency’ means—

3 “(A) a public health emergency related to
4 the coronavirus that is declared by the Sec-
5 retary of Health and Human Services pursuant
6 to section 319 of the Public Health Service Act
7 (42 U.S.C. 247d); or

8 “(B) a national emergency related to the
9 coronavirus declared by the President under the
10 National Emergencies Act (50 U.S.C. 1601 et
11 seq.).

12 “(b) NATIONAL EMERGENCY STUDENT LOAN RE-
13 PAYMENT ASSISTANCE.—

14 “(1) AUTHORITY.—Beginning on the date of
15 enactment of the [Take Responsibility for Workers
16 and Families Act], in the event of a national emer-
17 gency, the Secretary shall, for each month during
18 the national emergency period and for each borrower
19 of a loan made, insured, or guaranteed under part
20 B, D, or E, pay the total amount due for such
21 month on the loan, based on the payment plan se-
22 lected by the borrower or the borrower’s loan status.

23 “(2) NO CAPITALIZATION OF INTEREST.—With
24 respect to any loan in repayment during a national
25 emergency period, interest due on loans made, in-

1 sured, or guaranteed under part B, D, or E during
2 such period shall not be capitalized at any time dur-
3 ing the national emergency.

4 “(3) APPLICABILITY OF PAYMENTS.—Any pay-
5 ment made by the Secretary under this section shall
6 be considered by the Secretary, or by a lender with
7 respect to a loan made, insured, or guaranteed
8 under part B—

9 “(A) as a qualifying payment under the
10 public service loan forgiveness program under
11 section 455(m), if the borrower would otherwise
12 qualify under such section;

13 “(B) in the case of a borrower enrolled in
14 an income-driven repayment plan, as a quali-
15 fying payment for the purpose of calculating eli-
16 gibility for loan forgiveness for the borrower in
17 accordance with section 493C(b)(7) or section
18 455(d)(1)(D), as the case may be; and

19 “(C) in the case of a borrower in default,
20 as an on-time monthly payment for purposes of
21 loan rehabilitation pursuant to section 428F(a).

22 “(4) REPORTING TO CONSUMER REPORTING
23 AGENCIES.—During the period in which the Sec-
24 retary is making payments on a loan under para-
25 graph (1), the Secretary shall ensure that, for the

1 purpose of reporting information about the loan to
2 a consumer reporting agency, any payment made by
3 the Secretary is treated as if it were a regularly
4 scheduled payment made by a borrower.

5 “(5) NOTICE OF PAYMENTS AND PROGRAM.—
6 Not later than 15 days following the date of enact-
7 ment of the **Take Responsibility for Workers and**
8 **Families Act**], and monthly thereafter during the
9 period of a national emergency, the Secretary shall
10 provide a notice to all borrowers of loans made, in-
11 sured, or guaranteed under part B, D, or E—

12 “(A) informing borrowers of the actions
13 taken under this section;

14 “(B) providing borrowers with an easily
15 accessible method to opt out of the benefits pro-
16 vided under this section; and

17 “(C) notifying the borrower that the pro-
18 gram under this section is a temporary program
19 and will end after the national emergency ends.

20 “(6) SUSPENSION OF INVOLUNTARY COLLEC-
21 TION.—Beginning on the date of enactment of the
22 **Take Responsibility for Workers and Families**
23 **Act**], in the event of a national emergency, the Sec-
24 retary, or other holder of a loan made, insured, or
25 guaranteed under part B, D, or E, shall immediately

1 take action to halt all involuntary collection related
2 to the loan until the date on which the national
3 emergency ends.

4 “(c) WAIVER OF INTEREST DURING NATIONAL
5 EMERGENCY.—Notwithstanding any other provision of
6 law, the Secretary shall pay any interest that would other-
7 wise be charged or accrue during a national emergency
8 on any loan made, insured, or guaranteed under part B,
9 D, or E.

10 “(d) TRANSITION PERIOD.—Upon the termination of
11 a national emergency, the Secretary shall carry out a pro-
12 gram to provide for a transition period of 90 days, begin-
13 ning on the day after the last day of the national emer-
14 gency, during which—

15 “(1) the Secretary shall provide not less than 3
16 notices to borrowers indicating when the borrower’s
17 normal payment obligations will resume; and

18 “(2) any missed payments by a borrower under
19 part B, D, or E shall not—

20 “(A) result in fees or penalties; or

21 “(B) be reported to any consumer report-
22 ing agency or otherwise impact the borrower’s
23 credit history.

24 “(e) IMPLEMENTATION IN FFEL ENTITIES.—To fa-
25 cilitate implementation of this section—

1 “(1) lenders and guaranty agencies holding
2 loans made, insured, or guaranteed under part B
3 shall report, to the satisfaction of the Secretary, in-
4 formation to verify at the borrower level the amount
5 of payments made under this section; and

6 “(2) the Secretary shall have the authority to
7 establish a payment schedule for purposes of this
8 section for loans made, insured, or guaranteed under
9 part B and not held by the Secretary.

10 “(f) WAIVERS.—In carrying out this section, the Sec-
11 retary may waive the application of—

12 “(1) subchapter I of chapter 35 of title 44,
13 United States Code;

14 “(2) the master calendar requirements under
15 section 482;

16 “(3) negotiated rulemaking under section 492;
17 and

18 “(4) the requirement to publish the notices re-
19 lated to the system of records of the agency before
20 implementation required under paragraphs (4) and
21 (11) of section 552a(e) of title 5, United States
22 Code (commonly known as the ‘Privacy Act of
23 1974’), except that the notices shall be published not
24 later than 180 days after the date of enactment of

1 the **【Take Responsibility for Workers and Families**
2 **Act】.**”.]

3 (2) FFEL AMENDMENT.—Section 428(c)(8) of
4 the Higher Education Act of 1965 (20 U.S.C.
5 1078(c)(8)) is amended by striking “and for which”
6 and all that follows through “this subsection”.

7 (3) APPLICABILITY.—The requirement of the
8 Secretary to make payments under section 493E of
9 the Higher Education Act of 1965, as added by
10 paragraph 1, shall apply to payments due after the
11 date of enactment of this Act.

12 (b) MINIMUM RELIEF FOR STUDENT LOAN BOR-
13 ROWERS AS A RESULT OF A NATIONAL EMERGENCY.—
14 Part G of title IV the Higher Education Act of 1965 (20
15 U.S.C. 1088 et seq.), as amended by subsection (a), is
16 further amended by inserting after section 493E the fol-
17 lowing:

18 **“SEC. 493F. MINIMUM RELIEF FOR STUDENT LOAN BOR-**
19 **ROWERS AS A RESULT OF A NATIONAL EMER-**
20 **GENCY.**

21 **“(a) MINIMUM STUDENT LOAN RELIEF AS A RESULT**
22 **OF A NATIONAL EMERGENCY.—**Not later than 90 days
23 after the conclusion of a national emergency (as defined
24 in section 493E), the Secretary shall, for each borrower
25 of a loan made under part B, D, or E, reduce the total

1 outstanding balance due on all such loans of the borrower,
2 by an amount equal to the lesser of—

3 “(1) the difference between \$10,000 and the
4 total amount of payments made by the Secretary
5 under section 493E(b) on such loans of the borrower
6 during the period of such national emergency; or

7 “(2) the total amount of outstanding principal
8 and interest due on such loans of the borrower, as
9 of the date of the calculation under this subsection.

10 “(b) DATA TO IMPLEMENT.—Contractors of the Sec-
11 retary and lenders and guaranty agencies holding loans
12 made, insured, or guaranteed under part B shall report,
13 to the satisfaction of the Secretary, the information nec-
14 essary to calculate the amount to be applied under sub-
15 section (a).”.

16 **SEC. 100116. EXCLUSION FROM GROSS INCOME.**

17 (a) IN GENERAL.—Part III of subchapter B of chap-
18 ter 1 of the Internal Revenue Code of 1986 is amended
19 by inserting after section 139H the following new section:

20 **“SEC. 139I. STUDENT LOAN PAYMENTS RESULTING FROM A**
21 **NATIONAL EMERGENCY.**

22 “Gross income shall not include any payment made
23 on behalf of the taxpayer under section 493E(b)(1) or
24 493F of the Higher Education Act of 1965.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for part III of subchapter B of chapter 1 of the Internal
3 Revenue Code of 1986 is amended by inserting after the
4 item relating to section 139H the following new item:

“Sec. 139L. Student loan payments resulting from a national emergency.”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2019.

8 **SEC. 100117. RULE OF CONSTRUCTION.**

9 Except as otherwise provided in this Act or the
10 amendments made by this Act, nothing in this Act shall
11 be construed to provide additional authority to the Sec-
12 retary of Education to waive any provision of the fol-
13 lowing:

14 (1) The Elementary and Secondary Education
15 Act of 1965 (20 U.S.C. 6301 et seq.).

16 (2) The Individuals with Disabilities Education
17 Act (20 U.S.C. 1400 et seq.).

18 (3) The Higher Education Act of 1965 (20
19 U.S.C. 1001 et seq.).

20 (4) The Carl D. Perkins Career and Technical
21 Education Act of 2006 (20 U.S.C. 2301 et seq.)

22 **TITLE II—OTHER PROGRAMS**

23 **SEC. 100201. PROVISIONS RELATED TO THE CORPORATION**
24 **FOR NATIONAL AND COMMUNITY SERVICE.**

25 (a) ACCRUAL OF SERVICE HOURS.—

1 (1) ACCRUAL THROUGH OTHER SERVICE
2 HOURS.—

3 (A) IN GENERAL.—Notwithstanding any
4 other provision of the Domestic Volunteer Serv-
5 ice Act of 1973 (42 U.S.C. 4950 et seq.) or the
6 National and Community Service Act of 1990
7 (42 U.S.C. 12501 et seq.), the Corporation for
8 National and Community Service shall allow an
9 individual described in subparagraph (B) to ac-
10 crue other service hours that will count toward
11 the number of hours needed for the individual’s
12 education award.

13 (B) AFFECTED INDIVIDUALS.—Subpara-
14 graph (A) shall apply to any individual serving
15 in a position eligible for an educational award
16 under subtitle D of title I of the National and
17 Community Service Act of 1990 (42 U.S.C.
18 12601 et seq.)—

19 (i) who is performing limited service
20 due to COVID–19; or

21 (ii) whose position has been suspended
22 or placed on hold due to COVID–19.

23 (2) PROVISIONS IN CASE OF EARLY EXIT.—In
24 any case where an individual serving in a position el-
25 igible for an educational award under subtitle D of

1 title I of the National and Community Service Act
2 of 1990 (42 U.S.C. 12601 et seq.) was required to
3 exit the position early at the direction of the Cor-
4 poration for National and Community Service, the
5 Chief Executive Officer of the Corporation for Na-
6 tional and Community Service may—

7 (A) deem such individual as having met
8 the requirements of the position; and

9 (B) award the individual the full value of
10 the educational award under such subtitle for
11 which the individual would otherwise have been
12 eligible.

13 (b) NO REQUIRED RETURN OF GRANT FUNDS.—
14 Notwithstanding section 129(l)(3)(A)(i) of the National
15 and Community Service Act of 1990 (42 U.S.C.
16 12581(l)(3)(A)(i)), the Chief Executive Officer of the Cor-
17 poration for National and Community Service may permit
18 fixed-amount grant recipients under such section 129(l)
19 to maintain a pro rata amount of grant funds, at the dis-
20 cretion of the Corporation for National and Community
21 Service, for participants who exited, were suspended, or
22 are serving in a limited capacity due to COVID–19, to
23 enable the grant recipients to maintain operations and to
24 accept participants.

1 (c) EXTENSION OF TERMS AND AGE LIMITS.—Not-
2 withstanding any other provision of law, the Corporation
3 for National and Community Service may extend the term
4 of service (for a period not to exceed the 1-year period
5 immediately following the end of the national emergency)
6 or waive any upper age limit (except in no case shall the
7 maximum age exceed 26 years of age) for national service
8 programs carried out by the National Civilian Community
9 Corps under subtitle E of title I of the National and Com-
10 munity Service Act of 1990 (42 U.S.C. 12611 et seq.),
11 and the participants in such programs, for the purposes
12 of—

13 (1) addressing disruptions due to COVID–19;
14 and

15 (2) minimizing the difficulty in returning to full
16 operation due to COVID–19 on such programs and
17 participants.

18 **DIVISION K—AGRICULTURE**
19 **PROVISIONS**
20 **TITLE I—COMMODITY SUPPORT**
21 **AND OTHER AGRICULTURE**
22 **PROGRAMS**

23 **SEC. 110101. SUPPLEMENTAL DAIRY MARGIN COVERAGE.**

24 (a) IN GENERAL.—Of the funds of the Commodity
25 Credit Corporation, the Secretary of Agriculture shall pro-

1 vide supplemental dairy margin coverage payments to eli-
2 gible dairy operations described in subsection (b) whenever
3 the average actual dairy production margin (as defined in
4 section 1401 of the Agricultural Act of 2014 (7 U.S.C.
5 9051)) for a month is less than the coverage level thresh-
6 old selected by such eligible dairy operation under such
7 section 1406.

8 (b) ELIGIBLE DAIRY OPERATION DESCRIBED.—An
9 eligible dairy operation described in this subsection is a
10 participating dairy operation (as defined in section 1401
11 of the Agricultural Act of 2014 (7 U.S.C. 9051)) that—

12 (1) is located in the United States; and

13 (2) on the date of the enactment of this section,
14 had a production history established under the dairy
15 margin coverage program described in section 1405
16 of the Agricultural Act of 2014 (7 U.S.C. 9055) of
17 less than 5 million pounds, as determined in accord-
18 ance with subsection (c).

19 (c) SUPPLEMENTAL PRODUCTION HISTORY CAL-
20 CULATION.—

21 (1) IN GENERAL.—For purposes of determining
22 the production history of an eligible dairy operation
23 under this subsection, such an operation's produc-
24 tion history shall be equal to—

1 (A) the production volume of such dairy
2 operation for the 2019 milk marketing year;
3 minus

4 (B) the production history of such dairy
5 operation established under section 1405 of the
6 Agricultural Act of 2014 (7 U.S.C. 9055).

7 (2) 5-MILLION POUND LIMITATION.—

8 (A) IN GENERAL.—The Secretary shall not
9 provide supplemental dairy margin coverage on
10 a dairy operation's actual production for cal-
11 endar year 2019 such that the total production
12 history of the operation exceeds 5 million
13 pounds.

14 (B) DETERMINATION OF AMOUNT.—In cal-
15 culating the total production history of a dairy
16 operation under subparagraph (A), the Sec-
17 retary shall add the following:

18 (i) The supplemental production his-
19 tory calculated under paragraph (1) with
20 respect to such dairy operation.

21 (ii) The dairy margin coverage pro-
22 duction history described in paragraph
23 (1)(B) with respect to such dairy oper-
24 ation.

1 (d) COVERAGE PERCENTAGE.—For purposes of cal-
2 culating payments to be issued under this section, an eligi-
3 ble dairy operation’s coverage percentage shall be equal
4 to the coverage percentage selected by such eligible dairy
5 operation under section 1406 of the Agricultural Act of
6 2014 (7 U.S.C. 9056).

7 (e) PREMIUM COST.—The premium cost for an eligi-
8 ble dairy operation under this section shall be equal to
9 the product of multiplying—

10 (1) the Tier I premium cost calculated under
11 section 1407(b) of the Agricultural Act of 2014 (7
12 U.S.C. 9057(b)); by

13 (2) the production history calculation deter-
14 mined under subsection (c) (such that total produc-
15 tion history does not exceed 5 million pounds).

16 (f) REGULATIONS.—Not later than 45 days after the
17 date of the enactment of this section, the Secretary shall
18 issue regulations to carry out this section.

19 (g) RETROACTIVITY.—The authority to carry out this
20 section shall begin on January 1, 2020.

21 **SEC. 110102. TARGETED PURCHASES.**

22 (a) IN GENERAL.—The Secretary of Agriculture shall
23 utilize not less than \$300,000,000 of the funds available
24 under section 32 of the Act of August 24, 1935 (7 U.S.C.
25 612c) to purchase qualified agricultural products for the

1 purpose of donating the products to food assistance pro-
2 grams, including the Emergency Food Assistance Pro-
3 gram, of which the Secretary shall utilize—

4 (1) not less than \$150,000,000 to purchase spe-
5 cialty crops;

6 (2) not less than \$75,000,000 to purchase
7 dairy; and

8 (3) not less than \$75,000,000 to purchase meat
9 and poultry products.

10 (b) QUALIFIED AGRICULTURAL PRODUCT DE-
11 FINED.—In this section, the term “qualified agricultural
12 product” means a dairy, meat, or poultry product, or a
13 specialty crop—

14 (1) that was packaged or marketed for sale to
15 commercial or food service industries;

16 (2) for which decreased demand exists for such
17 a product due to the COVID–19 outbreak; and

18 (3) the repurposing of which would be imprac-
19 tical for grocery or retail sale.

20 **TITLE II—SUPPLEMENTAL NU-** 21 **TRITION ASSISTANCE PRO-** 22 **GRAM**

23 **SEC. 110201. SNAP FUNDING.**

24 There are hereby appropriated to the Secretary of
25 Agriculture, out of any money in the Treasury not other-

1 wise appropriated, such sums as maybe necessary to carry
2 out this title and sections 2301 and 2302 of the Families
3 First Coronavirus Response Act (Public Law 116–127).

4 **SEC. 110202. SNAP ALLOTMENTS.**

5 (a) NUTRITION ASSISTANCE ALLOTMENT
6 AMOUNT.—

7 (1) VALUE OF BENEFITS.—Notwithstanding
8 any other provision of law, beginning on May 1,
9 2020, the value of benefits determined under section
10 8(a) of the Food and Nutrition Act of 2008 (7
11 U.S.C. 2017(a)), and consolidated block grants for
12 Puerto Rico and American Samoa determined under
13 section 19(a) of such Act (7 U.S.C. 2028(a)), shall
14 be calculated using 115 percent of the June 2019
15 value of the thrifty food plan (as defined in section
16 3 of such Act (7 U.S.C. 2012)) if the value of the
17 benefits and block grants would be greater under
18 that calculation than in the absence of this para-
19 graph.

20 (2) MINIMUM AMOUNT.—

21 (A) IN GENERAL.—The minimum value of
22 benefits determined under section 8(a) of the
23 Food and Nutrition Act of 2008 (7 U.S.C.
24 2017(a)) for a household of not more than 2
25 members shall be \$30.

1 (B) EFFECTIVENESS.—Subparagraph (A)
2 shall remain in effect until the date on which 8
3 percent of the value of the thrifty food plan for
4 a household containing 1 member, rounded to
5 the nearest whole dollar increment, is equal to
6 or greater than \$30.

7 (b) REQUIREMENTS FOR THE SECRETARY.—In car-
8 rying out this section, the Secretary shall—

9 (1) consider the benefit increases described in
10 subsection (a) to be a “mass change”;

11 (2) require a simple process for States to notify
12 households of the increase in benefits;

13 (3) not include any errors in the implementa-
14 tion of this section in the payment error rate cal-
15 culated under section 16(c) of the Food and Nutri-
16 tion Act of 2008 (7 U.S.C. 2025(c));

17 (4) disregard the additional amount of benefits
18 that a household receives as a result of this section
19 in determining the amount of overissuances under
20 section 13 of the Food and Nutrition Act of 2008
21 (7 U.S.C. 2022); and

22 (5) set the tolerance level for excluding small
23 errors for the purposes of section 16(c) of the Food
24 and Nutrition Act of 2008 (7 U.S.C. 2025(c)) at
25 \$50 through September 30, 2021.

1 (c) ADMINISTRATIVE EXPENSES.—

2 (1) IN GENERAL.—For the costs of State ad-
3 ministrative expenses associated with carrying out
4 this section and administering the supplemental nu-
5 trition assistance program established under the
6 Food and Nutrition Act of 2008 (7 U.S.C. 2011 et
7 seq.), the Secretary of Agriculture shall make avail-
8 able \$150,000,000 for fiscal year 2020 and
9 \$150,000,000 for fiscal year 2021.

10 (2) TIMING FOR FISCAL YEAR 2020.—Not later
11 than 60 days after the date of the enactment of this
12 section, the Secretary shall make available to States
13 amounts for fiscal year 2020 under paragraph (1).

14 (3) ALLOCATION OF FUNDS.—Funds described
15 in paragraph (1) shall be made available as grants
16 to State agencies for each fiscal year as follows:

17 (A) 75 percent of the amounts available
18 for each fiscal year shall be allocated to States
19 based on the share of each State of households
20 that participate in the supplemental nutrition
21 assistance program as reported to the Depart-
22 ment of Agriculture for the most recent 12-
23 month period for which data are available, ad-
24 justed by the Secretary (as of the date of the
25 enactment of this section) for participation in

1 disaster programs under section 5(h) of the
2 Food and Nutrition Act of 2008 (7 U.S.C.
3 2014(h)); and

4 (B) 25 percent of the amounts available
5 for each fiscal year shall be allocated to States
6 based on the increase in the number of house-
7 holds that participate in the supplemental nu-
8 trition assistance program as reported to the
9 Department of Agriculture over the most recent
10 12-month period for which data are available,
11 adjusted by the Secretary (as of the date of the
12 enactment of this section) for participation in
13 disaster programs under section 5(h) of the
14 Food and Nutrition Act of 2008 (7 U.S.C.
15 2014(h)).

16 **SEC. 110203. SNAP RULES.**

17 No funds (including fees) made available under this
18 Act or any other Act for any fiscal year may be used to
19 finalize, implement, administer, enforce, carry out, or oth-
20 erwise give effect to—

21 (1) the final rule entitled “Supplemental Nutri-
22 tion Assistance Program: Requirements for Able-
23 Bodied Adults Without Dependents” published in
24 the Federal Register on December 5, 2019 (84 Fed.
25 Reg. 66782);

1 (2) the proposed rule entitled “Revision of Cat-
2 egorical Eligibility in the Supplemental Nutrition
3 Assistance Program (SNAP)” published in the Fed-
4 eral Register on July 24, 2019 (84 Fed. Reg.
5 35570); or

6 (3) the proposed rule entitled “Supplemental
7 Nutrition Assistance Program: Standardization of
8 State Heating and Cooling Standard Utility Allow-
9 ances” published in the Federal Register on October
10 3, 2019 (84 Fed. Reg. 52809).

11 **SEC. 110204. SNAP HOT FOOD PURCHASES.**

12 During the period beginning 10 days after the date
13 of the enactment of this Act and ending on the termi-
14 nation date of the public health emergency declaration
15 made by the Secretary of Health and Human Services
16 under section 319 of the Public Health Service Act based
17 on an outbreak of coronavirus disease 2019 (COVID–19),
18 the term “food”, as defined in section 3 of the Food and
19 Nutrition Act of 2008 (7 U.S.C. 2012), shall be deemed
20 to exclude “hot foods or hot food products ready for imme-
21 diate consumption other than those authorized pursuant
22 to clauses (3), (4), (5), (7), (8), and (9) of this sub-
23 section,” for purposes of such Act, except that such exclu-
24 sion is limited to retail food stores authorized to accept

1 and redeem supplemental nutrition assistance program
2 benefits as of the date of enactment of this Act.

3 **[SEC. 110205. WAIVER.**

4 【Any funds provided in the Third Coronavirus Pre-
5 paredness and Response Supplemental Appropriations
6 Act, 2020 for the Food Distribution Program on Indian
7 Reservations, as authorized by section 4(b) of the Food
8 and Nutrition Act of 2008 (7 U.S.C. 2013(b)), are not
9 subject to the payment of the non-Federal share require-
10 ment described in section 4(b)(4)(A) of the Food and Nu-
11 trition Act of 2008 (7 U.S.C. 2013(b)(4)(A)).】

12 **DIVISION L—ACCESS ACT**

13 **SEC. 120001. SHORT TITLE.**

14 This division may be cited as the “American
15 Coronavirus/COVID–19 Election Safety and Security
16 Act” or the “ACCESS Act”.

17 **SEC. 120002. REQUIREMENTS FOR FEDERAL ELECTION**

18 **CONTINGENCY PLANS IN RESPONSE TO NAT-**

19 **URAL DISASTERS AND EMERGENCIES.**

20 (a) IN GENERAL.—

21 (1) ESTABLISHMENT.—Not later than 30 days
22 after the date of the enactment of this Act, each
23 State and each jurisdiction in a State which is re-
24 sponsible for administering elections for Federal of-
25 fice shall establish and make publicly available a

1 contingency plan to enable individuals to vote in
2 elections for Federal office during a state of emer-
3 gency, public health emergency, or national emer-
4 gency which has been declared for reasons includ-
5 ing—

6 (A) a natural disaster; or

7 (B) an infectious disease.

8 (2) UPDATING.—Each State and jurisdiction
9 shall update the contingency plan established under
10 this subsection not less frequently than every 5
11 years.

12 (b) REQUIREMENTS RELATING TO SAFETY.—The
13 contingency plan established under subsection (a) shall in-
14 clude initiatives to provide equipment and resources need-
15 ed to protect the health and safety of poll workers and
16 voters when voting in person.

17 (c) REQUIREMENTS RELATING TO RECRUITMENT OF
18 POLL WORKERS.—The contingency plan established
19 under subsection (a) shall include initiatives by the chief
20 State election official and local election officials to recruit
21 poll workers from resilient or unaffected populations,
22 which may include—

23 (1) employees of other State and local govern-
24 ment offices; and

1 (2) in the case in which an infectious disease
2 poses significant increased health risks to elderly in-
3 dividuals, students of secondary schools and institu-
4 tions of higher education in the State.

5 (d) STATE.—For purposes of this section, the term
6 “State” includes the District of Columbia, the Common-
7 wealth of Puerto Rico, Guam, American Samoa, the
8 United States Virgin Islands, and the Commonwealth of
9 the Northern Mariana Islands.

10 (e) ENFORCEMENT.—

11 (1) ATTORNEY GENERAL.—The Attorney Gen-
12 eral may bring a civil action against any State or ju-
13 risdiction in an appropriate United States District
14 Court for such declaratory and injunctive relief (in-
15 cluding a temporary restraining order, a permanent
16 or temporary injunction, or other order) as may be
17 necessary to carry out the requirements of this sec-
18 tion.

19 (2) PRIVATE RIGHT OF ACTION.—

20 (A) IN GENERAL.—In the case of a viola-
21 tion of this section, any person who is aggrieved
22 by such violation may provide written notice of
23 the violation to the chief election official of the
24 State involved.

1 (B) RELIEF.—If the violation is not cor-
2 rected within 20 days after receipt of a notice
3 under subparagraph (A), or within 5 days after
4 receipt of the notice if the violation occurred
5 within 120 days before the date of an election
6 for Federal office, the aggrieved person may, in
7 a civil action, obtain declaratory or injunctive
8 relief with respect to the violation.

9 (C) SPECIAL RULE.—If the violation oc-
10 curred within 5 days before the date of an elec-
11 tion for Federal office, the aggrieved person
12 need not provide notice to the chief election of-
13 ficial of the State involved under subparagraph
14 (A) before bringing a civil action under sub-
15 paragraph (B).

16 (f) EFFECTIVE DATE.—This section shall apply with
17 respect to the regularly scheduled general election for Fed-
18 eral office held in November 2020 and each succeeding
19 election for Federal office.

20 **SEC. 120003. EARLY VOTING AND VOTING BY MAIL.**

21 (a) REQUIREMENTS.—Title III of the Help America
22 Vote Act of 2002 (52 U.S.C. 21081 et seq.) is amended
23 by adding at the end the following new subtitle:

1 **“Subtitle C—Other Requirements**

2 **“SEC. 321. EARLY VOTING.**

3 “(a) REQUIRING ALLOWING VOTING PRIOR TO DATE
4 OF ELECTION.—

5 “(1) IN GENERAL.—Each State shall allow indi-
6 viduals to vote in an election for Federal office dur-
7 ing an early voting period which occurs prior to the
8 date of the election, in the same manner as voting
9 is allowed on such date.

10 “(2) LENGTH OF PERIOD.—The early voting
11 period required under this subsection with respect to
12 an election shall consist of a period of consecutive
13 days (including weekends) which begins on the 15th
14 day before the date of the election (or, at the option
15 of the State, on a day prior to the 15th day before
16 the date of the election) and ends on the date of the
17 election.

18 “(b) MINIMUM EARLY VOTING REQUIREMENTS.—
19 Each polling place which allows voting during an early vot-
20 ing period under subsection (a) shall—

21 “(1) allow such voting for no less than 10 hours
22 on each day;

23 “(2) have uniform hours each day for which
24 such voting occurs; and

1 “(3) allow such voting to be held for some pe-
2 riod of time prior to 9:00 a.m (local time) and some
3 period of time after 5:00 p.m. (local time).

4 “(c) LOCATION OF POLLING PLACES.—

5 “(1) PROXIMITY TO PUBLIC TRANSPOR-
6 TATION.—To the greatest extent practicable, a State
7 shall ensure that each polling place which allows vot-
8 ing during an early voting period under subsection
9 (a) is located within walking distance of a stop on
10 a public transportation route.

11 “(2) AVAILABILITY IN RURAL AREAS.—The
12 State shall ensure that polling places which allow
13 voting during an early voting period under sub-
14 section (a) will be located in rural areas of the State,
15 and shall ensure that such polling places are located
16 in communities which will provide the greatest op-
17 portunity for residents of rural areas to vote during
18 the early voting period.

19 “(d) STANDARDS.—

20 “(1) IN GENERAL.—The Commission shall issue
21 standards for the administration of voting prior to
22 the day scheduled for a Federal election. Such
23 standards shall include the nondiscriminatory geo-
24 graphic placement of polling places at which such
25 voting occurs.

1 “(2) DEVIATION.—The standards described in
2 paragraph (1) shall permit States, upon providing
3 adequate public notice, to deviate from any require-
4 ment in the case of unforeseen circumstances such
5 as a natural disaster, terrorist attack, or a change
6 in voter turnout.

7 “(e) BALLOT PROCESSING AND SCANNING REQUIRE-
8 MENTS.—

9 “(1) IN GENERAL.—The State shall begin proc-
10 essing and scanning ballots cast during early voting
11 for tabulation at least 14 days prior to the date of
12 the election involved.

13 “(2) LIMITATION.—Nothing in this subsection
14 shall be construed to permit a State to tabulate bal-
15 lots in an election before the closing of the polls on
16 the date of the election.

17 “(f) EFFECTIVE DATE.—This section shall apply
18 with respect to the regularly scheduled general election for
19 Federal office held in November 2020 and each succeeding
20 election for Federal office.

21 **“SEC. 322. PROMOTING ABILITY OF VOTERS TO VOTE BY**
22 **MAIL.**

23 “(a) UNIFORM AVAILABILITY OF ABSENTEE VOTING
24 TO ALL VOTERS.—

1 “(1) IN GENERAL.—If an individual in a State
2 is eligible to cast a vote in an election for Federal
3 office, the State may not impose any additional con-
4 ditions or requirements on the eligibility of the indi-
5 vidual to cast the vote in such election by absentee
6 ballot by mail, including—

7 “(A) requiring any form of identification
8 as a condition of obtaining the absentee ballot;
9 or

10 “(B) requiring notarization or witness sig-
11 nature or other formal authentication (other
12 than voter attestation) as a condition of the ac-
13 ceptance of the ballot by an election official.

14 “(2) PERMITTING CERTAIN REQUIREMENTS.—
15 Notwithstanding paragraph (1)—

16 “(A) a State shall require an individual to
17 meet signature verification in accordance with
18 subsection (b); and

19 “(B) the State may impose a deadline for
20 requesting the ballot and related voting mate-
21 rials from the appropriate State or local elec-
22 tion official and for returning the ballot to the
23 appropriate State or local election official.

24 “(b) REQUIRING SIGNATURE VERIFICATION.—

1 “(1) REQUIREMENT.—A State may not accept
2 and process an absentee ballot submitted by any in-
3 dividual with respect to an election for Federal office
4 unless the State verifies the identification of the in-
5 dividual by comparing the individual’s signature on
6 the absentee ballot with the individual’s signature on
7 the official list of registered voters in the State, in
8 accordance with such procedures as the State may
9 adopt (subject to the requirements of paragraph
10 (2)).

11 “(2) DUE PROCESS REQUIREMENTS.—

12 “(A) NOTICE AND OPPORTUNITY TO CURE
13 DISCREPANCY.—If an individual submits an ab-
14 sentee ballot and the appropriate State or local
15 election official determines that a discrepancy
16 exists between the signature on such ballot and
17 the signature of such individual on the official
18 list of registered voters in the State, such elec-
19 tion official, prior to making a final determina-
20 tion as to the validity of such ballot, shall make
21 a good faith effort to immediately notify such
22 individual by mail, telephone, and (if available)
23 electronic mail that—

24 “(i) a discrepancy exists between the
25 signature on such ballot and the signature

1 of such individual on the official list of reg-
2 istered voters in the State;

3 “(ii) such individual may provide the
4 official with information to cure such dis-
5 crepancy, either in person, by telephone, or
6 by electronic methods; and

7 “(iii) if such discrepancy is not cured
8 prior to the expiration of the 7-day period
9 which begins on the date of the election,
10 such ballot will not be counted.

11 “(B) OPPORTUNITY TO PROVIDE MISSING
12 SIGNATURE.—If an individual submits an ab-
13 sentee ballot without a signature, the State
14 shall notify the individual and give the indi-
15 vidual an opportunity to provide the missing
16 signature on a form proscribed by the State.

17 “(C) OTHER REQUIREMENTS.—An election
18 official may not make a determination that a
19 discrepancy exists between the signature on an
20 absentee ballot and the signature of the indi-
21 vidual who submits the ballot on the official list
22 of registered voters in the State unless—

23 “(i) at least 2 election officials make
24 the determination; and

1 “(ii) each official who makes the de-
2 termination has received training in proce-
3 dures used to verify signatures.

4 “(3) REPORT.—

5 “(A) IN GENERAL.—Not later than 120
6 days after the end of a Federal election cycle,
7 each chief State election official shall submit to
8 Congress a report containing the following in-
9 formation for the applicable Federal election
10 cycle in the State:

11 “(i) The number of ballots invalidated
12 due to a discrepancy under this subsection.

13 “(ii) Description of attempts to con-
14 tact voters to provide notice as required by
15 this subsection.

16 “(iii) Description of the cure process
17 developed by such State pursuant to this
18 subsection, including the number of ballots
19 determined valid as a result of such proc-
20 ess.

21 “(B) FEDERAL ELECTION CYCLE DE-
22 FINED.—For purposes of this subsection, the
23 term ‘Federal election cycle’ means the period
24 beginning on January 1 of any odd numbered

1 year and ending on December 31 of the fol-
2 lowing year.

3 “(c) METHODS AND TIMING FOR TRANSMISSION OF
4 BALLOTS AND BALLOTING MATERIALS TO VOTERS.—

5 “(1) METHOD FOR REQUESTING BALLOT.—In
6 addition to such other methods as the State may es-
7 tablish for an individual to request an absentee bal-
8 lot, the State shall permit an individual to submit a
9 request for an absentee ballot online. The State shall
10 be considered to meet the requirements of this para-
11 graph if the website of the appropriate State or local
12 election official allows an absentee ballot request ap-
13 plication to be completed and submitted online and
14 if the website permits the individual—

15 “(A) to print the application so that the
16 individual may complete the application and re-
17 turn it to the official; or

18 “(B) request that a paper copy of the ap-
19 plication be transmitted to the individual by
20 mail or electronic mail so that the individual
21 may complete the application and return it to
22 the official.

23 “(2) ENSURING DELIVERY PRIOR TO ELEC-
24 TION.—If an individual requests to vote by absentee
25 ballot in an election for Federal office, the appro-

1 piate State or local election official shall ensure
2 that the ballot and relating voting materials are re-
3 ceived by the individual prior to the date of the elec-
4 tion so long as the individual's request is received by
5 the official not later than 5 days (excluding Satur-
6 days, Sundays, and legal public holidays) before the
7 date of the election, except that nothing in this para-
8 graph shall preclude a State or local jurisdiction
9 from allowing for the acceptance and processing of
10 ballot requests submitted or received after such re-
11 quired period.

12 “(3) SPECIAL RULES IN CASE OF EMERGENCY
13 PERIODS.—

14 “(A) AUTOMATIC MAILING OF ABSENTEE
15 BALLOTS TO ALL VOTERS.—If the area in which
16 an election is held is in an area in which an
17 emergency or disaster which is described in sub-
18 paragraph (A) or (B) of section 1135(g)(1) of
19 the Social Security Act (42 U.S.C. 1320b-
20 5(g)(1)) is declared during the period described
21 in subparagraph (C)—

22 “(i) paragraphs (1) and (2) shall not
23 apply with respect to the election; and

24 “(ii) not later than 2 weeks before the
25 date of the election, the appropriate State

1 or local election official shall transmit ab-
2 sentee ballots and balloting materials for
3 the election to all individuals who are reg-
4 istered to vote in such election.

5 “(B) AFFIRMATION.—If an individual re-
6 ceives an absentee ballot from a State or local
7 election official pursuant to subparagraph (A)
8 and returns the voted ballot to the official, the
9 ballot shall not be counted in the election unless
10 the individual includes with the ballot a signed
11 affirmation that—

12 “(i) the individual has not and will
13 not cast another ballot with respect to the
14 election; and

15 “(ii) acknowledges that a material
16 misstatement of fact in completing the bal-
17 lot may constitute grounds for conviction
18 of perjury.

19 “(C) PERIOD DESCRIBED.—The period de-
20 scribed in this subparagraph with respect to an
21 election is the period which begins 120 days be-
22 fore the date of the election and ends 30 days
23 before the date of the election.

24 “(D) APPLICATION TO NOVEMBER 2020
25 GENERAL ELECTION.—Because of the public

1 health emergency declared pursuant to section
2 319 of the Public Health Service Act (42
3 U.S.C. 247d) resulting from the COVID-19
4 pandemic, the special rules set forth in this
5 paragraph shall apply with respect to the regu-
6 larly scheduled general election for Federal of-
7 fice held in November 2020 in each State.

8 “(d) ACCESSIBILITY FOR INDIVIDUALS WITH DIS-
9 ABILITIES.—The State shall ensure that all absentee bal-
10 lots and related voting materials in elections for Federal
11 office are accessible to individuals with disabilities in a
12 manner that provides the same opportunity for access and
13 participation (including with privacy and independence) as
14 for other voters.

15 “(e) REQUIREMENTS FOR ENVELOPES.—

16 “(1) PREPAYMENT OF POSTAGE.—Consistent
17 with regulations of the United States Postal Service,
18 the State or the unit of local government responsible
19 for the administration of an election for Federal of-
20 fice shall prepay the postage on any ballot in the
21 election which is cast by mail.

22 “(2) USE OF SELF-SEALING ENVELOPE.—The
23 State or unit of local government shall provide with
24 any absentee ballot transmitted to a voter by mail
25 a self-sealing return envelope.

1 “(f) UNIFORM DEADLINE FOR ACCEPTANCE OF
2 MAILED BALLOTS.—If a ballot submitted by an individual
3 by mail with respect to an election for Federal office in
4 a State is postmarked on or before the date of the election,
5 the State may not refuse to accept or process the ballot
6 on the grounds that the individual did not meet a deadline
7 for returning the ballot to the appropriate State or local
8 election official.

9 “(g) METHODS OF RETURNING BALLOTS.—

10 “(1) IN GENERAL.—The State shall permit an
11 individual to whom a ballot in an election was pro-
12 vided under this section to cast the ballot by deliv-
13 ering the ballot at such times and to such locations
14 as the State may establish, including—

15 “(A) permitting the individual to deliver
16 the ballot to a polling place on the date of the
17 election; and

18 “(B) permitting the individual to deliver
19 the ballot to a designated ballot drop-off loca-
20 tion.

21 “(2) PERMITTING VOTERS TO DESIGNATE
22 OTHER PERSON TO RETURN BALLOT.—The State—

23 “(A) shall permit a voter to designate any
24 person to return a voted and sealed absentee
25 ballot to the post office, a ballot drop-off loca-

1 tion, tribally designated building, or election of-
2 fice so long as the person designated to return
3 the ballot does not receive any form of com-
4 pensation based on the number of ballots that
5 the person has returned and no individual,
6 group, or organization provides compensation
7 on this basis; and

8 “(B) may not put any limit on how many
9 voted and sealed absentee ballots any des-
10 ignated person can return to the post office, a
11 ballot drop off location, tribally designated
12 building, or election office.

13 “(h) BALLOT PROCESSING AND SCANNING REQUIRE-
14 MENTS.—

15 “(1) IN GENERAL.—The State shall begin proc-
16 essing and scanning ballots cast by mail for tabula-
17 tion at least 14 days prior to the date of the election
18 involved.

19 “(2) LIMITATION.—Nothing in this subsection
20 shall be construed to permit a State to tabulate bal-
21 lots in an election before the closing of the polls on
22 the date of the election.

23 “(i) RULE OF CONSTRUCTION.—Nothing in this sec-
24 tion shall be construed to affect the authority of States

1 to conduct elections for Federal office through the use of
2 polling places at which individuals cast ballots.

3 “(j) NO EFFECT ON BALLOTS SUBMITTED BY AB-
4 SENT MILITARY AND OVERSEAS VOTERS; TREATMENT OF
5 BLANK ABSENTEE BALLOTS TRANSMITTED TO CERTAIN
6 VOTERS.—Nothing in this section may be construed to af-
7 fect the treatment of any ballot submitted by an individual
8 who is entitled to vote by absentee ballot under the Uni-
9 formed and Overseas Citizens Absentee Voting Act (52
10 U.S.C. 20301 et seq.), and any blank absentee ballot
11 transmitted to an individual by mail or electronically in
12 accordance with section 102(f) of such Act shall be treated
13 in the same manner as any other absentee ballot for pur-
14 poses of this section.

15 “(k) EFFECTIVE DATE.—This section shall apply
16 with respect to the regularly scheduled general election for
17 Federal office held in November 2020 and each succeeding
18 election for Federal office.

19 **“SEC. 323. ABSENTEE BALLOT TRACKING PROGRAM.**

20 “(a) REQUIREMENT.—Each State shall carry out a
21 program to track and confirm the receipt of absentee bal-
22 lots in an election for Federal office under which the State
23 or local election official responsible for the receipt of voted
24 absentee ballots in the election carries out procedures to
25 track and confirm the receipt of such ballots, and makes

1 information on the receipt of such ballots available to the
2 individual who cast the ballot, by means of online access
3 using the Internet site of the official's office.

4 “(b) INFORMATION ON WHETHER VOTE WAS
5 COUNTED.—The information referred to under subsection
6 (a) with respect to the receipt of an absentee ballot shall
7 include information regarding whether the vote cast on the
8 ballot was counted, and, in the case of a vote which was
9 not counted, the reasons therefor.

10 “(c) USE OF TOLL-FREE TELEPHONE NUMBER BY
11 OFFICIALS WITHOUT INTERNET SITE.—A program estab-
12 lished by a State or local election official whose office does
13 not have an Internet site may meet the requirements of
14 subsection (a) if the official has established a toll-free tele-
15 phone number that may be used by an individual who cast
16 an absentee ballot to obtain the information on the receipt
17 of the voted absentee ballot as provided under such sub-
18 section.

19 “(d) EFFECTIVE DATE.—This section shall apply
20 with respect to the regularly scheduled general election for
21 Federal office held in November 2020 and each succeeding
22 election for Federal office.

23 **“SEC. 324. RULES FOR COUNTING PROVISIONAL BALLOTS.**

24 “(a) STATEWIDE COUNTING OF PROVISIONAL BAL-
25 LOTS.—

1 “(1) IN GENERAL.—For purposes of section
2 302(a)(4), notwithstanding the precinct or polling
3 place at which a provisional ballot is cast within the
4 State, the appropriate election official shall count
5 each vote on such ballot for each election in which
6 the individual who cast such ballot is eligible to vote.

7 “(2) EFFECTIVE DATE.—This subsection shall
8 apply with respect to the regularly scheduled general
9 election for Federal office held in November 2020
10 and each succeeding election for Federal office.

11 “(b) UNIFORM AND NONDISCRIMINATORY STAND-
12 ARDS.—

13 “(1) IN GENERAL.—Consistent with the re-
14 quirements of section 302, each State shall establish
15 uniform and nondiscriminatory standards for the
16 issuance, handling, and counting of provisional bal-
17 lots.

18 “(2) EFFECTIVE DATE.—This subsection shall
19 apply with respect to the regularly scheduled general
20 election for Federal office held in November 2020
21 and each succeeding election for Federal office.

22 **“SEC. 325. COVERAGE OF COMMONWEALTH OF NORTHERN**
23 **MARIANA ISLANDS.**

24 “In this subtitle, the term ‘State’ includes the Com-
25 monwealth of the Northern Mariana Islands.

1 **“SEC. 326. MINIMUM REQUIREMENTS FOR EXPANDING**
2 **ABILITY OF INDIVIDUALS TO VOTE.**

3 “The requirements of this subtitle are minimum re-
4 quirements, and nothing in this subtitle may be construed
5 to prevent a State from establishing standards which pro-
6 mote the ability of individuals to vote in elections for Fed-
7 eral office, so long as such standards are not inconsistent
8 with the requirements of this subtitle or other Federal
9 laws.”.

10 (b) CONFORMING AMENDMENT RELATING TO
11 ISSUANCE OF VOLUNTARY GUIDANCE BY ELECTION AS-
12 SISTANCE COMMISSION.—Section 311(b) of such Act (52
13 U.S.C. 21101(b)) is amended—

14 (1) by striking “and” at the end of paragraph
15 (2);

16 (2) by striking the period at the end of para-
17 graph (3) and inserting “; and”; and

18 (3) by adding at the end the following new
19 paragraph:

20 “(4) in the case of the recommendations with
21 respect to subtitle C, June 30, 2020.”.

22 (c) ENFORCEMENT.—

23 (1) COVERAGE UNDER EXISTING ENFORCE-
24 MENT PROVISIONS.—Section 401 of such Act (52
25 U.S.C. 21111) is amended by striking “and 303”
26 and inserting “303, and subtitle C of title III”.

1 (2) AVAILABILITY OF PRIVATE RIGHT OF AC-
2 TION.—Title IV of such (52 U.S.C. 21111 et seq.)
3 is amended by adding at the end the following new
4 section:

5 **“SEC. 403. PRIVATE RIGHT OF ACTION FOR VIOLATIONS OF**
6 **CERTAIN REQUIREMENTS.**

7 “(a) IN GENERAL.—In the case of a violation of sub-
8 title C of title III, section 402 shall not apply and any
9 person who is aggrieved by such violation may provide
10 written notice of the violation to the chief election official
11 of the State involved.

12 “(b) RELIEF.—If the violation is not corrected within
13 20 days after receipt of a notice under subsection (a), or
14 within 5 days after receipt of the notice if the violation
15 occurred within 120 days before the date of an election
16 for Federal office, the aggrieved person may, in a civil ac-
17 tion, obtain declaratory or injunctive relief with respect
18 to the violation.

19 “(c) SPECIAL RULE.—If the violation occurred within
20 5 days before the date of an election for Federal office,
21 the aggrieved person need not provide notice to the chief
22 election official of the State involved under subsection (a)
23 before bringing a civil action under subsection (b).”.

24 “(d) CLERICAL AMENDMENT.—The table of contents
25 of such Act is amended—

1 (1) by adding at the end of the items relating
2 to title III the following:

“Subtitle C—Other Requirements

“Sec. 321. Early voting.

“Sec. 322. Promoting ability of voters to vote by mail.

“Sec. 323. Absentee ballot tracking program.

“Sec. 324. Rules for counting provisional ballots.

“Sec. 325. Coverage of Commonwealth of Northern Mariana Islands.

“Sec. 326. Minimum requirements for expanding ability of individuals to vote.”;
and

3 (2) by adding at the end of the items relating
4 to title IV the following new item:

“Sec. 403. Private right of action for violations of certain requirements.”.

5 **SEC. 120004. POSTAGE-FREE ABSENTEE BALLOTS.**

6 (a) IN GENERAL.—Chapter 34 of title 39, United
7 States Code, is amended by adding after section 3406 the
8 following:

9 **“§ 3407. Absentee ballots**

10 “(a) Any absentee ballot for any election for Federal
11 office shall be carried expeditiously, with postage prepaid
12 by the State or unit of local government responsible for
13 the administration of the election.

14 “(b) As used in this section, the term ‘absentee ballot’
15 means any ballot transmitted by a voter by mail in an
16 election for Federal office, but does not include any ballot
17 covered by section 3406.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for chapter 34 of such title is amended by inserting after
3 the item relating to section 3406 the following:

“3407. Absentee ballots carried free of postage.”.

4 **SEC. 120005. REQUIRING TRANSMISSION OF BLANK ABSEN-**
5 **TEE BALLOTS UNDER UOCAVA TO CERTAIN**
6 **VOTERS.**

7 (a) IN GENERAL.—The Uniformed and Overseas
8 Citizens Absentee Voting Act (52 U.S.C. 20301 et seq.)
9 is amended by inserting after section 103B the following
10 new section:

11 **“SEC. 103C. TRANSMISSION OF BLANK ABSENTEE BALLOTS**
12 **TO CERTAIN OTHER VOTERS.**

13 “(a) IN GENERAL.—

14 “(1) STATE RESPONSIBILITIES.—Subject to
15 paragraph (2), each State shall transmit blank ab-
16 sentee ballots by mail and electronically to qualified
17 individuals in the same manner and under the same
18 terms and conditions under which the State trans-
19 mits such ballots to absent uniformed services voters
20 and overseas voters under section 102(f).

21 “(2) REQUIREMENTS.—Any blank absentee bal-
22 lot transmitted to a qualified individual under this
23 section—

1 “(A) must comply with the language re-
2 quirements under section 203 of the Voting
3 Rights Act of 1965 (52 U.S.C. 10503); and

4 “(B) must comply with the disability re-
5 quirements under section 508 of the Rehabilita-
6 tion Act of 1973 (29 U.S.C. 794d).

7 “(3) AFFIRMATION.—The State may not trans-
8 mit a ballot to a qualified individual under this sec-
9 tion unless the individual provides the State with a
10 signed affirmation in electronic form that—

11 “(A) the individual is a qualified individual
12 (as defined in subsection (b));

13 “(B) the individual has not and will not
14 cast another ballot with respect to the election;
15 and

16 “(C) acknowledges that a material
17 misstatement of fact in completing the ballot
18 may constitute grounds for conviction of per-
19 jury.

20 “(4) CLARIFICATION REGARDING FREE POST-
21 AGE.—An absentee ballot obtained by a qualified in-
22 dividual under this section shall be considered bal-
23 lotting materials as defined in section 107 for pur-
24 poses of section 3406 of title 39, United States
25 Code.

1 “(5) PROHIBITING REFUSAL TO ACCEPT BAL-
2 LOT FOR FAILURE TO MEET CERTAIN REQUIRE-
3 MENTS.—A State shall not refuse to accept and
4 process any otherwise valid blank absentee ballot
5 which was transmitted to a qualified individual
6 under this section and used by the individual to vote
7 in the election solely on the basis of the following:

8 “(A) Notarization or witness signature re-
9 quirements.

10 “(B) Restrictions on paper type, including
11 weight and size.

12 “(C) Restrictions on envelope type, includ-
13 ing weight and size.

14 “(b) QUALIFIED INDIVIDUAL.—

15 “(1) IN GENERAL.—In this section, except as
16 provided in paragraph (2), the term ‘qualified indi-
17 vidual’ means any individual who is otherwise quali-
18 fied to vote in an election for Federal office and who
19 meets any of the following requirements:

20 “(A) The individual—

21 “(i) has requested an absentee ballot
22 from the State or jurisdiction in which
23 such individual is registered to vote; and

1 “(ii) has not received such absentee
2 ballot at least 2 days before the date of the
3 election.

4 “(B) The individual—

5 “(i) resides in an area of a State with
6 respect to which an emergency or public
7 health emergency has been declared by the
8 chief executive of the State or of the area
9 involved within 5 days of the date of the
10 election under the laws of the State due to
11 reasons including a natural disaster, in-
12 cluding severe weather, or an infectious
13 disease; and

14 “(ii) has not requested an absentee
15 ballot.

16 “(C) The individual expects to be absent
17 from such individual’s jurisdiction on the date
18 of the election due to professional or volunteer
19 service in response to a natural disaster or
20 emergency as described in subparagraph (B).

21 “(D) The individual is hospitalized or ex-
22 pects to be hospitalized on the date of the elec-
23 tion.

24 “(E) The individual is an individual with a
25 disability (as defined in section 3 of the Ameri-

1 cans with Disabilities Act of 1990 (42 U.S.C.
2 12102)) and resides in a State which does not
3 offer voters the ability to use secure and acces-
4 sible remote ballot marking. For purposes of
5 this subparagraph, a State shall permit an indi-
6 vidual to self-certify that the individual is an in-
7 dividual with a disability.

8 “(2) EXCLUSION OF ABSENT UNIFORMED SERV-
9 ICES AND OVERSEAS VOTERS.—The term ‘qualified
10 individual’ shall not include an absent uniformed
11 services voter or an overseas voter.

12 “(c) STATE.—For purposes of this section, the term
13 ‘State’ includes the District of Columbia, the Common-
14 wealth of Puerto Rico, Guam, American Samoa, the
15 United States Virgin Islands, and the Commonwealth of
16 the Northern Mariana Islands.

17 “(d) EFFECTIVE DATE.—This section shall apply
18 with respect to the regularly scheduled general election for
19 Federal office held in November 2020 and each succeeding
20 election for Federal office.”.

21 (b) CONFORMING AMENDMENT.—Section 102(a) of
22 such Act (52 U.S.C. 20302(a)) is amended—

23 (1) by striking “and” at the end of paragraph
24 (10);

1 (2) by striking the period at the end of para-
2 graph (11) and inserting “; and”; and

3 (3) by adding at the end the following new
4 paragraph:

5 “(12) meet the requirements of section 103C
6 with respect to the provision of blank absentee bal-
7 lots for the use of qualified individuals described in
8 such section.”.

9 (c) CLERICAL AMENDMENTS.—The table of contents
10 of such Act is amended by inserting the following after
11 section 103:

“Sec. 103A. Procedures for collection and delivery of marked absentee ballots
of absent overseas uniformed services voters.

“Sec. 103B. Federal voting assistance program improvements.

“Sec. 103C. Transmission of blank absentee ballots to certain other voters.”.

12 **SEC. 120006. VOTER REGISTRATION.**

13 (a) REQUIRING AVAILABILITY OF INTERNET FOR
14 VOTER REGISTRATION.—

15 (1) REQUIRING AVAILABILITY OF INTERNET
16 FOR REGISTRATION.—The National Voter Registra-
17 tion Act of 1993 (52 U.S.C. 20501 et seq.) is
18 amended by inserting after section 6 the following
19 new section:

20 **“SEC. 6A. INTERNET REGISTRATION.**

21 “(a) REQUIRING AVAILABILITY OF INTERNET FOR
22 ONLINE REGISTRATION.—

1 “(1) AVAILABILITY OF ONLINE REGISTRATION
2 AND CORRECTION OF EXISTING REGISTRATION IN-
3 FORMATION.—Each State, acting through the chief
4 State election official, shall ensure that the following
5 services are available to the public at any time on
6 the official public websites of the appropriate State
7 and local election officials in the State, in the same
8 manner and subject to the same terms and condi-
9 tions as the services provided by voter registration
10 agencies under section 7(a):

11 “(A) Online application for voter registra-
12 tion.

13 “(B) Online assistance to applicants in ap-
14 plying to register to vote.

15 “(C) Online completion and submission by
16 applicants of the mail voter registration applica-
17 tion form prescribed by the Election Assistance
18 Commission pursuant to section 9(a)(2), includ-
19 ing assistance with providing a signature as re-
20 quired under subsection (c).

21 “(D) Online receipt of completed voter reg-
22 istration applications.

23 “(b) ACCEPTANCE OF COMPLETED APPLICATIONS.—
24 A State shall accept an online voter registration applica-
25 tion provided by an individual under this section, and en-

1 sure that the individual is registered to vote in the State,
2 if—

3 “(1) the individual meets the same voter reg-
4 istration requirements applicable to individuals who
5 register to vote by mail in accordance with section
6 6(a)(1) using the mail voter registration application
7 form prescribed by the Election Assistance Commis-
8 sion pursuant to section 9(a)(2); and

9 “(2) the individual meets the requirements of
10 subsection (c) to provide a signature in electronic
11 form (but only in the case of applications submitted
12 during or after the second year in which this section
13 is in effect in the State).

14 “(c) SIGNATURE REQUIREMENTS.—

15 “(1) IN GENERAL.—For purposes of this sec-
16 tion, an individual meets the requirements of this
17 subsection as follows:

18 “(A) In the case of an individual who has
19 a signature on file with a State agency, includ-
20 ing the State motor vehicle authority, that is
21 required to provide voter registration services
22 under this Act or any other law, the individual
23 consents to the transfer of that electronic signa-
24 ture.

1 “(B) If subparagraph (A) does not apply,
2 the individual submits with the application an
3 electronic copy of the individual’s handwritten
4 signature through electronic means.

5 “(C) If subparagraph (A) and subpara-
6 graph (B) do not apply, the individual executes
7 a computerized mark in the signature field on
8 an online voter registration application, in ac-
9 cordance with reasonable security measures es-
10 tablished by the State, but only if the State ac-
11 cepts such mark from the individual.

12 “(2) TREATMENT OF INDIVIDUALS UNABLE TO
13 MEET REQUIREMENT.—If an individual is unable to
14 meet the requirements of paragraph (1), the State
15 shall—

16 “(A) permit the individual to complete all
17 other elements of the online voter registration
18 application;

19 “(B) permit the individual to provide a sig-
20 nature at the time the individual requests a bal-
21 lot in an election (whether the individual re-
22 quests the ballot at a polling place or requests
23 the ballot by mail); and

24 “(C) if the individual carries out the steps
25 described in subparagraph (A) and subpara-

1 graph (B), ensure that the individual is reg-
2 istered to vote in the State.

3 “(3) NOTICE.—The State shall ensure that in-
4 dividuals applying to register to vote online are noti-
5 fied of the requirements of paragraph (1) and of the
6 treatment of individuals unable to meet such re-
7 quirements, as described in paragraph (2).

8 “(d) CONFIRMATION AND DISPOSITION.—

9 “(1) CONFIRMATION OF RECEIPT.—Upon the
10 online submission of a completed voter registration
11 application by an individual under this section, the
12 appropriate State or local election official shall send
13 the individual a notice confirming the State’s receipt
14 of the application and providing instructions on how
15 the individual may check the status of the applica-
16 tion.

17 “(2) NOTICE OF DISPOSITION.—Not later than
18 7 days after the appropriate State or local election
19 official has approved or rejected an application sub-
20 mitted by an individual under this section, the offi-
21 cial shall send the individual a notice of the disposi-
22 tion of the application.

23 “(3) METHOD OF NOTIFICATION.—The appro-
24 priate State or local election official shall send the
25 notices required under this subsection by regular

1 mail, and, in the case of an individual who has pro-
2 vided the official with an electronic mail address, by
3 both electronic mail and regular mail.

4 “(e) PROVISION OF SERVICES IN NONPARTISAN
5 MANNER.—The services made available under subsection
6 (a) shall be provided in a manner that ensures that, con-
7 sistent with section 7(a)(5)—

8 “(1) the online application does not seek to in-
9 fluence an applicant’s political preference or party
10 registration; and

11 “(2) there is no display on the website pro-
12 moting any political preference or party allegiance,
13 except that nothing in this paragraph may be con-
14 strued to prohibit an applicant from registering to
15 vote as a member of a political party.

16 “(f) PROTECTION OF SECURITY OF INFORMATION.—
17 In meeting the requirements of this section, the State shall
18 establish appropriate technological security measures to
19 prevent to the greatest extent practicable any unauthor-
20 ized access to information provided by individuals using
21 the services made available under subsection (a).

22 “(g) ACCESSIBILITY OF SERVICES.—A state shall en-
23 sure that the services made available under this section
24 are made available to individuals with disabilities to the

1 same extent as services are made available to all other in-
2 dividuals.

3 “(h) USE OF ADDITIONAL TELEPHONE-BASED SYS-
4 TEM.—A State shall make the services made available on-
5 line under subsection (a) available through the use of an
6 automated telephone-based system, subject to the same
7 terms and conditions applicable under this section to the
8 services made available online, in addition to making the
9 services available online in accordance with the require-
10 ments of this section.

11 “(i) NONDISCRIMINATION AMONG REGISTERED VOT-
12 ERS USING MAIL AND ONLINE REGISTRATION.—In car-
13 rying out this Act, the Help America Vote Act of 2002,
14 or any other Federal, State, or local law governing the
15 treatment of registered voters in the State or the adminis-
16 tration of elections for public office in the State, a State
17 shall treat a registered voter who registered to vote online
18 in accordance with this section in the same manner as the
19 State treats a registered voter who registered to vote by
20 mail.”.

21 (2) SPECIAL REQUIREMENTS FOR INDIVIDUALS
22 USING ONLINE REGISTRATION.—

23 (A) TREATMENT AS INDIVIDUALS REG-
24 ISTERING TO VOTE BY MAIL FOR PURPOSES OF
25 FIRST-TIME VOTER IDENTIFICATION REQUIRE-

1 MENTS.—Section 303(b)(1)(A) of the Help
2 America Vote Act of 2002 (52 U.S.C.
3 21083(b)(1)(A)) is amended by striking “by
4 mail” and inserting “by mail or online under
5 section 6A of the National Voter Registration
6 Act of 1993”.

7 (B) REQUIRING SIGNATURE FOR FIRST-
8 TIME VOTERS IN JURISDICTION.—Section
9 303(b) of such Act (52 U.S.C. 21083(b)) is
10 amended—

11 (i) by redesignating paragraph (5) as
12 paragraph (6); and

13 (ii) by inserting after paragraph (4)
14 the following new paragraph:

15 “(5) SIGNATURE REQUIREMENTS FOR FIRST-
16 TIME VOTERS USING ONLINE REGISTRATION.—

17 “(A) IN GENERAL.—A State shall, in a
18 uniform and nondiscriminatory manner, require
19 an individual to meet the requirements of sub-
20 paragraph (B) if—

21 “(i) the individual registered to vote
22 in the State online under section 6A of the
23 National Voter Registration Act of 1993;
24 and

1 “(ii) the individual has not previously
2 voted in an election for Federal office in
3 the State.

4 “(B) REQUIREMENTS.—An individual
5 meets the requirements of this subparagraph
6 if—

7 “(i) in the case of an individual who
8 votes in person, the individual provides the
9 appropriate State or local election official
10 with a handwritten signature; or

11 “(ii) in the case of an individual who
12 votes by mail, the individual submits with
13 the ballot a handwritten signature.

14 “(C) INAPPLICABILITY.—Subparagraph
15 (A) does not apply in the case of an individual
16 who is—

17 “(i) entitled to vote by absentee ballot
18 under the Uniformed and Overseas Citi-
19 zens Absentee Voting Act (52 U.S.C.
20 20302 et seq.);

21 “(ii) provided the right to vote other-
22 wise than in person under section
23 3(b)(2)(B)(ii) of the Voting Accessibility
24 for the Elderly and Handicapped Act (52
25 U.S.C. 20102(b)(2)(B)(ii)); or

1 “(iii) entitled to vote otherwise than
2 in person under any other Federal law.”.

3 (C) CONFORMING AMENDMENT RELATING
4 TO EFFECTIVE DATE.—Section 303(d)(2)(A) of
5 such Act (52 U.S.C. 21083(d)(2)(A)) is amend-
6 ed by striking “Each State” and inserting “Ex-
7 cept as provided in subsection (b)(5), each
8 State”.

9 (3) CONFORMING AMENDMENTS.—

10 (A) TIMING OF REGISTRATION.—Section
11 8(a)(1) of the National Voter Registration Act
12 of 1993 (52 U.S.C. 20507(a)(1)) is amended—

13 (i) by striking “and” at the end of
14 subparagraph (C);

15 (ii) by redesignating subparagraph
16 (D) as subparagraph (E); and

17 (iii) by inserting after subparagraph
18 (C) the following new subparagraph:

19 “(D) in the case of online registration
20 through the official public website of an election
21 official under section 6A, if the valid voter reg-
22 istration application is submitted online not
23 later than the lesser of 28 days, or the period
24 provided by State law, before the date of the
25 election (as determined by treating the date on

1 which the application is sent electronically as
2 the date on which it is submitted); and”.

3 (B) INFORMING APPLICANTS OF ELIGI-
4 BILITY REQUIREMENTS AND PENALTIES.—Sec-
5 tion 8(a)(5) of such Act (52 U.S.C.
6 20507(a)(5)) is amended by striking “and 7”
7 and inserting “6A, and 7”.

8 (b) SAME DAY REGISTRATION.—

9 (1) IN GENERAL.—Subtitle C of title III of the
10 Help America Vote Act of 2002, as added by section
11 3(a), is amended—

12 (A) by redesignating sections 325 and 326
13 as sections 326 and 327; and

14 (B) by inserting after section 324 the fol-
15 lowing new section:

16 **“SEC. 325. SAME DAY REGISTRATION.**

17 **“(a) IN GENERAL.—**

18 **“(1) REGISTRATION.—**Each State shall permit
19 any eligible individual on the day of a Federal elec-
20 tion and on any day when voting, including early
21 voting, is permitted for a Federal election—

22 “(A) to register to vote in such election at
23 the polling place using a form that meets the
24 requirements under section 9(b) of the National
25 Voter Registration Act of 1993 (or, if the indi-

1 vidual is already registered to vote, to revise
2 any of the individual's voter registration infor-
3 mation); and

4 “(B) to cast a vote in such election.

5 “(2) EXCEPTION.—The requirements under
6 paragraph (1) shall not apply to a State in which,
7 under a State law in effect continuously on and after
8 the date of the enactment of this section, there is no
9 voter registration requirement for individuals in the
10 State with respect to elections for Federal office.

11 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
12 section, the term ‘eligible individual’ means, with respect
13 to any election for Federal office, an individual who is oth-
14 erwise qualified to vote in that election.

15 “(c) EFFECTIVE DATE.—Each State shall be re-
16 quired to comply with the requirements of subsection (a)
17 for the regularly scheduled general election for Federal of-
18 fice occurring in November 2020 and for any subsequent
19 election for Federal office.”.

20 (2) CLERICAL AMENDMENT.—The table of con-
21 tents of such Act, as amended by section 3, is
22 amended—

23 (A) by redesignating the items relating to
24 sections 325 and 326 as relating to sections
25 326 and 327; and

1 (B) by inserting after the item relating to
2 section 324 the following new item:

“Sec. 325. Same day registration.”.

3 (c) PROHIBITING STATE FROM REQUIRING APPLI-
4 CANTS TO PROVIDE MORE THAN LAST 4 DIGITS OF SO-
5 CIAL SECURITY NUMBER.—

6 (1) FORM INCLUDED WITH APPLICATION FOR
7 MOTOR VEHICLE DRIVER’S LICENSE.—Section
8 5(c)(2)(B)(ii) of the National Voter Registration Act
9 of 1993 (52 U.S.C. 20504(c)(2)(B)(ii)) is amended
10 by striking the semicolon at the end and inserting
11 the following: “, and to the extent that the applica-
12 tion requires the applicant to provide a Social Secu-
13 rity number, may not require the applicant to pro-
14 vide more than the last 4 digits of such number;”.

15 (2) NATIONAL MAIL VOTER REGISTRATION
16 FORM.—Section 9(b)(1) of such Act (52 U.S.C.
17 20508(b)(1)) is amended by striking the semicolon
18 at the end and inserting the following: “, and to the
19 extent that the form requires the applicant to pro-
20 vide a Social Security number, the form may not re-
21 quire the applicant to provide more than the last 4
22 digits of such number;”.

23 (3) EFFECTIVE DATE.—The amendments made
24 by this subsection shall apply with respect to the
25 regularly scheduled general election for Federal of-

1 fice held in November 2020 and each succeeding
2 election for Federal office.

3 **SEC. 120007. ACCOMMODATIONS FOR VOTERS RESIDING IN**
4 **INDIAN LANDS.**

5 (a) ACCOMMODATIONS DESCRIBED.—

6 (1) DESIGNATION OF BALLOT PICKUP AND COL-
7 LECTION LOCATIONS.—Given the widespread lack of
8 residential mail delivery in Indian Country, an In-
9 dian Tribe may designate buildings as ballot pickup
10 and collection locations with respect to an election
11 for Federal office at no cost to the Indian Tribe. An
12 Indian Tribe may designate one building per pre-
13 cinct located within Indian lands. The applicable
14 State or political subdivision shall collect ballots
15 from those locations. The applicable State or polit-
16 ical subdivision shall provide the Indian Tribe with
17 accurate precinct maps for all precincts located with-
18 in Indian lands 60 days before the election.

19 (2) PROVISION OF MAIL-IN AND ABSENTEE
20 BALLOTS.—The State or political subdivision shall
21 provide mail-in and absentee ballots with respect to
22 an election for Federal office to each individual who
23 is registered to vote in the election who resides on
24 Indian lands in the State or political subdivision in-

1 volved without requiring a residential address or a
2 mail-in or absentee ballot request.

3 (3) USE OF DESIGNATED BUILDING AS RESI-
4 DENTIAL AND MAILING ADDRESS.—The address of a
5 designated building that is a ballot pickup and col-
6 lection location with respect to an election for Fed-
7 eral office may serve as the residential address and
8 mailing address for voters living on Indian lands if
9 the tribally designated building is in the same pre-
10 cinct as that voter. If there is no tribally designated
11 building within a voter's precinct, the voter may use
12 another tribally designated building within the In-
13 dian lands where the voter is located. Voters using
14 a tribally designated building outside of the voter's
15 precinct may use the tribally designated building as
16 a mailing address and may separately designate the
17 voter's appropriate precinct through a description of
18 the voter's address, as specified in section
19 9428.4(a)(2) of title 11, Code of Federal Regula-
20 tions.

21 (4) LANGUAGE ACCESSIBILITY.—In the case of
22 a State or political subdivision that is a covered
23 State or political subdivision under section 203 of
24 the Voting Rights Act of 1965 (52 U.S.C. 10503),
25 that State or political subdivision shall provide ab-

1 sentee or mail-in voting materials with respect to an
2 election for Federal office in the language of the ap-
3 plicable minority group as well as in the English lan-
4 guage, bilingual election voting assistance, and writ-
5 ten translations of all voting materials in the lan-
6 guage of the applicable minority group, as required
7 by section 203 of the Voting Rights Act of 1965 (52
8 U.S.C. 10503), as amended by subsection (b).

9 (5) CLARIFICATION.—Nothing in this section
10 alters the ability of an individual voter residing on
11 Indian lands to request a ballot in a manner avail-
12 able to all other voters in the State.

13 (6) DEFINITIONS.—In this section:

14 (A) INDIAN.—The term “Indian” has the
15 meaning given the term in section 4 of the In-
16 dian Self-Determination and Education Assist-
17 ance Act (25 U.S.C. 5304).

18 (B) INDIAN LANDS.—The term “Indian
19 lands” includes—

20 (i) any Indian country of an Indian
21 Tribe, as defined under section 1151 of
22 title 18, United States Code;

23 (ii) any land in Alaska owned, pursu-
24 ant to the Alaska Native Claims Settle-
25 ment Act (43 U.S.C. 1601 et seq.), by an

1 Indian Tribe that is a Native village (as
2 defined in section 3 of that Act (43 U.S.C.
3 1602)) or by a Village Corporation that is
4 associated with an Indian Tribe (as de-
5 fined in section 3 of that Act (43 U.S.C.
6 1602));

7 (iii) any land on which the seat of the
8 Tribal Government is located; and

9 (iv) any land that is part or all of a
10 Tribal designated statistical area associ-
11 ated with an Indian Tribe, or is part or all
12 of an Alaska Native village statistical area
13 associated with an Indian Tribe, as defined
14 by the Census Bureau for the purposes of
15 the most recent decennial census.

16 (C) INDIAN TRIBE.—The term “Indian
17 Tribe” has the meaning given the term “Indian
18 tribe” in section 4 of the Indian Self-Deter-
19 mination and Education Assistance Act (25
20 U.S.C. 5304).

21 (D) TRIBAL GOVERNMENT.—The term
22 “Tribal Government” means the recognized
23 governing body of an Indian Tribe.

24 (7) ENFORCEMENT.—

1 (A) ATTORNEY GENERAL.—The Attorney
2 General may bring a civil action in an appro-
3 priate district court for such declaratory or in-
4 junctive relief as is necessary to carry out this
5 subsection.

6 (B) PRIVATE RIGHT OF ACTION.—

7 (i) A person or Tribal Government
8 who is aggrieved by a violation of this sub-
9 section may provide written notice of the
10 violation to the chief election official of the
11 State involved.

12 (ii) An aggrieved person or Tribal
13 Government may bring a civil action in an
14 appropriate district court for declaratory
15 or injunctive relief with respect to a viola-
16 tion of this subsection, if—

17 (I) that person or Tribal Govern-
18 ment provides the notice described in
19 clause (i); and

20 (II)(aa) in the case of a violation
21 that occurs more than 120 days be-
22 fore the date of an election for Fed-
23 eral office, the violation remains and
24 90 days or more have passed since the
25 date on which the chief election offi-

1 cial of the State receives the notice
2 under clause (i); or

3 (bb) in the case of a violation
4 that occurs 120 days or less before
5 the date of an election for Federal of-
6 fice, the violation remains and 20
7 days or more have passed since the
8 date on which the chief election offi-
9 cial of the State receives the notice
10 under clause (i).

11 (iii) In the case of a violation of this
12 section that occurs 30 days or less before
13 the date of an election for Federal office,
14 an aggrieved person or Tribal Government
15 may bring a civil action in an appropriate
16 district court for declaratory or injunctive
17 relief with respect to the violation without
18 providing notice to the chief election offi-
19 cial of the State under clause (i).

20 (b) BILINGUAL ELECTION REQUIREMENTS.—Section
21 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503)
22 is amended—

23 (1) in subsection (b)(3)(C), by striking “1990”
24 and inserting “2010”; and

1 (2) by striking subsection (c) and inserting the
2 following:

3 “(c) PROVISION OF VOTING MATERIALS IN THE LAN-
4 GUAGE OF A MINORITY GROUP.—

5 “(1) IN GENERAL.—Whenever any State or po-
6 litical subdivision subject to the prohibition of sub-
7 section (b) of this section provides any registration
8 or voting notices, forms, instructions, assistance, or
9 other materials or information relating to the elec-
10 toral process, including ballots, it shall provide them
11 in the language of the applicable minority group as
12 well as in the English language.

13 “(2) EXCEPTIONS.—

14 “(A) IN GENERAL.—

15 “(i) In the case of a minority group
16 that is not American Indian or Alaska Na-
17 tive and the language of that minority
18 group is oral or unwritten, the State or po-
19 litical subdivision shall only be required to
20 furnish, in the covered language, oral in-
21 structions, assistance, translation of voting
22 materials, or other information relating to
23 registration and voting.

24 “(ii) In the case of a minority group
25 that is American Indian or Alaska Native,

1 the State or political subdivision shall only
2 be required to furnish in the covered lan-
3 guage oral instructions, assistance, or
4 other information relating to registration
5 and voting, including all voting materials,
6 if the Tribal Government of that minority
7 group has certified that the language of
8 the applicable American Indian or Alaska
9 Native language is presently unwritten or
10 the Tribal Government does not want writ-
11 ten translations in the minority language.

12 “(3) WRITTEN TRANSLATIONS FOR ELECTION
13 WORKERS.—Notwithstanding paragraph (2), the
14 State or political division may be required to provide
15 written translations of voting materials, with the
16 consent of any applicable Indian Tribe, to election
17 workers to ensure that the translations from English
18 to the language of a minority group are complete,
19 accurate, and uniform.”.

20 “(c) EFFECTIVE DATE.—This section and the amend-
21 ments made by this section shall apply with respect to the
22 regularly scheduled general election for Federal office held
23 in November 2020 and each succeeding election for Fed-
24 eral office.

1 **SEC. 120008. PAYMENTS BY ELECTION ASSISTANCE COM-**
2 **MISSION TO STATES TO ASSIST WITH COSTS**
3 **OF COMPLIANCE.**

4 (a) AVAILABILITY OF GRANTS.—Subtitle D of title
5 II of the Help America Vote Act of 2002 (52 U.S.C.
6 21001 et seq.) is amended by adding at the end the fol-
7 lowing new part:

8 **“PART 7—PAYMENTS TO ASSIST WITH COSTS OF**
9 **COMPLIANCE WITH ACCESS ACT**
10 **“SEC. 297. PAYMENTS TO ASSIST WITH COSTS OF COMPLI-**
11 **ANCE WITH ACCESS ACT.**

12 “(a) AVAILABILITY AND USE OF PAYMENTS.—

13 “(1) IN GENERAL.—The Commission shall
14 make a payment to each eligible State to assist the
15 State with the costs of complying with the American
16 Coronavirus/COVID–19 Election Safety and Secu-
17 rity Act and the amendments made by such Act, in-
18 cluding the provisions of such Act and such amend-
19 ments which require States to pre-pay the postage
20 on absentee ballots and balloting materials.

21 “(2) PUBLIC EDUCATION CAMPAIGNS.—For
22 purposes of this part, the costs incurred by a State
23 in carrying out a campaign to educate the public
24 about the requirements of the American
25 Coronavirus/COVID–19 Election Safety and Secu-
26 rity Act and the amendments made by such Act

1 shall be included as the costs of complying with such
2 Act and such amendments.

3 “(b) PRIMARY ELECTIONS.—

4 “(1) PAYMENTS TO STATES.—In addition to
5 any payments under subsection (a), the Commission
6 shall make a payment to each eligible State to assist
7 the State with the costs incurred in voluntarily elect-
8 ing to comply with the American Coronavirus/
9 COVID–19 Election Safety and Security Act and
10 the amendments made by such Act with respect to
11 primary elections for Federal office held in the State
12 in 2020.

13 “(2) STATE POLITICAL PARTY-RUN PRI-
14 MARIES.—In addition to any payments under para-
15 graph (1), in the case of a State voluntarily electing
16 to comply with the American Coronavirus/COVID–
17 19 Election Safety and Security Act and the amend-
18 ments made by such Act with respect to primary
19 elections for Federal office held in the State in
20 2020, the Commission shall make a payment to each
21 eligible political party of the State for the costs in-
22 curred by the party in transmitting absentee ballots
23 and balloting materials with respect to such elections
24 (including the costs relating to pre-paying the post-

1 age on the return envelopes for such ballots and ma-
2 terials).

3 “(c) PASS-THROUGH OF FUNDS TO LOCAL JURISDIC-
4 TIONS.—

5 “(1) IN GENERAL.—If a State receives a pay-
6 ment under this part for costs that include costs in-
7 curred by a local jurisdiction or Tribal government
8 within the State, the State shall pass through to
9 such local jurisdiction or Tribal government a por-
10 tion of such payment that is equal to the amount of
11 the costs incurred by such local jurisdiction or Trib-
12 al government.

13 “(2) TRIBAL GOVERNMENT DEFINED.—In this
14 subsection, the term ‘Tribal Government’ means the
15 recognized governing body of an Indian tribe (as de-
16 fined in section 4 of the Indian Self-Determination
17 and Education Assistance Act (25 U.S.C. 5304).

18 “(d) SCHEDULE OF PAYMENTS.—As soon as prac-
19 ticable after the date of the enactment of this part and
20 not less frequently than once each calendar year there-
21 after, the Commission shall make payments under this
22 part.

23 “(e) COVERAGE OF COMMONWEALTH OF NORTHERN
24 MARIANA ISLANDS.—In this part, the term ‘State’ in-

1 cludes the Commonwealth of the Northern Mariana Is-
2 lands.

3 “(f) LIMITATION.—No funds may be provided to a
4 State under this part for costs attributable to the elec-
5 tronic return of marked ballots by any voter.

6 **“SEC. 297A. AMOUNT OF PAYMENT.**

7 “(a) IN GENERAL.—Except as provided in section
8 297C, the amount of a payment made to an eligible State
9 for a year under this part shall be determined by the Com-
10 mission.

11 “(b) CONTINUING AVAILABILITY OF FUNDS AFTER
12 APPROPRIATION.—A payment made to an eligible State
13 or eligible unit of local government under this part shall
14 be available without fiscal year limitation.

15 **“SEC. 297B. REQUIREMENTS FOR ELIGIBILITY.**

16 “(a) APPLICATION.—Except as provided in section
17 297C, each State that desires to receive a payment under
18 this part for a fiscal year, and each political party of a
19 State that desires to receive a payment under section
20 297(b)(2), shall submit an application for the payment to
21 the Commission at such time and in such manner and con-
22 taining such information as the Commission shall require.

23 “(b) CONTENTS OF APPLICATION.—Each application
24 submitted under subsection (a) shall—

1 “(1) describe the activities for which assistance
2 under this part is sought; and

3 “(2) provide such additional information and
4 certifications as the Commission determines to be es-
5 sential to ensure compliance with the requirements
6 of this part.

7 **“SEC. 297C. SPECIAL RULES FOR PAYMENTS FOR ELEC-**
8 **TIONS SUBJECT TO EMERGENCY RULES.**

9 “(a) SUBMISSION OF ESTIMATED COSTS.—If the spe-
10 cial rules in the case of an emergency period under section
11 322(c)(3) apply to an election, not later than the applica-
12 ble deadline under subsection (c), the State shall submit
13 to the Commission a request for a payment under this
14 part, and shall include in the request the State’s estimate
15 of the costs the State expects to incur in the administra-
16 tion of the election which are attributable to the applica-
17 tion of such special rules to the election.

18 “(b) PAYMENT.—Not later than 7 days after receiv-
19 ing a request from the State under subsection (a), the
20 Commission shall make a payment to the State in an
21 amount equal to the estimate provided by the State in the
22 request.

23 “(c) APPLICABLE DEADLINE.—The applicable dead-
24 line under this paragraph with respect to an election is—

1 “(1) with respect to the regularly scheduled
2 general election for Federal office held in November
3 2020, 15 days after the date of the enactment of
4 this part; and

5 “(2) with respect to any other election, 15 days
6 after the emergency or disaster described in section
7 322(c)(3) is declared.

8 **“SEC. 297D. AUTHORIZATION OF APPROPRIATIONS.**

9 “There are authorized to be appropriated for pay-
10 ments under this part—

11 “(1) in the case of payments made under sec-
12 tion 297C, such sums as may be necessary for fiscal
13 year 2020 and each succeeding fiscal year; and

14 “(2) in the case of any other payments, such
15 sums as may be necessary for fiscal year 2020.

16 **“SEC. 297E. REPORTS.**

17 “(a) REPORTS BY RECIPIENTS.—Not later than 6
18 months after the end of each fiscal year for which an eligi-
19 ble State received a payment under this part, the State
20 shall submit a report to the Commission on the activities
21 conducted with the funds provided during the year.

22 “(b) REPORTS BY COMMISSION TO COMMITTEES.—
23 With respect to each fiscal year for which the Commission
24 makes payments under this part, the Commission shall
25 submit a report on the activities carried out under this

1 part to the Committee on House Administration of the
2 House of Representatives and the Committee on Rules
3 and Administration of the Senate.”.

4 (b) CLERICAL AMENDMENT.—The table of contents
5 of such Act is amended by adding at the end of the items
6 relating to subtitle D of title II the following:

“PART 7—PAYMENTS TO ASSIST WITH COSTS OF COMPLIANCE WITH
ACCESS ACT

“Sec. 297. Payments to assist with costs of compliance with Access Act.

“Sec. 297A. Amount of payment.

“Sec. 297B. Requirements for eligibility.

“Sec. 297C. Authorization of appropriations.

“Sec. 297D. Reports.”.

7 **SEC. 120009. GRANTS TO STATES FOR CONDUCTING RISK-**
8 **LIMITING AUDITS OF RESULTS OF ELEC-**
9 **TIONS.**

10 (a) AVAILABILITY OF GRANTS.—Subtitle D of title
11 II of the Help America Vote Act of 2002 (52 U.S.C.
12 21001 et seq.), as amended by section 8(a), is further
13 amended by adding at the end the following new part:

14 **“PART 8—GRANTS FOR CONDUCTING RISK-**
15 **LIMITING AUDITS OF RESULTS OF ELECTIONS**
16 **“SEC. 298. GRANTS FOR CONDUCTING RISK-LIMITING AU-**
17 **DITS OF RESULTS OF ELECTIONS.**

18 “(a) AVAILABILITY OF GRANTS.—The Commission
19 shall make a grant to each eligible State to conduct risk-
20 limiting audits as described in subsection (b) with respect
21 to the regularly scheduled general elections for Federal of-

1 fice held in November 2020 and each succeeding election
2 for Federal office.

3 “(b) RISK-LIMITING AUDITS DESCRIBED.—In this
4 part, a ‘risk-limiting audit’ is a post-election process—

5 “(1) which is conducted in accordance with
6 rules and procedures established by the chief State
7 election official of the State which meet the require-
8 ments of subsection (c); and

9 “(2) under which, if the reported outcome of
10 the election is incorrect, there is at least a predeter-
11 mined percentage chance that the audit will replace
12 the incorrect outcome with the correct outcome as
13 determined by a full, hand-to-eye tabulation of all
14 votes validly cast in that election that ascertains
15 voter intent manually and directly from voter-
16 verifiable paper records.

17 “(c) REQUIREMENTS FOR RULES AND PROCE-
18 DURES.—The rules and procedures established for con-
19 ducting a risk-limiting audit shall include the following
20 elements:

21 “(1) Rules for ensuring the security of ballots
22 and documenting that prescribed procedures were
23 followed.

1 “(2) Rules and procedures for ensuring the ac-
2 curacy of ballot manifests produced by election agen-
3 cies.

4 “(3) Rules and procedures for governing the
5 format of ballot manifests, cast vote records, and
6 other data involved in the audit.

7 “(4) Methods to ensure that any cast vote
8 records used in the audit are those used by the vot-
9 ing system to tally the election results sent to the
10 chief State election official and made public.

11 “(5) Procedures for the random selection of
12 ballots to be inspected manually during each audit.

13 “(6) Rules for the calculations and other meth-
14 ods to be used in the audit and to determine wheth-
15 er and when the audit of an election is complete.

16 “(7) Procedures and requirements for testing
17 any software used to conduct risk-limiting audits.

18 “(d) DEFINITIONS.—In this part, the following defi-
19 nitions apply:

20 “(1) The term ‘ballot manifest’ means a record
21 maintained by each election agency that meets each
22 of the following requirements:

23 “(A) The record is created without reliance
24 on any part of the voting system used to tab-
25 ulate votes.

1 “(B) The record functions as a sampling
2 frame for conducting a risk-limiting audit.

3 “(C) The record contains the following in-
4 formation with respect to the ballots cast and
5 counted in the election:

6 “(i) The total number of ballots cast
7 and counted by the agency (including
8 undervotes, overvotes, and other invalid
9 votes).

10 “(ii) The total number of ballots cast
11 in each election administered by the agency
12 (including undervotes, overvotes, and other
13 invalid votes).

14 “(iii) A precise description of the
15 manner in which the ballots are physically
16 stored, including the total number of phys-
17 ical groups of ballots, the numbering sys-
18 tem for each group, a unique label for each
19 group, and the number of ballots in each
20 such group.

21 “(2) The term ‘incorrect outcome’ means an
22 outcome that differs from the outcome that would be
23 determined by a full tabulation of all votes validly
24 cast in the election, determining voter intent manu-
25 ally, directly from voter-verifiable paper records.

1 “(3) The term ‘outcome’ means the winner of
2 an election, whether a candidate or a position.

3 “(4) The term ‘reported outcome’ means the
4 outcome of an election which is determined accord-
5 ing to the canvass and which will become the official,
6 certified outcome unless it is revised by an audit, re-
7 count, or other legal process.

8 **“SEC. 298A. ELIGIBILITY OF STATES.**

9 “A State is eligible to receive a grant under this part
10 if the State submits to the Commission, at such time and
11 in such form as the Commission may require, an applica-
12 tion containing—

13 “(1) a certification that, not later than 5 years
14 after receiving the grant, the State will conduct risk-
15 limiting audits of the results of elections for Federal
16 office held in the State as described in section 298;

17 “(2) a certification that, not later than one year
18 after the date of the enactment of this section, the
19 chief State election official of the State has estab-
20 lished or will establish the rules and procedures for
21 conducting the audits which meet the requirements
22 of section 298(c);

23 “(3) a certification that the audit shall be com-
24 pleted not later than the date on which the State
25 certifies the results of the election;

1 “(4) a certification that, after completing the
2 audit, the State shall publish a report on the results
3 of the audit, together with such information as nec-
4 essary to confirm that the audit was conducted prop-
5 erly;

6 “(5) a certification that, if a risk-limiting audit
7 conducted under this part leads to a full manual
8 tally of an election, State law requires that the State
9 or election agency shall use the results of the full
10 manual tally as the official results of the election;
11 and

12 “(6) such other information and assurances as
13 the Commission may require.

14 **“SEC. 298B. AUTHORIZATION OF APPROPRIATIONS.**

15 “There are authorized to be appropriated for grants
16 under this part \$20,000,000 for fiscal year 2020, to re-
17 main available until expended.”.

18 (b) CLERICAL AMENDMENT.—The table of contents
19 of such Act, as amended by section 8(b), is further amend-
20 ed by adding at the end of the items relating to subtitle
21 D of title II the following:

“PART 8—GRANTS FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS
OF ELECTIONS

“Sec. 298. Grants for conducting risk-limiting audits of results of elec-
tions.

“Sec. 298A. Eligibility of States.

“Sec. 298B. Authorization of appropriations.

22 (c) GAO ANALYSIS OF EFFECTS OF AUDITS.—

1 (1) ANALYSIS.—Not later than 6 months after
2 the first election for Federal office is held after
3 grants are first awarded to States for conducting
4 risk-limiting audits under part 8 of subtitle D of
5 title II of the Help America Vote Act of 2002 (as
6 added by subsection (a)) for conducting risk-limiting
7 audits of elections for Federal office, the Comp-
8 troller General of the United States shall conduct an
9 analysis of the extent to which such audits have im-
10 proved the administration of such elections and the
11 security of election infrastructure in the States re-
12 ceiving such grants.

13 (2) REPORT.—The Comptroller General of the
14 United States shall submit a report on the analysis
15 conducted under subsection (a) to the appropriate
16 congressional committees.

17 **SEC. 120010. ADDITIONAL APPROPRIATIONS FOR THE**
18 **ELECTION ASSISTANCE COMMISSION.**

19 (a) IN GENERAL.—In addition to any funds other-
20 wise appropriated to the Election Assistance Commission
21 for fiscal year 2020, there is authorized to be appropriated
22 \$3,000,000 for fiscal year 2020 in order for the Commis-
23 sion to provide additional assistance and resources to
24 States for improving the administration of elections.

1 (b) AVAILABILITY OF FUNDS.—Amounts appro-
2 priated pursuant to the authorization under this sub-
3 section shall remain available without fiscal year limita-
4 tion.

5 **DIVISION M—OVERSIGHT AND**
6 **ACCOUNTABILITY**

7 **SEC. 130001. CORONAVIRUS ACCOUNTABILITY AND TRANS-**
8 **PARENCY COMMITTEE.**

9 (a) ESTABLISHMENT OF THE CORONAVIRUS AC-
10 COUNTABILITY AND TRANSPARENCY COMMITTEE.—There
11 is established the Coronavirus Accountability and Trans-
12 parency Committee within the Council of the Inspectors
13 General on Integrity and Efficiency to coordinate and sup-
14 port Inspectors General in conducting oversight of covered
15 funds to detect and prevent fraud, waste, and abuse.

16 (b) COMPOSITION OF COMMITTEE.—

17 (1) CHAIRPERSON.—The Chairperson of the
18 Committee shall be an Inspector General, identified
19 in paragraph (2)(A) with experience managing over-
20 sight of large organizations and expenditures and
21 shall be selected by the Chair of the Council of the
22 Inspectors General on Integrity and Efficiency.

23 (2) MEMBERS.—The members of the Com-
24 mittee shall include—

1 (A) the Inspectors General of the Depart-
2 ments of Commerce, Defense, Education,
3 Health and Human Services, Homeland Secu-
4 rity, Labor, Transportation, Treasury, Treasury
5 Inspector General for Tax Administration, Vet-
6 erans Affairs, and the Small Business Adminis-
7 tration; and

8 (B) any other Inspector General as des-
9 ignated by the Chair of the Council of the In-
10 spectors General on Integrity and Efficiency.

11 (c) FUNCTIONS OF THE COMMITTEE.—

12 (1) FUNCTIONS.—

13 (A) IN GENERAL.—The Committee shall
14 coordinate and assist Inspectors General in the
15 oversight of covered funds and the response of
16 the Executive Branch to the Coronavirus Pan-
17 demic in order to prevent fraud, waste, and
18 abuse.

19 (B) SPECIFIC FUNCTIONS.—The functions
20 of the Committee shall include—

21 (i) developing a strategic plan to en-
22 sure Inspectors General effectively and ef-
23 ficiently conduct comprehensive oversight
24 over all aspects of the covered funds and

1 the response by the Executive Branch to
2 the Coronavirus;

3 (ii) serving as a liaison to the Director
4 of the Office of Management and Budget,
5 Secretary of the Treasury, and other offi-
6 cials responsible for implementing this Act;

7 (iii) supporting audits and investiga-
8 tions of covered funds to determine wheth-
9 er wasteful spending, poor contract or
10 grant management, or other abuses are oc-
11 ccurring and referring matters the Com-
12 mittee considers appropriate for audit or
13 investigation to the Inspector General for
14 the agency that disbursed the covered
15 funds or more than one Inspector General,
16 as appropriate;

17 (iv) supporting reviews of contracts,
18 grants, and other assistance that use using
19 covered funds or that are otherwise related
20 to Coronavirus by assessing whether—

21 (I) the contracts, grants, and
22 other assistance meet applicable
23 standards;

24 (II) the contracts, grants, and
25 other assistance adequately specify the

1 purpose of the contract, grant, or
2 other assistance, as well as applicable
3 measures of performance; and

4 (III) there are sufficient qualified
5 acquisition and grant personnel over-
6 seeing the use of covered funds; and

7 (v) reviewing whether there are appro-
8 priate mechanisms for interagency collabo-
9 ration relating to covered funds, including
10 coordinating and collaborating to the ex-
11 tent practicable with State and local gov-
12 ernment entities.

13 (2) REPORTS.—

14 (A) REPORTS.—The Committee shall sub-
15 mit to the President and Congress, including
16 the appropriate congressional committees, time-
17 ly alerts on current or potential management
18 and funding problems that require immediate
19 attention. The Committee also shall submit to
20 Congress such other reports as the Committee
21 considers appropriate on the use and benefits of
22 covered funds and the response of the Executive
23 Branch to the Coronavirus.

24 (B) BIENNIAL REPORTS.—The Committee
25 shall submit reports every six months to the

1 President and the appropriate congressional
2 committees, summarizing the findings of the
3 Committee and Inspectors General of agencies.
4 The Committee may submit additional reports
5 as appropriate.

6 (C) PUBLIC AVAILABILITY.—

7 (i) IN GENERAL.—All reports sub-
8 mitted under this paragraph shall be made
9 publicly available and posted on the
10 website established by subsection (e).

11 (ii) REDACTIONS.—Any portion of a
12 report submitted under this paragraph
13 may be redacted when made publicly avail-
14 able, if that portion would disclose infor-
15 mation that is not subject to disclosure
16 under sections 552 and 552a of title 5,
17 United States Code.

18 (3) RECOMMENDATIONS.—

19 (A) IN GENERAL.—The Committee, in co-
20 ordination with the member Inspectors General,
21 shall make recommendations to agencies and to
22 Congress, including the appropriate committees,
23 on measures to prevent fraud, waste, and abuse
24 relating to covered funds.

1 (B) RESPONSIVE REPORTS.—Not later
2 than 30 days after receipt of a recommendation
3 under subparagraph (A), an agency shall sub-
4 mit a report to the President, the congressional
5 committees of jurisdiction, and the appropriate
6 congressional committees, on—

7 (i) whether the agency agrees or dis-
8 agrees with the recommendations; and

9 (ii) any specific action or action plan
10 the agency will take to implement the rec-
11 ommendations.

12 (d) POWERS AND AUTHORITIES OF THE COM-
13 MITTEE.—

14 (1) IN GENERAL.—The Committee shall coordi-
15 nate and support investigations, audits and reviews
16 of spending of covered funds to avoid duplication
17 and overlap of work and ensure that there are not
18 gaps in oversight activities by the member Inspec-
19 tors General. If a gap in oversight is identified, the
20 Committee shall request that an Inspector General
21 or more than one Inspector General, designated by
22 the Chair, conduct the appropriate audit or review.

23 (2) AUDITS AND INVESTIGATIONS.—The Com-
24 mittee may—

1 (A) provide all necessary support to an In-
2 spector General or Inspectors General in the
3 conduct of investigations, audits, evaluations,
4 and reviews relating to covered funds and
5 Coronavirus response; and

6 (B) collaborate on investigations, audits
7 and reviews relating to covered funds and
8 Coronavirus response with any Inspector Gen-
9 eral of an agency or more than one Inspectors
10 General.

11 (3) AUTHORITIES.—

12 (A) AUDITS AND INVESTIGATIONS.—In
13 providing assistance to Inspectors General in
14 the conduct of investigations, audits and re-
15 views, the Committee shall have the authorities
16 provided under section 6 of the Inspector Gen-
17 eral Act of 1978 (5 U.S.C. App.). The Com-
18 mittee may issue subpoenas to compel the testi-
19 mony of persons and may enforce subpoenas in
20 the event of a refusal to obey by order of any
21 appropriate United States district court as pro-
22 vided for Inspector General subpoenas under
23 section 6 of the Inspector General Act of 1978
24 (5 U.S.C. App.).

1 (B) STANDARDS AND GUIDELINES.—The
2 Committee shall carry out the powers under
3 paragraphs (1) and (2) in accordance with sec-
4 tion 4(b)(1) of the Inspector General Act of
5 1978 (5 U.S.C. App.).

6 (C) REPORT OF REFUSALS.—Whenever in-
7 formation or assistance requested by the Com-
8 mittee or an Inspector General, is unreasonably
9 refused or not provided, the Committee shall
10 immediately report the circumstances to the ap-
11 propriate committees.

12 (D) INFORMATION AND ASSISTANCE.—
13 Upon request of the Committee for information
14 or assistance from any agency or other entity of
15 the Federal Government, or any recipient under
16 this Act, the head of such entity shall, insofar
17 as is practicable and not in contravention of
18 any existing law, and consistent with section 6
19 of the Inspector General Act of 1978, as
20 amended, furnish such information or assist-
21 ance to the Committee.

22 (4) CONTRACTS.—The Council may enter into
23 contracts to enable the Committee to discharge its
24 duties under this Act, including contracts for audits,
25 studies, analyses, and other services with public

1 agencies and private persons, and make such pay-
2 ments as may be necessary to carry out the duties
3 of the Committee.

4 (5) TRANSFER OF FUNDS.—The Council may
5 transfer funds appropriated to the Council under
6 this section for administrative support services and
7 any audits, investigations, reviews, or other activities
8 to any office of Inspector General.

9 (6) EMPLOYMENT AND PERSONNEL AUTHORI-
10 TIES.—

11 (A) IN GENERAL.—

12 (i) AUTHORITIES.—The Council may
13 exercise the authorities of subsections (b)
14 through (i) of section 3161 of title 5,
15 United States Code, (without regard to
16 subsection (a) of that section) to carry out
17 the Committee’s functions under this sec-
18 tion.

19 (ii) APPLICATION.—For purposes of
20 exercising the authorities described under
21 clause (i), the term “Chairperson of the
22 Council” shall be substituted for the term
23 “head of a temporary organization”.

24 (iii) CONSULTATION.—In exercising
25 the authorities described under clause (i),

1 the Chairperson shall consult with mem-
2 bers of the Committee.

3 (iv) EMPLOYMENT AUTHORITIES.—In
4 exercising the employment authorities
5 under subsection (b) of section 3161 of
6 title 5, United States Code, paragraph (2)
7 of subsection (b) of section 3161 of that
8 title (relating to periods of appointments)
9 shall not apply and no period of appoint-
10 ment may exceed the date on which the
11 Committee terminates under subsection (i).

12 (v) DETAIL OF PERSONNEL.—In addi-
13 tion to the authority provided by sub-
14 section (c) of section 3161 of title 5,
15 United States Code, upon the request of
16 an Inspector General, the Council may de-
17 tail, on a nonreimbursable basis, any per-
18 sonnel of the Committee to that Inspector
19 General to assist in carrying out any audit
20 or investigation referred to the Inspector
21 General by the Committee.

22 (vi) REHIRING ANNUITANTS.—The
23 Committee may employ annuitants covered
24 by section 9902(g) of title 5, United States
25 Code, for purposes of the oversight of cov-

1 ered funds or the Coronavirus response.
2 The employment of annuitants under this
3 subparagraph shall be subject to the provi-
4 sions of section 9902(g) of title 5, United
5 States Code, as if the Committee was the
6 Department of Defense.

7 (vii) COMPETITIVE STATUS.—A per-
8 son employed by the Committee shall ac-
9 quire competitive status for appointment to
10 any position in the competitive service for
11 which the employee possesses the required
12 qualifications upon the completion of 2
13 years of continuous service as an employee
14 under this subsection. No person who is
15 first employed more than 2 years after the
16 date of the enactment of this Act may ac-
17 quire competitive status under this author-
18 ity.

19 (e) COMMITTEE WEBSITE.—

20 (1) ESTABLISHMENT.—The Committee shall
21 utilize www.Oversight.gov to establish and maintain,
22 no later than 30 days after the enactment of this
23 Act, a public-facing website for accountability and
24 transparency in the use of covered funds.

1 (2) PURPOSE.—The website established and
2 maintained under paragraph (1) shall provide infor-
3 mation relating to implementation of this Act and
4 provide connections to other government websites
5 with related information.

6 (3) CONTENT AND FUNCTION.—In establishing
7 the website established and maintained under para-
8 graph (1), the Committee shall ensure the website—

9 (A) provides materials explaining what this
10 Act means for citizens in plain language and
11 shall be regularly updated;

12 (B) provides accountability information, in-
13 cluding findings from audits, investigations, or
14 reviews conducted by the Committee, Inspectors
15 General, and the Government Accountability
16 Office;

17 (C) provides data made available in a
18 searchable, sortable, downloadable, and ma-
19 chine-readable format;

20 (D) provides—

21 (i) data on how funds provided under
22 this Act are spent including through rel-
23 evant economic, financial, grant, subgrant,
24 contract, subcontract, loan, and other rel-
25 evant information with a unique, trackable

1 identification number for each project
2 where applicable; and

3 (ii) information about the process that
4 was used for the award of loans, grants, or
5 contracts, and for contracts over \$150,000,
6 an explanation of the contract agreement
7 where applicable;

8 (E) includes searchable, sortable,
9 downloadable, machine-readable reports on cov-
10 ered funds obligated by month to each State
11 and congressional district where applicable;

12 (F) includes detailed information on Fed-
13 eral Government contracts, grants, and loans
14 that expend covered funds, using, where appli-
15 cable, the data elements required by the Digital
16 Access and Transparency Act (Public Law
17 113–101), and shall allow for aggregate report-
18 ing on awards below \$50,000 or to individuals,
19 as prescribed by the Director of the Office of
20 Management and Budget;

21 (G) includes appropriate links to other gov-
22 ernment websites with information concerning
23 covered funds, including Federal agency and
24 State websites;

1 (H) provides information on Federal allo-
2 cations of formula grants and awards of com-
3 petitive grants using covered funds;

4 (I) provides, if applicable, information on
5 Federal allocations of mandatory and other en-
6 titlement programs by State, county, or other
7 appropriate geographical unit;

8 (J) be enhanced and updated as necessary
9 to carry out the purposes of this section; and

10 (K) presents the data such that funds sub-
11 awarded by recipients are not double counted in
12 search results, data visualizations or other re-
13 ports.

14 (4) WAIVER.—The Committee may exclude
15 posting contractual or other information on the
16 website on a case-by-case basis when necessary to
17 protect information that is not subject to disclosure
18 under sections 552 and 552a of title 5, United
19 States Code.

20 (f) INDEPENDENCE OF INSPECTORS GENERAL.—

21 (1) INDEPENDENT AUTHORITY.—Nothing in
22 this section shall affect the independent authority of
23 an Inspector General or the Comptroller General to
24 determine whether to conduct an audit or investiga-
25 tion of covered funds.

1 (2) REQUESTS BY COMMITTEE.—If the Com-
2 mittee requests that an Inspector General conduct or
3 refrain from conducting an audit or investigation
4 and such Inspector General rejects such request in
5 whole or in part, such Inspector General shall, not
6 later than 30 days after rejecting the request, sub-
7 mit a report to the appropriate congressional com-
8 mittees. The report shall state the reasons that such
9 Inspector General has rejected the request in whole
10 or in part.

11 (g) COORDINATION WITH THE COMPTROLLER GEN-
12 ERAL AND STATE AUDITORS.—The Committee shall co-
13 ordinate its oversight activities with the Comptroller Gen-
14 eral of the United States and State and local auditors.

15 (h) AUTHORIZATION OF APPROPRIATIONS.—For the
16 purposes of carrying out the mission of the Council of the
17 Inspectors General on Integrity and Efficiency under sec-
18 tion 11 of the Inspector General Act of 1978 (5 U.S.C.
19 App.) and to carry out this section, there are authorized
20 to be appropriated into the revolving fund described in
21 subsection (c)(3)(B) of such section, out of any amount
22 in the Treasury not otherwise appropriated, \$60,000,000
23 to carry out the duties and functions of the Council.

1 (i) TERMINATION OF THE COMMITTEE.—The Com-
2 mittee and its authorities and responsibilities shall termi-
3 nate on the later of—

4 (1) the date the last grant administered under
5 this Act is expended;

6 (2) the date the last contract administered
7 under this Act expires;

8 (3) the date the last loan or loan guarantee pro-
9 vided under this Act matures or expires, as appro-
10 priate; or

11 (4) the date the last instrument or asset ac-
12 quired by the Federal Government has been sold or
13 transferred out of the ownership or control of the
14 Federal Government, or otherwise disposed of.

15 (j) DEFINITIONS.—In this section:

16 (1) COMMITTEE.—The term “Committee”
17 means the Coronavirus Accountability and Trans-
18 parency Committee established in subsection (a).

19 (2) COVERED FUNDS.—The term “covered
20 funds” means any funds that are made available, in
21 any form, under this Act.

22 (3) RECIPIENT.—The term “recipient” means a
23 recipient of Federal funds under this Act.

24 (4) APPROPRIATE CONGRESSIONAL COMMIT-
25 TEES.—The term “appropriate congressional com-

1 mittees” means the Committees on Appropriations
2 and Homeland Security of the Senate and Commit-
3 tees on Appropriations and Oversight and Reform in
4 the House of Representatives.

5 **SEC. 130002. GAO OVERSIGHT AND AUDIT AUTHORITY.**

6 (a) **AUTHORITY.**—The Comptroller General shall con-
7 duct monitoring and oversight of the exercise of authori-
8 ties under this Act or any other Act to prepare for, re-
9 spond to, and recover from the Coronavirus pandemic and
10 the effect of the pandemic on the health, economy, and
11 public and private institutions of the United States, in-
12 cluding public health and homeland security efforts by the
13 Federal Government and the use of selected funds under
14 this or any other Act related to the Coronavirus pandemic.

15 (b) **BRIEFINGS AND REPORTS.**—In conducting moni-
16 toring and oversight under subsection (a), the Comptroller
17 General shall—

18 (1) during the period beginning on the date of
19 enactment of this Act and ending on the date on
20 which the national emergency declared by the Presi-
21 dent under the National Emergencies Act (50
22 U.S.C. 1601 et seq.) with respect to the Coronavirus
23 Disease 2019 expires, offer regular briefings on not
24 less frequently than a monthly basis to the appro-

1 piate congressional committees regarding Federal
2 public health and homeland security efforts;

3 (2) publish reports regarding the ongoing moni-
4 toring and oversight efforts, which, along with any
5 audits and investigations conducted by the Comp-
6 troller General, shall be submitted to the appropriate
7 congressional committees and posted on the website
8 of the Government Accountability Office—

9 (A) not later than 90 days after the date
10 of enactment of this Act, every other month
11 thereafter until the date that is 1 year after the
12 date of enactment of this Act; and

13 (B) after the period described in subpara-
14 graph (A), on a periodic basis; and

15 (3) submit to the appropriate congressional
16 committees additional reports as warranted by the
17 findings of the monitoring and oversight activities of
18 the Comptroller General.

19 (c) ACCESS TO INFORMATION.—

20 (1) RIGHT OF ACCESS.—In conducting moni-
21 toring and oversight activities under this section, the
22 Comptroller General shall have access to records,
23 upon request, of any Federal, State, or local agency,
24 contractor, grantee, recipient, or subrecipient per-
25 taining to any Federal effort or assistance of any

1 type related to Coronavirus under this Act or any
2 other Act, including private entities receiving such
3 assistance.

4 (2) COPIES.—The Comptroller General may
5 make and retain copies of any records accessed
6 under paragraph (1) as the Comptroller General de-
7 termines appropriate.

8 (3) INTERVIEWS.—In addition to such other au-
9 thorities as are available, the Comptroller General or
10 a designee of the Comptroller General may interview
11 Federal, State, or local officials, contractor staff,
12 grantee staff, recipients, or subrecipients pertaining
13 to any Federal effort or assistance of any type re-
14 lated to Coronavirus under this or any other Act, in-
15 cluding private entities receiving such assistance.

16 (4) INSPECTION OF FACILITIES.—As deter-
17 mined necessary by the Comptroller General, the
18 Government Accountability Office may inspect facili-
19 ties at which Federal, State, or local officials, con-
20 tractor staff, grantee staff, or recipients or sub-
21 recipients carry out their responsibilities related to
22 Coronavirus.

23 (5) ENFORCEMENT.—Access rights under this
24 subsection shall be subject to enforcement consistent
25 with section 716 of title 31, United States Code.

1 (d) RELATIONSHIP TO EXISTING AUTHORITY.—

2 Nothing in this section shall be construed to limit, amend,
3 supersede, or restrict in any manner any existing author-
4 ity of the Comptroller General.

5 [(e) APPROPRIATIONS FOR GOVERNMENT ACCOUNT-
6 ABILITY OFFICE.—Out of amounts in the Treasury not
7 otherwise appropriated, there is appropriated, for an addi-
8 tional amount for “Government Accountability Office—
9 Salaries and Expenses”, \$50,000,000, to remain available
10 until expended, for audits and investigations relating to—

11 [(1) Coronavirus or similar pandemics; and

12 [(2) any related stimulus funding to assist the
13 response of the United States to the major health
14 and economic vulnerabilities of the United States to
15 pandemics.]

16 (f) DEFINITIONS.—In this section:

17 (1) APPROPRIATE CONGRESSIONAL COMMIT-
18 TEES.—The term “appropriate congressional com-
19 mittees” means—

20 (A) the Committee on Appropriations of
21 the Senate;

22 (B) the Committee on Homeland Security
23 and Governmental Affairs of the Senate;

24 (C) the Committee on Health, Education,
25 Labor, and Pensions of the Senate;

1 (D) the Committee on Appropriations of
2 the House of Representatives;

3 (E) the Committee on Homeland Security
4 of the House of Representatives;

5 (F) the Committee on Oversight and Re-
6 form of the House of Representatives; and

7 (G) the Committee on Energy and Com-
8 merce of the House of Representatives.

9 (2) COMPTROLLER GENERAL.—The term
10 “Comptroller General” means the Comptroller Gen-
11 eral of the United States.

12 **DIVISION N—U.S. POSTAL**
13 **SERVICE PROVISIONS**

14 **SEC. 140001. ELIMINATION OF USPS DEBT; ADDITIONAL**
15 **BORROWING AUTHORITY.**

16 (a) IN GENERAL.—Notwithstanding any other provi-
17 sion of law—

18 (1) any outstanding debt of the United States
19 Postal Service owed to the Treasury pursuant to sec-
20 tions 2005 and 2011 of title 5, United States Code,
21 on the date of the enactment of this Act is hereby
22 cancelled; and

23 (2) after the date of the enactment of this Act,
24 the United States Postal Service is authorized to
25 borrow money from the Treasury in an amount not

1 to exceed \$15,000,000,000 to carry out the duties
2 and responsibilities of the Postal Service, including
3 those under title 39, United States Code, and the
4 Secretary of the Treasury shall lend up to such
5 amount at the request of the Postal Service.

6 (b) REPEAL OF FISCAL YEAR BORROWING LIMIT.—
7 Section 2005(a)(1) of title 39, United States Code, is
8 amended by striking “In any one fiscal year,” and all that
9 follows through the period.

10 **SEC. 140002. PRIORITIZATION OF DELIVERY FOR MEDICAL**
11 **PURPOSES DURING COVID-19 EMERGENCY.**

12 Notwithstanding any other provision of law, the
13 United States Postal Service—

14 (1) shall prioritize delivery of postal products
15 for medical purposes during the emergency, declared
16 by the President under section 501 of the Robert T.
17 Stafford Disaster Relief and Emergency Assistance
18 Act (42 U.S.C. 5191) on March 13, 2020, based on
19 the outbreak of COVID-19;

20 (2) may establish temporary delivery points, in
21 such form and manner as the Postal Service deter-
22 mines necessary, to protect employees of the Postal
23 Service and individuals receiving deliveries from the
24 Postal Service; and

1 (3) may institute flexible delivery, in such form
2 and manner as the Postal Service determines nec-
3 essary, in the event operations or employees of the
4 Postal Service are impacted by the COVID–19 out-
5 break described in paragraph (1).

6 **DIVISION O—FEDERAL** 7 **WORKFORCE PROVISIONS**

8 **SEC. 150001. REIMBURSEMENT FOR CHILD AND FAMILY** 9 **CARE FOR FEDERAL EMPLOYEES DURING** 10 **COVID–19 PANDEMIC.**

11 (a) IN GENERAL.—During the period beginning on
12 the date of enactment of this Act and ending on December
13 31, 2020, any employee who is unable to care for a de-
14 pendent child of the employee or a relative of the employee
15 who has COVID–19 as a result of the employee being re-
16 quired to report to their duty station (either permanent
17 or temporary) or to telework shall be entitled to reim-
18 bursement for the costs of such care.

19 (b) APPLICATION.—

20 (1) IN GENERAL.—Any payment provided by
21 operation of subsection (a) shall be paid on a month-
22 ly basis, with payments being made to the employee
23 on the last day of each month.

24 (2) SUBMISSION OF RECEIPTS.—For purposes
25 of determining reimbursement amounts, each em-

1 ployee shall submit to their employing office receipts
2 or other documents as the office may require.

3 (3) LIMIT.—Reimbursement may not be paid to
4 any employee under this section for any month in an
5 amount greater than \$2,000 per child or relative.

6 (c) DEFINITIONS.—In this section—

7 (1) the term “employee” means any individual
8 occupying a position in the civil service (as that term
9 is defined in section 2101(1) of title 5, United
10 States Code); and

11 (2) the terms “dependent child” and “relative”
12 have the meaning given those terms in paragraphs
13 (2) and (16), respectively, of section 109 of the Eth-
14 ics in Government Act of 1978 (5 U.S.C. App.
15 109(2)).

16 **SEC. 150002. FEDERAL CONTRACTOR REIMBURSEMENT.**

17 Not later than 10 calendar days after the date of the
18 enactment of this Act, the Director of the Office of Man-
19 agement and Budget, in consultation with the Adminis-
20 trator of the Office of Federal Procurement Policy, shall
21 issue guidance to the head of each executive agency to pro-
22 vide equitable adjustment for any contractor under a con-
23 tract with the Federal Government whose work was dis-
24 rupted as a result of measures taken with respect to
25 COVID–19. For purposes of this section, work disruption

1 shall include denial of access to Federal facilities, supply
2 chain disruptions, use of annual leave by individuals em-
3 ployed to fulfill the contract, and furloughs of individuals
4 employed to fulfill the contract.

5 **SEC. 150003. WEATHER AND SAFETY LEAVE FOR COVID-19.**

6 (a) IN GENERAL.—Beginning on the date of enact-
7 ment of this Act and ending on December 31, 2020, sub-
8 section (b)(3) of section 6329c of title 5, United States
9 Code, shall be applied by substituting “approved location,
10 including by reason of the inability to travel or access work
11 stations as a result of COVID-19” for “approved loca-
12 tion”.

13 (b) APPROVED LOCATION.—Such section is amended
14 in subsection (a)—

15 (1) by striking “and” at the end of paragraph
16 (1);

17 (2) by striking the period at the end of para-
18 graph (2) and inserting “; and”; and

19 (3) by adding at the end the following:

20 “(3) the term ‘approved location’ means any lo-
21 cation at which an employee has been approved to
22 perform work, including any Federal office, a tele-
23 working site, or other location as determined by the
24 head of the agency at which the employee is em-
25 ployed.”.

1 (c) RULE OF CONSTRUCTION.—Notwithstanding sub-
2 paragraph (B) of subsection (a)(2) of such section, inter-
3 mittent employees described in such subparagraph shall
4 be eligible for the leave provided by operation of subsection
5 (a) of this section.

6 **SEC. 150004. COVID-19 TELEWORKING REQUIREMENTS FOR**
7 **FEDERAL EMPLOYEES.**

8 (a) MANDATED TELEWORK.—

9 (1) IN GENERAL.—Effective immediately upon
10 the date of enactment of this Act, the head of any
11 Federal agency shall require any employee of such
12 agency who is authorized to telework under chapter
13 65 of title 5, United States Code, or any other provi-
14 sion of law to telework during the period beginning
15 on the date of enactment of this Act and ending on
16 December 31, 2020.

17 (2) DEFINITIONS.—In this subsection—

18 (A) the term “employee” means any indi-
19 vidual occupying a position in the civil service
20 (as that term is defined in section 2101(1) of
21 title 5, United States Code); and

22 (B) the term “telework” has the meaning
23 given that term in section 6501(3) of such title.

24 (b) TELEWORK PARTICIPATION GOALS.—Chapter 65
25 of title 5, United States Code, is amended as follows:

1 (1) In section 6502—

2 (A) in subsection (b)—

3 (i) in paragraph (4), by striking
4 “and” at the end;

5 (ii) in paragraph (5), by striking the
6 period at the end and inserting a semi-
7 colon; and

8 (iii) by adding at the end the fol-
9 lowing:

10 “(6) include annual goals for increasing the
11 percent of employees of the executive agency partici-
12 pating in teleworking—

13 “(A) three or more days per pay period;

14 “(B) one or 2 days per pay period;

15 “(C) once per month; and

16 “(D) on an occasional, episodic, or short-
17 term basis; and

18 “(7) include methods for collecting data on, set-
19 ting goals for, and reporting costs savings to the ex-
20 ecutive agency achieved through teleworking, con-
21 sistent with the guidance developed under section
22 2(c) of the [_____] Act.”; and

23 (B) by adding at the end the following:

24 “(d) NOTIFICATION FOR REDUCTION IN TELE-
25 WORKING PARTICIPATION.—Not later than 30 days before

1 the date that an executive agency implements or modifies
2 a teleworking plan that would reduce the percentage of
3 employees at the agency who telework, the head of the ex-
4 ecutive agency shall provide written notification, including
5 a justification for the reduction in telework participation
6 and a description of how the agency will pay for any in-
7 creased costs resulting from that reduction, to—

8 “(1) the Director of the Office of Personnel
9 Management;

10 “(2) the Committee on Oversight and Reform
11 of the House of Representatives; and

12 “(3) the Committee on Homeland Security and
13 Governmental Affairs of the Senate.

14 “(e) PROHIBITION ON AGENCY-WIDE LIMITS ON
15 TELEWORKING.—An agency may not prohibit any delin-
16 eated period of teleworking participation for all employees
17 of the agency, including the periods described in subpara-
18 graphs (A) through (D) of subsection (b)(6). The agency
19 shall make any teleworking determination with respect to
20 an employee or group of employees at the agency on a
21 case-by-case basis.”.

22 (2) In section 6506(b)(2)—

23 (A) in subparagraph (F)(vi), by striking

24 “and” at the end;

1 (B) in subparagraph (G), by striking the
2 period at the end and inserting a semicolon;
3 and

4 (C) by adding at the end the following:

5 “(H) agency cost savings achieved through
6 teleworking, consistent with the guidance devel-
7 oped under section 2(c) of the Telework Metrics
8 and Cost Savings Act; and

9 “(I) a detailed explanation of a plan to in-
10 crease the Government-wide teleworking partici-
11 pation rate above such rate applicable to fiscal
12 year 2016, including agency-level plans to main-
13 tain or improve such rate for each of the tele-
14 working frequency categories listed under sub-
15 paragraph (A)(iii).”.

16 (c) GUIDANCE.—Not later than 90 days after the
17 date of the enactment of this Act, the Director of the Of-
18 fice of Personnel Management, in collaboration with the
19 Chief Human Capital Officer Council, shall establish uni-
20 form guidance for agencies on how to collect data on, set
21 goals for, and report cost savings achieved through, tele-
22 working. Such guidance shall account for cost savings re-
23 lated to travel, energy use, and real estate.

1 (d) TECHNICAL CORRECTION.—Section 6506(b)(1)
2 of title 5, United States Code, is amended by striking
3 “with Chief” and inserting “with the Chief”.

4 **SEC. 150005. PAY DIFFERENTIAL FOR DUTY RELATED TO**
5 **COVID-19.**

6 (a) IN GENERAL.—Section 5545 of title 5, United
7 States Code, is amended by adding at the end the fol-
8 lowing:

9 “(e)(1) The Office shall establish a schedule or sched-
10 ules of pay differentials for duty during which an employee
11 is exposed to an individual who has (or who has been ex-
12 posed to) COVID-19.

13 “(2) Under such regulations as the Office may pre-
14 scribe, during the period beginning on March 15, 2020,
15 and ending on September 30, 2020, an employee to whom
16 chapter 51 and subchapter III of chapter 53 applies, and
17 an employee appointed under chapter 73 or 74 of title 38,
18 is entitled to be paid the differential under paragraph (1)
19 for any period in which the employee is carrying out the
20 duty described in such paragraph.”.

21 (b) TSA EMPLOYEES.—Section 111(d)(2) of the
22 Aviation and Transportation Security Act (49 U.S.C.
23 44935 note) is amended by adding at the end the fol-
24 lowing:

1 “(C) HAZARDOUS DUTY PAY FOR COVID—
2 19.—The provisions of section 5545(e) of title
3 5, United States Code, shall to apply to any in-
4 dividual appointed under paragraph (1).”.

5 **DIVISION P—FEDERAL EM-**
6 **EMPLOYEE COLLECTIVE BAR-**
7 **GAINING AND OFFICIAL TIME**

8 **SEC. 160001. SHORT TITLE.**

9 This division may be cited as the “Protecting Collec-
10 tive Bargaining and Official Time for Federal Workers
11 Act”.

12 **SEC. 160002. FINDINGS.**

13 Congress finds the following:

14 (1) Federal Unions play a critical role in pro-
15 tecting the rights of Federal workers by allowing
16 members to have a collective voice on the job and in
17 the legislative process, advance issues for working
18 families, ensure equal opportunities for all workers,
19 and raise the standards by which all professional
20 and technical workers are employed.

21 (2) Collective bargaining is essential to the
22 union process, because it provides mutual agreement
23 between all parties that fosters harmonious relation-
24 ships between the Federal Government and its em-
25 ployees and protects the interest of both parties.

1 (3) The current administration has acted
2 through Executive Orders and official memorandums
3 to dismantle Federal Unions and undermine their
4 collective bargaining rights across the Federal work-
5 force and these directives have already negatively
6 impacted labor contracts, both signed and under ac-
7 tive negotiation.

8 (4) These orders set an aggressive schedule for
9 unions to engage in collective bargaining, while also
10 slashing the unions official time for performing
11 union duties by over 91 percent in some cases.
12 These actions are limiting the ability for unions to
13 prepare for negotiations and perform their legally re-
14 quired employee representational duties.

15 (5) Section 7101(a) of title 5, United States
16 Code, states, “Congress finds that labor organiza-
17 tions and collective bargaining in the civil service are
18 in the public interest.”. Attempting to eliminate the
19 Union by eliminating almost all its official time re-
20 pudiates the statutory position that unions are in
21 the public interest.

22 (6) Through these orders, agencies are required
23 to comply with artificial bargaining schedules, which
24 undermine good faith negotiations and divert the de-
25 cision-making to an impasse panel, which has no

1 union representation on it and does not represent
2 both parties.

3 (7) Collectively, the administration's actions
4 have violated Congressional intent, undermined the
5 ability of unions to engage in collective bargaining,
6 and threatened the rights and benefits of millions of
7 Federal workers.

8 **SEC. 160003. NULLIFICATION OF EXECUTIVE ORDERS RE-**
9 **LATING TO FEDERAL EMPLOYEE COLLEC-**
10 **TIVE BARGAINING.**

11 Each of the following Executive Orders and presi-
12 dential memorandum are rescinded and shall have no force
13 or effect:

14 (1) Executive Order 13837 (relating to the use
15 of official time).

16 (2) Executive Order 13836 (relating to Federal
17 collective bargaining).

18 (3) Executive Order 13839 (relating to the
19 Merit Systems Protection Board).

20 (4) The Presidential Memorandum on the Dele-
21 gation of Certain Authority under the Federal Serv-
22 ice Labor-Management Relations Statute, issued to
23 the Secretary of Defense on January 29, 2020.

1 **DIVISION Q—STUDENT VETERAN**
2 **CORONAVIRUS RESPONSE**
3 **ACT OF 2020**

4 **SEC. 170001. SHORT TITLE.**

5 This division may be cited as the “Student Veteran
6 Coronavirus Response Act of 2020”.

7 **SEC. 170002. PAYMENT OF WORK-STUDY ALLOWANCES DUR-**
8 **ING EMERGENCY SITUATIONS.**

9 Section 3485 of title 38, United States Code, is
10 amended by adding at the end the following new sub-
11 section:

12 “(f)(1) In case of an individual who is in receipt of
13 work-study allowance pursuant to an agreement described
14 in subsection (a)(3) as of the date on which an emergency
15 situation occurs and who is unable to continue to perform
16 qualifying work-study activities described in subsection
17 (a)(4) by reason of the emergency situation—

18 “(A) the Secretary may continue to pay work-
19 study allowance under this section or make deduc-
20 tions described in subsection (e)(1) during the pe-
21 riod of such emergency situation, notwithstanding
22 the inability of the individual to perform such work-
23 study activities by reason of such emergency situa-
24 tion; and

1 “(B) at the option of the individual, the Sec-
2 retary shall extend the agreement described in sub-
3 section (a)(3) with the individual for any subsequent
4 period of enrollment initiated during the emergency
5 situation, notwithstanding the inability of the indi-
6 vidual to perform work-study activities described in
7 subsection (a)(4) by reason of such emergency situa-
8 tion.

9 “(2) The amount of work-study allowance payable to
10 an individual under paragraph (1)(A) during the period
11 of an emergency situation shall be an amount determined
12 by the Secretary but may not exceed the amount that
13 would be payable under subsection (a)(2) if the individual
14 worked 25 hours per week paid during such period.”.

15 **SEC. 170003. PAYMENT OF ALLOWANCES TO VETERANS EN-**
16 **ROLLED IN EDUCATIONAL INSTITUTIONS**
17 **CLOSED FOR EMERGENCY SITUATIONS.**

18 (a) TEMPORARY PROVISION.—

19 (1) IN GENERAL.—During the period beginning
20 on March 1, 2020, and ending on December 21,
21 2020, the Secretary may pay allowances to an eligi-
22 ble veteran or eligible person under section
23 3680(a)(2)(A) of title 38, United States Code, if the
24 veteran or person is enrolled in a program or course
25 of education that—

1 (A) is provided by an educational institu-
2 tion that is closed by reason of an emergency
3 situation; or

4 (B) is suspended by reason of an emer-
5 gency situation.

6 (2) AMOUNT OF ALLOWANCE.—The total num-
7 ber of weeks for which allowances may be paid under
8 this section may not exceed four weeks.

9 (3) NOT COUNTED FOR PURPOSES OF LIMITA-
10 TION.—Any amount paid under this section shall not
11 be counted for purposes of the limitation on
12 allowed under section 3680(a)(2)(A) of title 38,
13 United States Code.

14 (b) PERMANENT PROVISION.—Section 3680(a)(2) of
15 title 38, United States Code, is amended—

16 (1) in subparagraph (A), by striking “12-
17 month” and inserting “six-month”; and

18 (2) in subparagraph (B)—

19 (A) by striking “or following” and insert-
20 ing “during periods following”; and

21 (B) by inserting after “section
22 3699(b)(1)(B) of this title,” the following: “, or
23 during periods when a course of study or pro-
24 gram of education is temporarily closed or ter-
25 minated by reason of an emergency situation,”.

1 **SEC. 170004. PROHIBITION OF CHARGE TO ENTITLEMENT**
2 **OF STUDENTS UNABLE TO PURSUE A PRO-**
3 **GRAM OF EDUCATION DUE TO AN EMER-**
4 **GENCY SITUATION.**

5 Section 3699(b)(1) of title 38, United States Code,
6 is amended—

7 (1) in subparagraph (A), by striking “or” at
8 the end;

9 (2) in subparagraph (B)(ii), by striking “and”
10 at the end and inserting “or” ; and

11 (3) by adding at the end the following new sub-
12 paragraph:

13 “(C) the temporary closure of an edu-
14 cational institution or the temporary closure or
15 termination of a course or program of education
16 by reason of an emergency situation; and”.

17 **SEC. 170005. EXTENSION OF TIME LIMITATIONS FOR USE**
18 **OF ENTITLEMENT.**

19 (a) MONTGOMERY GI BILL.—Section 3031 of title
20 38, United States Code, is amended by adding at the end
21 the following new subsection:

22 “(i) In the case of an individual eligible for edu-
23 cational assistance under this chapter who is prevented
24 from pursuing the individual’s chosen program of edu-
25 cation before the expiration of the 10-year period for the
26 use of entitlement under this chapter otherwise applicable

1 under this section because the educational institution
2 closed (temporarily or permanently) under an established
3 policy based on an Executive order of the President or
4 due to an emergency situation, such 10-year period—

5 “(1) shall not run during the period the indi-
6 vidual is so prevented from pursuing such program;
7 and

8 “(2) shall again begin running on the first day
9 after the individual is able to resume pursuit of a
10 program of education with educational assistance
11 under this chapter.”.

12 (b) POST-9/11 EDUCATIONAL ASSISTANCE.—

13 (1) IN GENERAL.—Section 3321(b)(1) of such
14 title is amended—

15 (A) by inserting “(A)” before “Sub-
16 sections”;

17 (B) by striking “and (d)” and inserting
18 “(d), and (i)”; and by adding at the end the fol-
19 lowing new subparagraph:

20 “(B) Subsection (i) of section 3031 shall apply
21 with respect to the running of the 15-year period de-
22 scribed in paragraphs (4)(A) and (5)(A) of this sub-
23 section in the same manner as such subsection ap-
24 plies under section 3031 with respect to the running
25 of the 10-year period described in section 3031(a).”.

1 (2) TRANSFER PERIOD.—Section 3319(h)(5) is
2 amended—

3 (A) in subparagraph (A) by inserting “or
4 (C)” after “subparagraph (B)”; and

5 (B) by adding at the end the following new
6 subparagraph:

7 “(C) EMERGENCY SITUATIONS.—In any
8 case in which the Secretary determines that an
9 individual to whom entitlement is transferred
10 under this section has been prevented from pur-
11 suing the individual’s chosen program of edu-
12 cation before the individual attains the age of
13 26 years because the educational institution
14 closed (temporarily or permanently) under an
15 established policy based on an Executive order
16 of the President or due to an emergency situa-
17 tion, the Secretary shall extend the period dur-
18 ing which the individual may use such entitle-
19 ment for a period equal to the number of
20 months that the individual was so prevented
21 from pursuing the program of education, as de-
22 termined by the Secretary.”.

23 (c) VOCATIONAL REHABILITATION AND TRAINING.—

24 (1) PERIOD FOR USE.—Section 3103 of such
25 title is amended—

1 (A) in subsection (a), by striking “or (e)”
2 and inserting “(e), or (g)”; and

3 (B) by adding at the end the following new
4 subsection:

5 “(g) In any case in which the Secretary determines
6 that a veteran has been prevented from participating in
7 a vocational rehabilitation program under this chapter
8 within the twelve-year period of eligibility prescribed in
9 subsection (a) by reason of an Executive order of the
10 President or due to an emergency situation, such twelve-
11 year period—

12 “(1) shall not run during the period the indi-
13 vidual is so prevented from participating such pro-
14 gram; and

15 “(2) shall again begin running on the first day
16 after the individual is able to resume participation in
17 such program.”.

18 (2) DURATION OF PROGRAM.—Section 3105(b)
19 of such title is amended—

20 (A) in paragraph (1), by striking “para-
21 graph (2)” and inserting “paragraphs (2) and
22 (3)”; and

23 (B) by adding at the end the following new
24 paragraph:

1 “(3)(A) In any case in which the Secretary deter-
2 mines that a veteran has been prevented from partici-
3 pating in counseling and placement and postplacement
4 services described in section 3104(a)(2) and (5) of this
5 title by reason of an Executive order of the President or
6 due to an emergency situation, the Secretary shall extend
7 the period during which the Secretary may provide such
8 counseling and placement and postplacement services for
9 the veteran for a period equal to the number of months
10 that the veteran was so prevented from participating in
11 such counseling and services, as determined by the Sec-
12 retary.

13 “(B) In any case in which the Secretary determines
14 that a veteran has been prevented from participating in
15 a vocational rehabilitation program under this chapter by
16 reason of an Executive order of the President or due to
17 an emergency situation, the Secretary shall extend the pe-
18 riod of the veteran’s vocational rehabilitation program for
19 a period equal to the number of months that the veteran
20 was so prevented from participating in the vocational re-
21 habilitation program, as determined by the Secretary.”.

22 (d) EDUCATIONAL ASSISTANCE FOR MEMBERS OF
23 THE SELECTED RESERVE.—Section 16133(b) of title 10,
24 United States Code, is amended by adding at the end the
25 following new paragraph:

1 “(5) In any case in which the Secretary concerned
2 determines that a person entitled to educational assistance
3 under this chapter has been prevented from using such
4 person’s entitlement by reason of an Executive order of
5 the President or due to an emergency situation, the Sec-
6 retary concerned shall extend the period of entitlement
7 prescribed in subsection (a) for a period equal to the num-
8 ber of months that the person was so prevented from using
9 such entitlement, as determined by the Secretary.”.

10 **SEC. 170006. RESTORATION OF ENTITLEMENT TO REHA-**
11 **BILITATION PROGRAMS FOR VETERANS AF-**
12 **FECTED BY SCHOOL CLOSURE OR DIS-**
13 **APPROVAL.**

14 (a) ENTITLEMENT.—Section 3699 of title 38, United
15 States Code, is amended by striking “chapter 30,” each
16 time it appears and inserting “chapter 30, 31,”.

17 (b) PAYMENT OF SUBSISTENCE ALLOWANCES.—Sec-
18 tion 3680(a)(2)(B) of title 38, United States Code, is
19 amended—

20 (1) by inserting “or a subsistence allowance de-
21 scribed in section 3108” before “, during”; and

22 (2) by inserting “or allowance” after “such a
23 stipend”.

24 (c) EFFECTIVE DATE.—The amendments made by
25 this section shall apply as if included in the enactment

1 of section 109 of the Harry W. Colmery Veterans Edu-
2 cational Assistance Act of 2017 (Public Law 115–48; 131
3 Stat. 978).

4 **SEC. 170007. EXTENSION OF PAYMENT OF VOCATIONAL RE-**
5 **HABILITATION SUBSISTENCE ALLOWANCES.**

6 In the case of any veteran who the Secretary of Vet-
7 erans Affairs determines is satisfactorily following a pro-
8 gram of employment services provided under section
9 3104(a)(5) of title 38, United States Code, during period
10 beginning on March 1, 2020, and ending on December 21,
11 2020, the Secretary may pay the veteran a subsistence al-
12 lowance, as prescribed in section 3108 of such title for
13 full-time training for the type of program that the veteran
14 was pursuing, for two additional months.”.

15 **SEC. 170008. INCREASE OF AMOUNT OF DEPARTMENT OF**
16 **VETERANS AFFAIRS PAYMENTS FOR AID AND**
17 **ATTENDANCE DURING EMERGENCY PERIOD**
18 **RESULTING FROM COVID–19 PANDEMIC.**

19 (a) IN GENERAL.—During the covered period, the
20 Secretary of Veterans Affairs shall apply each of the fol-
21 lowing provisions of title 38, United States Code, by sub-
22 stituting for the dollar amount in such provision the
23 amount equal to 125 percent of the dollar amount that
24 was in effect under such provision on the date of the en-
25 actment of this Act:

1 (1) Subsections (l), (m), and (r) of section
2 1114.

3 (2) Paragraphs (1) and (2) of subsection (d) of
4 section 1521.

5 (3) Paragraphs (2) and (4) of subsection (f) of
6 section 1521.

7 (b) COVERED PERIOD.—In this section, the covered
8 period is the period that begins on the date of the enact-
9 ment of this Act and ends 60 days after the last day of
10 the emergency period (as defined in section 1135(g)(1) of
11 the Social Security Act (42 U.S.C. 1320b-5(g)(1))) result-
12 ing from the COVID–19 pandemic.

13 **SEC. 170009. TREATMENT OF WORK INJURY COMPENSA-**
14 **TION CLAIMS FILED BY EMPLOYEES OF THE**
15 **DEPARTMENT OF VETERANS AFFAIRS FOR**
16 **COVID–19.**

17 (a) ELIGIBILITY.—Notwithstanding section 7425(b)
18 of title 38, United States Code, or any other provision of
19 law, each employee of the Department of Veterans Affairs
20 (including employees under chapter 74 of such title) shall
21 be treated as an employee under chapter 81 of title 5,
22 United States Code, for purposes of making claims under
23 such chapter relating to coronavirus disease 2019
24 (COVID–19).

1 (b) PRESUMPTION.—If an employee of the Depart-
2 ment of Veterans Affairs described in subsection (a) con-
3 tracts coronavirus disease 2019 (COVID–19), such dis-
4 ease shall be presumed to have been proximately caused
5 by the employment of the employee for purposes of claims
6 made under chapter 81 of title 5, United States Code.

7 **SEC. 170010. DEFERRAL OF CERTAIN DEBTS ARISING FROM**
8 **LAWS ADMINISTERED BY THE SECRETARY OF**
9 **VETERANS AFFAIRS.**

10 (a) IN GENERAL.—With regard to a covered debt, the
11 Secretary of Veterans Affairs, during the covered period,
12 may not take any of the following actions:

13 (1) Collect a payment (including by the offset
14 of any payment by the Secretary).

15 (2) Record such a debt.

16 (3) Issue notice of such a debt to an individual
17 or a consumer reporting agency.

18 (4) Allow any interest to accrue.

19 (5) Apply any administrative fee.

20 (b) EXCEPTION.—Notwithstanding subsection (a),
21 the Secretary may collect a payment regarding a covered
22 debt (including interest or any administrative fee) from
23 an individual who elects to make such a payment during
24 the covered period.

25 (c) DEFINITIONS.—In this section:

1 (1) The term “consumer reporting agency” has
2 the meaning given that term in section 5701 of title
3 38, United States Code.

4 (2) The term “covered debt” means a debt
5 owed—

6 (A) by an individual to the United States;
7 and

8 (B) arising from a covered law.

9 (3) The term “covered law” means any law ad-
10 ministered by the Secretary of Veterans Affairs
11 through—

12 (A) the Under Secretary for Health; or

13 (B) the Under Secretary of Benefits.

14 (4) The term “covered period” means—

15 (A) the COVID–19 emergency period; and

16 (B) the 60 days immediately following the
17 date of the end of the COVID–19 emergency
18 period.

19 (5) The term “COVID–19 emergency period”
20 means the emergency period described in section
21 1135(g)(1)(B) of the Social Security Act (42 U.S.C.
22 1320b-5(g)(1)(B)).

1 DIVISION R—AVIATION WORKER

2 RELIEF

3 SEC. 1. SHORT TITLE; TABLE OF CONTENTS.

4 (a) SHORT TITLE.—This division may be cited as the
5 “Emergency Pension Plan Relief Act of 2020”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this division is as follows:

DIVISION _____—AVIATION WORKER RELIEF

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

TITLE I—AVIATION WORKER RELIEF

Sec. 101. Pandemic relief for aviation workers.

Sec. 102. Procedures for financial assistance.

Sec. 103. Terms and conditions.

Sec. 104. Reports.

Sec. 105. Coordination.

TITLE II—LABOR PROTECTIONS

Sec. 201. Assistance irrespective of labor costs.

Sec. 202. Collective bargaining and snap-back.

Sec. 203. Protection of organizing activity.

Sec. 204. Working and travel conditions.

Sec. 205. Labor union representation on air carrier boards.

Sec. 206. Furloughed worker protections.

Sec. 207. Healthcare for unprotected workers.

Sec. 208. Employee wages and leave.

Sec. 209. Limitation on rejection of collective bargaining agreements.

Sec. 210. Increased wage priority.

Sec. 211. Rejection of collective bargaining agreements.

TITLE III—AIRLINE INDUSTRY FINANCIAL OVERSIGHT

Sec. 301. Creation of Office of Airline Industry Financial Oversight.

Sec. 302. Responsibilities of Office of Airline Industry Financial Oversight.

Sec. 303. Access to information.

Sec. 304. Reports to Congress.

Sec. 305. Rulemaking authority.

Sec. 306. Authorization of appropriations.

TITLE IV—AIRPORT RELIEF

Sec. 401. Emergency pandemic funding for airports.

Sec. 402. Maintaining pre-crisis airport improvement program levels.

Sec. 403. National aviation preparedness plan.

TITLE V—SMALL COMMUNITY AIR SERVICE

- Sec. 501. Continuation of certain air service.
- Sec. 502. Tolling of EAS limitations.
- Sec. 503. Sunset.

TITLE VI—CONSUMER PROTECTIONS

- Sec. 601. Airline price gouging during disaster or emergency.
- Sec. 602. Airline refunds during national disasters or emergencies.
- Sec. 603. Conditions on airline ancillary fees.

TITLE VII—ENVIRONMENTAL PROTECTIONS

- Sec. 701. Sustainable aviation fuel development program.
- Sec. 702. Airline Assistance to Recycle and Save Program.
- Sec. 703. Expansion of voluntary airport low emission program.
- Sec. 704. Airline carbon emissions offsets and goals.
- Sec. 705. Research and development of sustainable aviation fuels.
- Sec. 706. Improving consumer information regarding release of greenhouse gases from flights.
- Sec. 707. Study on certain climate change mitigation efforts.

TITLE VIII—MISCELLANEOUS

- Sec. 801. Separability.
- Sec. 802. Application of law.

1 SEC. 2. DEFINITIONS.

2 Unless otherwise specified, the terms in section
3 40102(a) of title 49, United States Code, shall apply to
4 this division, except that—

5 (1) the term “contractor” means a person that
6 performs airport ground support or catering func-
7 tions under contract with a passenger air carrier;
8 and

9 (2) the term “employee” means an individual,
10 other than a corporate officer, who is employed by
11 an air carrier or contractor.

1 **TITLE I—AVIATION WORKER**
2 **RELIEF**

3 **SEC. 101. PANDEMIC RELIEF FOR AVIATION WORKERS.**

4 (a) FINANCIAL ASSISTANCE.—Notwithstanding any
5 other provision of law, the President shall take the fol-
6 lowing actions to preserve aviation jobs and compensate
7 airline industry workers:

8 (1) Issue grants that shall exclusively be used
9 for the continuation of payment of employee wages,
10 salaries, and benefits to—

11 (A) specified entities, in an aggregate
12 amount equal to \$37,000,000,000; and

13 (B) contractors of air carriers, in an ag-
14 gregate amount equal to \$3,000,000,000.

15 (2) Subject to section 102(c), issue unsecured
16 loans and loan guarantees to air carriers in amounts
17 that do not, in the aggregate, exceed
18 \$21,000,000,000.

19 (b) ASSURANCES.—To be eligible for assistance
20 under this section, an air carrier shall enter into an agree-
21 ment with the Secretary of Transportation, or otherwise
22 certify, as determined appropriate by the President, that
23 such air carrier shall comply with any actions required
24 under this division.

1 (c) ADMINISTRATIVE EXPENSES.—Notwithstanding
2 any other provision of law, the Secretary may use
3 \$100,000,000 of the funds made available under section
4 101(a)(2) for costs and administrative expenses associated
5 with the provision of loans or guarantees authorized under
6 such section.

7 (d) SPECIFIED ENTITY DEFINED.—In this section,
8 the term “specified entity” means—

9 (1) an air carrier that is authorized to conduct
10 operations under part 121 of title 14, Code of Fed-
11 eral Regulations; or

12 (2) an air carrier that is authorized to conduct
13 operations under part 135 of title 14, Code of Fed-
14 eral Regulations, that—

15 (A) transports passengers by aircraft on a
16 scheduled basis; or

17 (B) transports property or mail by aircraft
18 on a scheduled or unscheduled basis.

19 **SEC. 102. PROCEDURES FOR FINANCIAL ASSISTANCE.**

20 (a) AWARDABLE AMOUNTS.—The President shall dis-
21 burse grants under section 101(a)(1)—

22 (1) to a specified entity (as such term is defined
23 in section 101(d)), in an amount equal to the sala-
24 ries and benefits reported by the air carrier to the
25 Department of Transportation pursuant to part 241

1 of title 14, Code of Federal Regulations, for the pe-
2 riod from April 1, 2019, through September 30,
3 2019;

4 (2) to a specified entity (as such term is defined
5 in section 101(d)) that does not transmit reports
6 under such part 241, in an amount that such air
7 carrier certifies, using sworn financial statements or
8 other appropriate data, as the amount of wages, sal-
9 aries, benefits, and other compensation that such air
10 carrier paid the employees of such air carrier during
11 the period from April 1, 2019, through September
12 30, 2019; and

13 (3) to a contractor, in an amount that the con-
14 tractor certifies, using sworn financial statements or
15 other appropriate data, as the amount of wages, sal-
16 aries, benefits, and other compensation that such
17 contractor paid the employees of such contractor
18 during the period from April 1, 2019, through Sep-
19 tember 30, 2019.

20 (b) DEADLINES AND PROCEDURES.—

21 (1) PROCEDURES.—The President shall publish
22 streamlined and expedited procedures—

23 (A) not later than 5 days after the date of
24 enactment of this Act for air carriers and con-

1 tractors to submit requests for compensation
2 under section 101(a)(1); and

3 (B) not later than 30 days after the date
4 of enactment of this Act for air carriers to sub-
5 mit requests for loans and loan guarantees
6 under section 101(a)(2).

7 (2) ISSUANCE OF GRANTS.—The President shall
8 award initial grants under section 101(a)(1) not
9 later than 10 days after the date of enactment of
10 this Act.

11 (3) DISCRETIONARY GRANTS.—For any funds
12 made available under paragraph (1) of section
13 101(a) that remain available after the issuance of
14 grants pursuant to paragraph (2) of such section,
15 the President shall determine an appropriate method
16 for the timely distribution of the remaining funds in
17 an equitable manner to air carriers for the payment
18 of employee wages, salaries, and benefits.

19 (c) INTEREST RATES.—A loan issued under section
20 101(a)(2) shall provide for repayment with no interest for
21 a period of at least 1 year after the loan is issued. The
22 President may otherwise provide for repayment at an in-
23 terest rate commensurate with the level of risk associated
24 with the loan.

1 (d) PRIORITY OF GOVERNMENT CLAIM.—In any pro-
2 ceeding initiated by an air carrier under chapter 7 or 11
3 of title 11, United States Code, with outstanding debt on
4 a loan provided under section 101(a)(2), any claim by the
5 Government with respect to such debt shall assume the
6 highest status of any other claim against such air carrier,
7 whether secured or unsecured.

8 (e) AUDITS.—The inspector general of the Depart-
9 ment of Transportation may audit certifications under
10 subsection (a)(2).

11 **SEC. 103. TERMS AND CONDITIONS.**

12 (a) SHARE REPURCHASES.—

13 (1) IN GENERAL.—Notwithstanding any other
14 provision of law, an air carrier receiving assistance
15 under section 101 may not purchase an equity inter-
16 est of such air carrier on a national securities ex-
17 change using such assistance.

18 (2) NO FORCE OR EFFECT.—Section 240.10b–
19 18 of title 17, Code of Federal Regulations, shall
20 have no force or effect.

21 (3) RULE OF CONSTRUCTION.—Nothing in this
22 section may be construed to affect tender offers sub-
23 ject to section 240.13e–4 and sections 240.14e–1
24 through 240.14f–1 of title 17, Code of Federal Reg-
25 ulations.

1 (4) DEFINITIONS.—In this subsection:

2 (A) EXCHANGE.—The term “exchange”
3 has the meaning given the terms in section 3 of
4 the Securities Exchange Act of 1934 (15
5 U.S.C. 78c).

6 (B) NATIONAL SECURITIES EXCHANGE.—
7 The term “national securities exchange” means
8 an exchange registered under section 6 of the
9 Securities Exchange Act of 1934 (15 U.S.C.
10 78f).

11 (b) PROHIBITION ON USE OF FUNDS FOR PAYMENTS
12 TO SHAREHOLDERS OR BONDHOLDERS.—An air carrier
13 receiving financial assistance under section 101 may not
14 use the proceeds of such assistance to make any distribu-
15 tion of funds to shareholders or bondholders, including
16 stock dividends.

17 (c) EXECUTIVE COMPENSATION.—

18 (1) IN GENERAL.—The President may provide
19 financial assistance under section 101 to an air car-
20 rier only if such air carrier enters into a legally
21 binding agreement with the President that, during
22 the 10-year period following the date of enactment
23 of this Act, the air carrier’s chief executive officer
24 will receive, from the air carrier—

1 (A) during any 12 consecutive months of
2 such 10-year period, total compensation not in
3 excess of an amount that is 50 times the me-
4 dian compensation earned by all employees of
5 such air carrier in calendar year 2019; and

6 (B) severance pay or other benefits upon
7 termination of employment with the air carrier
8 not in excess of the maximum total compensa-
9 tion received from the air carrier in calendar
10 year 2019.

11 (2) TOTAL COMPENSATION DEFINED.—In this
12 subsection, the term “total compensation” includes
13 salary, bonuses, awards of stock, and other financial
14 benefits provided by an air carrier to an officer or
15 employee of the air carrier.

16 (d) FINANCIAL PROTECTION OF GOVERNMENT.—

17 (1) IN GENERAL.—To the extent to which any
18 participating air carrier accepts financial assistance,
19 in the form of accepting the proceeds of any loans
20 guaranteed by the government under this title, the
21 President is authorized to enter into contracts under
22 which the Government, contingent on the financial
23 success of the participating corporation, participate
24 in the gains of the participating corporation or its
25 security holders through the use of such instruments

1 as warrants, stock options, common or preferred
2 stock, or other appropriate equity instruments.

3 (2) DEPOSITS IN TREASURY.—All amounts col-
4 lected by the President under this subsection shall
5 be deposited in the Treasury as miscellaneous re-
6 ceipts.

7 (e) AIR CARRIER MAINTENANCE OUTSOURCING.—

8 (1) IN GENERAL.—A passenger air carrier re-
9 ceiving assistance under section 101 may not apply
10 the proceeds of such assistance toward a contract for
11 heavy maintenance work at a facility located outside
12 of the United States if such contract would increase
13 the proportion of maintenance work performed out-
14 side of the United States to all maintenance work
15 performed by or on behalf of such air carrier at any
16 location.

17 (2) DEFINITION.—In this section, the term
18 “heavy maintenance work” has the meaning given
19 the term in section 44733(g)(1) of title 49, United
20 States Code.

21 **SEC. 104. REPORTS.**

22 (a) REPORT.—Not later than October 1, 2020, the
23 President shall submit to the Committee on Transpor-
24 tation and Infrastructure of the House of Representatives
25 and the Committee on Commerce, Science, and Transpor-

1 tation of the Senate a report on the financial status of
2 the air carrier industry, including a description of each
3 grant or loan issued under section 101.

4 (b) UPDATE.—Not later than the last day of the 1-
5 year period following the date of enactment of this Act,
6 the President shall update and submit to the Committee
7 on Transportation and Infrastructure of the House of
8 Representatives and the Committee on Commerce,
9 Science, and Transportation of the Senate the report de-
10 scribed in subsection (a).

11 **SEC. 105. COORDINATION.**

12 In implementing this title with respect to air carriers,
13 the Secretary shall coordinate with the Secretary of
14 Transportation.

15 **TITLE II—LABOR PROTECTIONS**

16 **SEC. 201. ASSISTANCE IRRESPECTIVE OF LABOR COSTS.**

17 The President, or any department, agency, or actor
18 of the Federal government, may not condition the provi-
19 sion of any financial assistance under section 101(a) of
20 this [division] or section 13 of the Federal Reserve Act
21 (12 U.S.C. 261 et seq.) on an air carrier's implementation
22 of measures to reduce labor costs or to enter into negotia-
23 tions with the certified bargaining representative of a craft
24 or class of employees of the air carrier under section 2

1 of the Railway Labor Act (45 U.S.C. 152) regarding pay
2 or other terms and conditions of employment.

3 **SEC. 202. COLLECTIVE BARGAINING AND SNAP-BACK.**

4 (a) IN GENERAL.—Notwithstanding any other provi-
5 sion of law, any contractual relief or reduction to rates
6 of pay, rules, and working conditions agreed to by the au-
7 thorized representatives of the employees of an air carrier,
8 or otherwise imposed on such employees, during or as re-
9 sult of the pandemic of the coronavirus COVID–19 by an
10 air carrier that receives financial assistance under section
11 101 shall be terminated within 6 months, unless the au-
12 thorized representatives of the employees choose to make
13 an alternative agreement with the air carrier.

14 (b) DEFINITION OF AUTHORIZED REPRESENTA-
15 TIVE.—In this section, the term “authorized representa-
16 tive” means an exclusive representative of employees with-
17 in the meaning of section of the Railway Labor Act (45
18 U.S.C. 152).

19 **SEC. 203. PROTECTION OF ORGANIZING ACTIVITY.**

20 A person receiving financial assistance under section
21 101 shall remain neutral in any communications with em-
22 ployees with respect to any efforts of an employee to orga-
23 nize, recruit, or assist in the organizing a labor organiza-
24 tion.

1 **SEC. 204. WORKING AND TRAVEL CONDITIONS.**

2 A person receiving financial assistance under section
3 101 shall adhere to guidance published by the Centers for
4 Disease Control and Prevention and applicable public
5 health authorities for the duration of the national emer-
6 gency declared by the President under the National Emer-
7 gencies Act (50 U.S.C. 1601 et seq.) related to the pan-
8 demic of the coronavirus COVID–19 for providing safe
9 conditions for employees and passengers, including pro-
10 viding employees with adequate and sufficient personal
11 protective equipment and ensuring all aircraft and facili-
12 ties owned or operated by such air carrier are clean and
13 sanitary.

14 **SEC. 205. LABOR UNION REPRESENTATION ON AIR CAR-**
15 **RIER BOARDS.**

16 An air carrier receiving financial assistance under
17 section 101 shall designate at least one seat on the air
18 carrier’s board of directors for an individual who is a
19 member or officer of a labor organization representing air
20 carrier employees, with such individual to be named by
21 such organization.

22 **SEC. 206. FURLOUGHED WORKER PROTECTIONS.**

23 An air carrier receiving financial assistance under
24 section 101 shall take such action as is necessary to ensure
25 that, with respect to the national emergency declared by
26 the President under the National Emergencies Act (50

1 U.S.C. 1601 et seq.) related to the pandemic of the
2 coronavirus COVID–19—

3 (1) if an employee of such air carrier was pro-
4 vided health insurance benefits or other welfare ben-
5 efits described in subparagraph (A) or (B) of section
6 3(1) of the Employee Retirement Income Security
7 Act of 1974 (29 U.S.C. 1002(1)) from the air car-
8 rier prior to such emergency, such employee shall re-
9 tain such benefits at an equivalent rate for the dura-
10 tion of such emergency;

11 (2) employees of such air carrier are credited
12 any furlough time taken as a result of the pandemic
13 for years of service for purposes of any employee
14 benefit plan (as defined in section 3(3) of the Em-
15 ployee Retirement Income Security Act of 1974 (29
16 U.S.C. 1002(3)) with respect to which the employee
17 is a participant; and

18 (3) an employee of such air carrier who is vol-
19 untarily or involuntarily furloughed as a result of
20 the national emergency declared by the President
21 under the National Emergencies Act (50 U.S.C.
22 1601 et seq.) related to the pandemic of the
23 coronavirus COVID–19 may, upon reemployment or
24 recall to such air carrier, be entitled to the following
25 benefits under an employee pension benefit plan that

1 such employee would have received if the employee
2 had remained continuously employed with the air
3 carrier, similar to benefit rights under subchapter II
4 of chapter 43 of title 38, United States Code:

5 (A) An employee shall be treated as not
6 having incurred a break in service with the em-
7 ployer or employers maintaining the plan by
8 reason of the furlough.

9 (B) The period of furlough shall be deemed
10 to constitute service with the employer or em-
11 ployers maintaining the plan for purposes of
12 vesting, participation, and determining the em-
13 ployee's benefit accruals.

14 (C) An employee shall be entitled to make-
15 up missed employee contributions or elective de-
16 ferrals that could have been made to a qualified
17 defined contribution plan during the period of
18 furlough. Makeup contributions under this
19 paragraph may be made during the period be-
20 ginning on the date of recall and whose dura-
21 tion is three times the period of the furlough,
22 such payment period not to exceed 5 years.

23 (D) The employer reemploying or recalling
24 such employee shall contribute all employer con-
25 tributions that the employer would have made

1 on behalf of such employee to qualified defined
2 contribution plans, including plans commonly
3 known as 401(k) plans, if the employee had re-
4 mained continuously employed.

5 (E) If employer contributions to a plan are
6 contingent on the employee making an employee
7 contribution or elective deferral, the employer
8 contribution is required only to the extent the
9 employee makes the payment to the plan with
10 respect to such contributions or deferrals. No
11 such payment may exceed the amount the em-
12 ployee would have been permitted or required to
13 contribute had the employee remained continu-
14 ously employed by the employer throughout the
15 period of service. Any payment to the plan de-
16 scribed in this paragraph shall be made during
17 the period beginning on the date of recall and
18 whose duration is three times the period of the
19 person's furlough, such payment period not to
20 exceed 5 years.

21 **SEC. 207. HEALTHCARE FOR UNPROTECTED WORKERS.**

22 (a) IN GENERAL.—The Secretary may not provide
23 any financial assistance under this Act to an air carrier
24 unless the air carrier enters into a legally binding agree-
25 ment with the Secretary that the air carrier will provide,

1 and will require any contractor, subcontractor, or affiliate
2 of the air carrier, including any contractor, subcontractor,
3 or affiliate that performs airline catering services, to pro-
4 vide, to all employees, including airline catering employees,
5 health insurance benefits equal to or greater than the
6 hourly health and welfare fringe benefit rate published by
7 the Department of Labor pursuant to the McNamara-
8 O'Hara Service Contract Act of 1965 (41 U.S.C. 6710–
9 6707) and section 4.52 of title 29, Code of Federal Regu-
10 lations, for all hours worked by each such employee.

11 (b) EFFECTIVE PERIOD.—Subsection (a) shall apply
12 to an air carrier receiving assistance under section 101
13 for the 5-year period beginning on the date on which such
14 assistance was awarded.

15 (c) DEFINITIONS.—

16 (1) AIRLINE CATERING EMPLOYEE.—The term
17 “airline catering employee” means an employee who
18 performs airline catering services.

19 (2) AIRLINE CATERING SERVICES.—The term
20 “airline catering services” means preparation, as-
21 sembly, or both, of food, beverages, provisions and
22 related supplies for delivery, and the delivery of such
23 items, directly to aircraft or to a location on or near
24 airport property for subsequent delivery to aircraft.

1 **SEC. 208. EMPLOYEE WAGES AND LEAVE.**

2 (a) WAGES.—Section 6 of the Fair Labor Standards
3 Act of 1938 (29 U.S.C. 206) is amended by adding at
4 the end the following:

5 “(h) EMPLOYEES IN INDUSTRIES SAVED WITH TAX-
6 PAYER DOLLARS.—

7 “(1) IN GENERAL.—Notwithstanding any other
8 provision of law, subject to the requirements of this
9 subsection, the wage rate in effect under section
10 (a)(1) with respect to an employee of an employer
11 described in paragraph (2), or any individual who
12 provides labor or services for remuneration for such
13 employer, regardless of whether the individual is
14 classified as an independent contractor or otherwise
15 by such employer, shall be not less than \$15.00 per
16 hour.

17 “(2) EMPLOYER.—An employer described in
18 this paragraph is an employer who—

19 “(A) receives financial assistance under
20 section 101 of the Emergency Pension Plan Re-
21 lief Act of 2020; or

22 “(B) who provides goods or services under
23 a contract to an employer who receives financial
24 assistance under such section.

25 “(3) TREATMENT OF NON-EMPLOYEES.—An in-
26 dividual who provides labor or services for remunera-

1 tion to an employer as described in paragraph (1)
2 shall be treated as an employee for the purposes of
3 sections 10 through 17 of this Act.

4 “(4) PERIOD OF APPLICATION.—This sub-
5 section shall apply to an employer described in para-
6 graph (2) for the 10-year period beginning on the
7 date such assistance was awarded.”.

8 (b) BENEFITS AND LEAVE.— Notwithstanding any
9 other provision of law, an air carrier receiving financial
10 assistance under section 101 shall, for the duration of the
11 national emergency declared by the President under the
12 National Emergencies Act (50 U.S.C. 1601 et seq.) re-
13 lated to the pandemic of the coronavirus COVID–19—

14 (1) satisfy all funding obligations under part 3
15 of title I of the Employee Retirement Income Secu-
16 rity Act of 1974 (29 U.S.C. 1081 et seq.) with re-
17 spect to each plan to which such part applies and to
18 which the air carrier is obligated to contribute for
19 plan years beginning or ending during the duration
20 of such emergency;

21 (2) provide employees with a guaranteed wage
22 for every workweek that provides each employee con-
23 tinued payments in the amount of 100 percent of
24 the employee’s full wages and for the employee’s
25 total expected hours per workweek in the event that

1 the employee is terminated, furloughed, experiences
2 a reduction in work hours, or otherwise suffers any
3 loss of such wages during such period; and

4 (3) provide paid medical or sick leave and paid
5 family leave to encourage employees who are diag-
6 nosed with or experiencing symptoms of COVID-19
7 or are under quarantine relating to the coronavirus
8 pandemic, or caring for a dependent or any indi-
9 vidual experiencing such symptoms or under such a
10 quarantine.

11 **SEC. 209. LIMITATION ON REJECTION OF COLLECTIVE BAR-**
12 **GAINING AGREEMENTS.**

13 (a) DEFINITIONS.—

14 (1) COVERED AIR CARRIER.—The term “cov-
15 ered air carrier” means an air carrier that receives
16 Federal financial assistance.

17 (2) COVERED PERIOD.—The term “covered pe-
18 riod”, with respect to a covered air carrier, means
19 the period—

20 (A) beginning on the date on which the
21 covered air carrier first receives Federal finan-
22 cial assistance; and

23 (B) ending on the date that is 10 years
24 after the date on which the covered air carrier
25 last receives Federal financial assistance.

1 (3) DEBTOR IN POSSESSION.—The term “debt-
2 or in possession” has the meaning given such term
3 in section 1101 of title 11, United States Code.

4 (4) FEDERAL FINANCIAL ASSISTANCE.—The
5 term “Federal financial assistance” means financial
6 assistance or a credit instrument received from the
7 Federal Government under this Act.

8 (5) TRUSTEE.—The term “trustee” means a
9 trustee appointed in a case commenced by, or com-
10 menced against, a covered air carrier under title 11,
11 United States Code.

12 (b) LIMITATION.—If a covered air carrier commences
13 a case or if an involuntary case is commenced against a
14 covered air carrier under title 11, United States Code,
15 during the covered period with respect to the covered air
16 carrier, the covered air carrier, the debtor in possession,
17 or the trustee may not seek a rejection of, or interim relief
18 from, a collective bargaining agreement under—

19 (1) section 1113 of title 11, United States
20 Code; or

21 (2) any other provision of law.

22 **SEC. 210. INCREASED WAGE PRIORITY.**

23 Section 507(a) of title 11, United States Code, is
24 amended—

25 (1) in paragraph (4)—

1 (A) by redesignating subparagraphs (A)
2 and (B) as clauses (i) and (ii), respectively;

3 (B) in the matter preceding clause (i), as
4 so redesignated, by inserting “(A)” before
5 “Fourth”;

6 (C) in subparagraph (A), as so designated,
7 in the matter preceding clause (i), as so red-
8 igned—

9 (i) by striking “\$10,000” and insert-
10 ing “\$20,000”;

11 (ii) by striking “within 180 days”;
12 and

13 (iii) by striking “or the date of the
14 cessation of the debtor’s business, which-
15 ever occurs first,”; and

16 (D) by adding at the end the following:

17 “(B) Severance pay described in subpara-
18 graph(A)(i) shall be deemed earned in full upon
19 the layoff or termination of employment of the
20 individual to whom the severance is owed.”;

21 (2) in paragraph (5)—

22 (A) in subparagraph (A)—

23 (i) by striking “within 180 days”; and

1 (ii) by striking “or the date of the
2 cessation of the debtor’s business, which-
3 ever occurs first”; and

4 (B) by striking subparagraph (B) and in-
5 serting the following:

6 “(B) for each such plan, to the extent of
7 the number of employees covered by each such
8 plan, multiplied by \$20,000.”.

9 **SEC. 211. REJECTION OF COLLECTIVE BARGAINING AGREE-**
10 **MENTS.**

11 (a) IN GENERAL.—Section 1113 of title 11, United
12 States Code, is amended by striking subsections (a)
13 through (f) and inserting the following:

14 “(a) The debtor in possession, or the trustee if one
15 has been appointed under this chapter, other than a trust-
16 ee in a case covered by subchapter IV of this chapter and
17 by title I of the Railway Labor Act (45 U.S.C. 151 et
18 seq.), may reject a collective bargaining agreement only
19 in accordance with this section. In this section, a reference
20 to the trustee includes the debtor in possession.

21 “(b) No provision of this title shall be construed to
22 permit the trustee to unilaterally terminate or alter any
23 provision of a collective bargaining agreement before com-
24 plying with this section. The trustee shall timely pay all
25 monetary obligations arising under the terms of the collec-

1 tive bargaining agreement. Any such payment required to
2 be made before a plan confirmed under section 1129 is
3 effective has the status of an allowed administrative ex-
4 pense under section 503.

5 “(c)(1) If the trustee seeks modification of a collec-
6 tive bargaining agreement, the trustee shall provide notice
7 to the labor organization representing the employees cov-
8 ered by the collective bargaining agreement that modifica-
9 tions are being proposed under this section, and shall
10 promptly provide an initial proposal for modifications to
11 the collective bargaining agreement. Thereafter, the trust-
12 ee shall confer in good faith with the labor organization,
13 at reasonable times and for a reasonable period in light
14 of the complexity of the case, in attempting to reach mutu-
15 ally acceptable modifications of the collective bargaining
16 agreement.

17 “(2) The initial proposal and subsequent pro-
18 posals by the trustee for modification of a collective
19 bargaining agreement shall be based upon a business
20 plan for the reorganization of the debtor, and shall
21 reflect the most complete and reliable information
22 available. The trustee shall provide to the labor or-
23 ganization all information that is relevant for nego-
24 tiations. The court may enter a protective order to
25 prevent the disclosure of information if disclosure

1 could compromise the position of the debtor with re-
2 spect to the competitors in the industry of the debt-
3 or, subject to the needs of the labor organization to
4 evaluate the proposals of the trustee and any appli-
5 cation for rejection of the collective bargaining
6 agreement or for interim relief pursuant to this sec-
7 tion.

8 “(3) In consideration of Federal policy encour-
9 aging the practice and process of collective bar-
10 gaining and in recognition of the bargained-for ex-
11 pectations of the employees covered by the collective
12 bargaining agreement, modifications proposed by the
13 trustee—

14 “(A) shall be proposed only as part of a
15 program of workforce and nonworkforce cost
16 savings devised for the reorganization of the
17 debtor, including savings in management per-
18 sonnel costs;

19 “(B) shall be limited to modifications de-
20 signed to achieve a specified aggregate financial
21 contribution for the employees covered by the
22 collective bargaining agreement (taking into
23 consideration any labor cost savings negotiated
24 within the 12-month period before the filing of
25 the petition), and shall be not more than the

1 minimum savings essential to permit the debtor
2 to exit bankruptcy, such that confirmation of a
3 plan of reorganization is not likely to be fol-
4 lowed by the liquidation, or the need for further
5 financial reorganization, of the debtor (or any
6 successor to the debtor) in the short term; and

7 “(C) shall not be disproportionate or overly
8 burden the employees covered by the collective
9 bargaining agreement, either in the amount of
10 the cost savings sought from such employees or
11 the nature of the modifications.

12 “(d)(1) If, after a period of negotiations, the trustee
13 and the labor organization have not reached an agreement
14 over mutually satisfactory modifications, and further ne-
15 gotiations are not likely to produce mutually satisfactory
16 modifications, the trustee may file a motion seeking rejec-
17 tion of the collective bargaining agreement after notice
18 and a hearing. Absent agreement of the parties, no such
19 hearing shall be held before the expiration of the 21-day
20 period beginning on the date on which notice of the hear-
21 ing is provided to the labor organization representing the
22 employees covered by the collective bargaining agreement.
23 Only the debtor and the labor organization may appear
24 and be heard at such hearing. An application for rejection

1 shall seek rejection effective upon the entry of an order
2 granting the relief.

3 “(2) In consideration of Federal policy encour-
4 aging the practice and process of collective bar-
5 gaining and in recognition of the bargained-for ex-
6 pectations of the employees covered by the collective
7 bargaining agreement, the court may grant a motion
8 seeking rejection of a collective bargaining agree-
9 ment only if, based on clear and convincing evi-
10 dence—

11 “(A) the court finds that the trustee has
12 complied with the requirements of subsection
13 (c);

14 “(B) the court has considered alternative
15 proposals by the labor organization and has
16 concluded that such proposals do not meet the
17 requirements of subsection (c)(3)(B);

18 “(C) the court finds that further negotia-
19 tions regarding the proposal of the trustee or
20 an alternative proposal by the labor organiza-
21 tion are not likely to produce an agreement;

22 “(D) the court finds that implementation
23 of the proposal of the trustee shall not—

24 “(i) cause a material diminution in
25 the purchasing power of the employees cov-

1 ered by the collective bargaining agree-
2 ment;

3 “(ii) adversely affect the ability of the
4 debtor to retain an experienced and quali-
5 fied workforce; or

6 “(iii) impair the labor relations of the
7 debtor such that the ability to achieve a
8 feasible reorganization would be com-
9 promised; and

10 “(E) the court concludes that rejection of
11 the collective bargaining agreement and imme-
12 diate implementation of the proposal of the
13 trustee is essential to permit the debtor to exit
14 bankruptcy, such that confirmation of a plan of
15 reorganization is not likely to be followed by liq-
16 uidation, or the need for further financial reor-
17 ganization, of the debtor (or any successor to
18 the debtor) in the short term.

19 “(3) If the trustee has implemented a program
20 of incentive pay, bonuses, or other financial returns
21 for insiders, senior executive officers, or the twenty
22 next most highly compensated employees or consult-
23 ants providing services to the debtor during the
24 bankruptcy, or such a program was implemented
25 within 180 days before the date of the filing of the

1 petition, the court shall presume that the trustee has
2 failed to satisfy the requirements of subsection
3 (c)(3)(C).

4 “(4) In no case shall the court enter an order
5 rejecting a collective bargaining agreement that
6 would result in modifications to a level lower than
7 the level proposed by the trustee in the proposal
8 found by the court to have complied with the re-
9 quirements of this section.

10 “(5) At any time after the date on which an
11 order rejecting a collective bargaining agreement is
12 entered, or in the case of a collective bargaining
13 agreement entered into between the trustee and the
14 labor organization providing mutually satisfactory
15 modifications, at any time after that collective bar-
16 gaining agreement has been entered into, the labor
17 organization may apply to the court for an order
18 seeking an increase in the level of wages or benefits,
19 or relief from working conditions, based upon
20 changed circumstances. The court shall grant the re-
21 quest only if the increase or other relief is not incon-
22 sistent with the standard set forth in paragraph
23 (2)(E).

24 “(e) During a period during which a collective bar-
25 gaining agreement at issue under this section continues

1 in effect and a motion for rejection of the collective bar-
2 gaining agreement has been filed, if essential to the con-
3 tinuation of the business of the debtor or in order to avoid
4 irreparable damage to the estate, the court, after notice
5 and a hearing, may authorize the trustee to implement
6 interim changes in the terms, conditions, wages, benefits,
7 or work rules provided by the collective bargaining agree-
8 ment. Any hearing under this subsection shall be sched-
9 uled in accordance with the needs of the trustee. The im-
10 plementation of such interim changes shall not render the
11 application for rejection moot and may be authorized for
12 not more than 14 days in total.

13 “(f)(1) Rejection of a collective bargaining agreement
14 constitutes a breach of the collective bargaining agree-
15 ment, and shall be effective no earlier than the entry of
16 an order granting such relief.

17 “(2) Notwithstanding paragraph (1), solely for
18 purposes of determining and allowing a claim arising
19 from the rejection of a collective bargaining agree-
20 ment, rejection shall be treated as rejection of an ex-
21 ecutory contract under section 365(g) and shall be
22 allowed or disallowed in accordance with section
23 502(g)(1). No claim for rejection damages shall be
24 limited by section 502(b)(7). Economic self-help by
25 a labor organization shall be permitted upon a court

1 order granting a motion to reject a collective bar-
2 gaining agreement under subsection (d) or pursuant
3 to subsection (e), and no provision of this title or of
4 any other provision of Federal or State law may be
5 construed to the contrary.

6 “(g) The trustee shall provide for the reasonable fees
7 and costs incurred by a labor organization under this sec-
8 tion, upon request and after notice and a hearing.

9 “(h) A collective bargaining agreement that is as-
10 sumed shall be assumed in accordance with section 365.”.

11 (b) PROHIBITION ON MODIFICATION OF RETIREE
12 BENEFITS.—Section 1114 of title 11, United States Code,
13 is further amended by adding at the end the following:

14 “(n) Notwithstanding any other provision in this title,
15 the trustee may not modify retiree benefits if the debtor
16 is an air carrier, as such term is defined in section 40102
17 of title 49, United States Code, or an affiliate of such air
18 carrier, that received assistance under the Emergency
19 Pension Plan Relief Act of 2020.”.

1 **TITLE III—AIRLINE INDUSTRY**
2 **FINANCIAL OVERSIGHT**

3 **SEC. 301. CREATION OF OFFICE OF AIRLINE INDUSTRY FI-**
4 **NANCIAL OVERSIGHT.**

5 (a) IN GENERAL.—There is hereby established, with-
6 in the Office of the Secretary of Transportation, the Office
7 of Airline Industry Financial Oversight.

8 (b) DIRECTOR OF OFFICE.—The office established
9 under this section shall be headed by a Director, who shall
10 be a career employee of the Department of Transportation
11 and selected on the basis of such individual's knowledge
12 of financial markets, airline operations, and finance, and
13 such other qualifications as the Secretary considers rel-
14 evant.

15 **SEC. 302. RESPONSIBILITIES OF OFFICE OF AIRLINE IN-**
16 **DUSTRY FINANCIAL OVERSIGHT.**

17 The Director of the Office of Airline Industry Finan-
18 cial Oversight shall—

19 (1) assess, not less than once every 12 months,
20 the financial fitness of each passenger air carrier
21 conducting operations under part 121 of title 14,
22 Code of Federal Regulations;

23 (2) determine and prescribe minimum capital
24 and funding requirements for each such air carrier
25 to ensure that no air carrier would be reasonably

1 likely to become insolvent as the result of a substan-
2 tial reduction in demand for air travel following the
3 occurrence of a terror attack, pandemic, or other na-
4 tional or global event that reduces economic activity;

5 (3) require each such air carrier to conduct an
6 annual stress test to determine the extent of finan-
7 cial stress that the air carrier can withstand before
8 becoming financially insolvent, using at least 3 sets
9 of assumptions regarding the severity of financial
10 stress and to report the results of such test to the
11 Office for analysis;

12 (4) based on an analysis of the stress tests per-
13 formed under paragraph (3), annually adjust the
14 minimum capital and funding requirements imposed
15 under paragraph (2); and

16 (5) impose such other requirements, including
17 through the issuance of regulations, as the director
18 determines necessary to ensure the continued oper-
19 ations of air carriers despite an event described in
20 paragraph (2).

21 **SEC. 303. ACCESS TO INFORMATION.**

22 (a) IN GENERAL.—In discharging the responsibilities
23 enumerated in section 302, the director or employees of
24 the office may inspect such financial records in an air car-

1 rier's possession as the director or employees of the office
2 deem appropriate.

3 (b) PROTECTION OF TRADE SECRETS.—The Director
4 and employees of the Office of Airline Industry Financial
5 Oversight shall protect, from public disclosure, any mate-
6 rial containing trade secrets in the Office's custody, in ac-
7 cordance with section 1905 of title 18, United States
8 Code.

9 **SEC. 304. REPORTS TO CONGRESS.**

10 Not later than February 1 of each calendar year, the
11 Director of the office established under section 301 shall
12 submit to the Committee on Transportation and Infra-
13 structure of the House of Representatives and the Com-
14 mittee on Commerce, Science, and Transportation of the
15 Senate a report describing each action taken under section
16 302 during the preceding calendar year.

17 **SEC. 305. RULEMAKING AUTHORITY.**

18 The Secretary may issue such regulations as the Sec-
19 retary determines are necessary to implement the require-
20 ments of this title.

21 **SEC. 306. AUTHORIZATION OF APPROPRIATIONS.**

22 There is authorized to be appropriated to the Sec-
23 retary of Transportation \$3,000,000 for each of fiscal
24 years 2020 through 2023 to carry out this title to remain
25 available until expended.

1 **TITLE IV—AIRPORT RELIEF**

2 **SEC. 401. EMERGENCY PANDEMIC FUNDING FOR AIR-**
3 **PORTS.**

4 (a) IN GENERAL.—There is authorized to be appro-
5 priated, from the General Fund of the Treasury,
6 \$10,000,000,000 for the Secretary of Transportation to
7 issue grants to airport sponsors for the purposes of emer-
8 gency response, cleaning, sanitization, janitorial services,
9 staffing, workforce retention, paid leave, procurement of
10 protective health equipment and training for employees
11 and contractors, debt service payments, infrastructure
12 projects and airport operations.

13 (b) METHODOLOGY FOR DISBURSEMENT.—Funds
14 shall be apportioned as set forth in clauses (i) and (ii)
15 of section 47114(c)(1)(C) of title 49, United States Code,
16 and there shall be no maximum apportionment limit.
17 Funds provided under this section shall not be subject to
18 reduced apportionment under section 47114(f) of such
19 title. Any remaining funds shall be distributed to sponsors
20 based on each airport's passenger enplanements compared
21 to total passenger enplanements of all airports, for the
22 most recent calendar year the Secretary apportioned funds
23 pursuant to section 47114(c).

24 (c) HIGH-NEED AIRPORTS.—The Secretary shall set
25 aside 2 percent of the remaining funds described in sub-

1 section (b) to provide grants to commercial service air-
2 ports or general aviation airports that demonstrate the
3 highest financial need.

4 (d) WORKFORCE RETENTION.—

5 (1) IN GENERAL.—Except as otherwise pro-
6 vided in this subsection, all airports receiving funds
7 under subsection (a) shall continue to employ,
8 through December 31, 2020, at least 90 percent of
9 the number of individuals employed by the airport as
10 of the date of enactment of this Act.

11 (2) WAIVER.—The Secretary may waive the
12 workforce retention requirement under this sub-
13 section 120 days after the date of enactment of this
14 Act if the Secretary determines—

15 (A) the airport is experiencing economic
16 hardship as a direct result of the requirement;
17 or

18 (B) the requirement reduces aviation safe-
19 ty or security.

20 (3) SMALL AIRPORTS.—This subsection shall
21 not apply to nonhub airports or nonprimary airports
22 receiving funds under subsection (c).

23 (e) RELIEF TO AIRPORT CONCESSIONS.—An airport
24 sponsor must use at least 2 percent of any funds received
25 under subsection (a) to provide financial relief to airport

1 concessionaires experiencing economic hardship (in terms
2 of rent, minimum annual guarantees, lease obligations, or
3 other fees). With respect to funds under this subsection,
4 airport sponsors must show good faith efforts to provide
5 relief to small business concerns owned and controlled by
6 socially and economically disadvantaged businesses, as
7 such term is defined under section 47113 of title 49,
8 United States Code.

9 (f) COST SHARE.—The Federal share payable of the
10 costs for which a grant is made under this section or under
11 the Consolidated Appropriations Act, 2020 (Public Law
12 116–94) shall be 100 percent.

13 (g) QUALITY ASSURANCE.—The Secretary shall insti-
14 tute adequate policies, procedures and internal controls to
15 prevent waste, fraud, abuse and program mismanagement
16 for the distribution of funds under this section.

17 (h) AVAILABILITY.—Sums authorized to be appro-
18 priated under this sections shall remain available for 3 fis-
19 cal years.

20 (i) LIMITATIONS.—The funds made available under
21 this section shall not be subject to any limitation on obli-
22 gations set forth in an appropriations Act as applied to
23 the heading “Grants-in-Aid for Airports”.

24 (j) ADMINISTRATIVE COSTS.—The Secretary may re-
25 tain up to 0.1 percent of the funds provided under this

1 section to fund the award and oversight of grants made
2 under this heading.

3 (k) DEFINITIONS.—In this section:

4 (1) AIRPORT CONCESSION.—the term “airport
5 concession” means a business, other than air carrier,
6 located on an airport that is engaged in the sale of
7 consumer goods or services to the public under an
8 agreement with an airport, another concessionaire,
9 or the owner or lessee of a terminal.

10 (2) AIRPORT; GENERAL AVIATION AIRPORT;
11 NONHUB AIRPORT; SPONSOR.—The terms “airport”,
12 “general aviation airport”, “nonhub airport”, and
13 “sponsor” have the meanings given those terms in
14 section 47102 of title 49, United States Code.

15 (3) COMMERCIAL SERVICE AIRPORT.—The term
16 “commercial service airport” means a public use air-
17 port that reported at least 2500 passenger boardings
18 at such airport during fiscal year 2018.

19 **SEC. 402. MAINTAINING PRE-CRISIS AIRPORT IMPROVE-**
20 **MENT PROGRAM LEVELS.**

21 Section 47114(c)(1) of title 49, United States Code,
22 is amended by adding at the end the following:

23 “(J) SPECIAL RULE FOR FISCAL YEARS
24 2021 THROUGH 2023.—Notwithstanding sub-
25 paragraph (A), the Secretary shall apportion to

1 a sponsor of an airport under that subpara-
2 graph for each of fiscal years 2021 through
3 2023 an amount based on the number of pas-
4 senger boardings at the airport during calendar
5 year 2018 if the number of passenger boardings
6 at the airport during calendar year 2018 are
7 higher than the number of passenger boardings
8 that would be otherwise calculated under sub-
9 paragraph (A).”.

10 **SEC. 403. NATIONAL AVIATION PREPAREDNESS PLAN.**

11 (a) IN GENERAL.—The Secretary of Transportation,
12 in coordination with the Secretary of Health and Human
13 Services, the Secretary of Homeland Security and other
14 appropriate stakeholders, shall develop a national aviation
15 preparedness plan for communicable disease outbreaks.

16 (b) CONTENTS OF PLAN.—A plan developed under
17 subsection (a) shall, at a minimum—

18 (1) require involvement from multiple airports
19 on a national level;

20 (2) provide airports and air carriers with an
21 adaptable and scalable framework with which to
22 align their individual plans;

23 (3) improve coordination among airports, air
24 carriers, Customs and Border Patrol, the Centers
25 for Disease Control and Prevention, and other ap-

1 appropriate Federal stakeholders on developing policies
2 that increase the effectiveness of screening, quaran-
3 tining, and contact-tracing with respect to inbound
4 passengers; and

5 (4) fully incorporate elements referenced in the
6 recommendation of the Comptroller General of the
7 United States to the Secretary of Transportation
8 contained in Report No. GAO 16–127.

9 **TITLE V—SMALL COMMUNITY**
10 **AIR SERVICE**

11 **SEC. 501. CONTINUATION OF CERTAIN AIR SERVICE.**

12 (a) ACTION OF SECRETARY.—The Secretary of
13 Transportation shall take appropriate action to ensure
14 that all communities that receive scheduled air service be-
15 fore March 1, 2020, continue to receive adequate air
16 transportation service and that essential air service to
17 small communities continues without interruption and in
18 a manner that maintains well-functioning health care sup-
19 ply chains, including medical device, medical supplies, and
20 pharmaceutical supply chains.

21 (b) ANTITRUST IMMUNITY.—The Secretary may
22 grant an exemption under section 41308 of title 49,
23 United States Code, to 2 air carriers for the limited pur-
24 pose of such cooperation as is necessary to ensure that

1 small communities continue to receive an adequate level
2 of air transportation service.

3 **SEC. 502. TOLLING OF EAS LIMITATIONS.**

4 The Secretary may not order the termination of es-
5 sential air service on the basis of the applicable place fail-
6 ing to meet the definition of an eligible place under sub-
7 paragraph (B) or (C) of section 41731(a)(1) of title 49,
8 United States Code, if such community was otherwise an
9 eligible place as defined under section 41731 of such title
10 on March 1, 2020.

11 **SEC. 503. SUNSET.**

12 The requirements of this title, and any order issued
13 by the Secretary under this title, shall sunset on the day
14 that is 6 months after the last effective date of a national
15 emergency declared by the President under the National
16 Emergencies Act (50 U.S.C. 1601 et seq.) related to the
17 pandemic of the coronavirus COVID–19.

18 **TITLE VI—CONSUMER**
19 **PROTECTIONS**

20 **SEC. 601. AIRLINE PRICE GOUGING DURING DISASTER OR**
21 **EMERGENCY.**

22 (a) IN GENERAL.—Section 41712 of title 49, United
23 States Code, is amended by adding at the end the fol-
24 lowing:

1 “(d) AIRFARE PRICING AND FEES DURING DIS-
2 ASTER OR OTHER EMERGENCY.—

3 “(1) IN GENERAL.—It shall be an unfair or de-
4 ceptive practice under subsection (a) for any ticket
5 agent, air carrier, foreign air carrier, or other person
6 selling or offering to sell a ticket for air transpor-
7 tation on a covered flight to—

8 “(A) impose any unreasonable increase in
9 the price of such ticket, as compared to the
10 ticket price in effect on the day on which a
11 flight becomes a covered flight; and

12 “(B) charge any fee for a change to, or
13 cancellation of, such ticket, or for any dif-
14 ference in fare for an itinerary change.

15 “(2) COVERED FLIGHT DEFINED.—In this sub-
16 section, the term ‘covered flight’ means a flight of
17 an air carrier or foreign air carrier departing from,
18 or arriving at, an airport located in an area with re-
19 spect to which—

20 “(A) a major disaster or emergency de-
21 clared by the President under the Robert T.
22 Stafford Disaster Relief and Emergency Assist-
23 ance Act (42 U.S.C. 5121 et seq.) is in effect
24 and State or local authorities have ordered a
25 mandatory evacuation;

1 “(B) a public health emergency declared
2 pursuant to section 319 of the Public Health
3 Service Act (42 U.S.C. 247d) is in effect;

4 “(C) a national emergency declared by the
5 President under the National Emergencies Act
6 (50 U.S.C. 1601 et seq.) is in effect; or

7 “(D) a restriction on air travel is in effect,
8 including restrictions on non-essential air trans-
9 portation or nationwide bans imposed on air
10 transportation during a disaster, emergency, or
11 pandemic.

12 “(3) SAVINGS PROVISION.—Nothing in this sub-
13 section, or the amendment made by this subsection,
14 may be construed to limit or otherwise affect any re-
15 sponsibility of any ticket agent, air carrier, or for-
16 eign air carrier or other person offering to sell a
17 ticket for air transportation during a major disaster
18 or emergency.”.

19 **SEC. 602. AIRLINE REFUNDS DURING NATIONAL DISASTERS**
20 **OR EMERGENCIES.**

21 (a) IN GENERAL.—Not later than 30 days after the
22 date of enactment of this Act, the Secretary of Transpor-
23 tation shall require that any covered seller who sells a tick-
24 et for a passenger to take a covered flight, and either such
25 flight is cancelled by the air carrier or such ticket is can-

1 celed by the passenger, such covered seller shall promptly
2 offer the passenger a choice of—

3 (1) a full monetary refund for such ticket, in-
4 cluding any ancillary fees paid; and

5 (2) an alternative compensation method deter-
6 mined appropriate by the covered seller, including
7 credit, voucher, or other mechanism to compensate
8 a passenger.

9 (b) CREDIT OR VOUCHER.—An alternative compensa-
10 tion method provided pursuant to subsection (a)(2) may
11 not expire for at least 1 year date of the covered flight.

12 (c) DEFINITIONS.—In this section, the following defi-
13 nitions apply:

14 (1) COVERED FLIGHT.—The term “covered
15 flight” has the meaning given to such term in sec-
16 tion 41712(d) of title 49, United States Code.

17 (2) COVERED SELLER.—The term “covered
18 seller” means a ticket agent, air carrier, foreign air
19 carrier, or other person offering to sell a ticket for
20 air transportation.

21 **SEC. 603. CONDITIONS ON AIRLINE ANCILLARY FEES.**

22 (a) IN GENERAL.—Not later than 90 days after the
23 date of enactment of this Act, the Secretary of Transpor-
24 tation shall require covered air carriers to report to the
25 Secretary of Transportation, not less than quarterly, all

1 ancillary revenues collected by the air carrier during the
2 quarter for which the report is provided.

3 (b) CONTENTS.—In implementing the requirement
4 under paragraph (1), the Secretary shall require reporting
5 of ancillary revenues from, at a minimum, the following
6 optional fees or charges:

7 (1) Booking fees, including fees for telephone
8 reservations.

9 (2) Fees for priority check-in and security
10 screening.

11 (3) Fees for the transportation of carry-on, first
12 checked, second checked, excess, and oversized or
13 overweight baggage.

14 (4) Fees for transportation of in-flight medical
15 equipment.

16 (5) Fees for in-flight entertainment, beverages,
17 and food.

18 (6) Fees for internet access.

19 (7) Fees for seating assignments.

20 (8) Fees for reservation cancellation and
21 change.

22 (9) Charges for lost tickets.

23 (10) Revenue from the sale of travel insurance

24 (11) Fees for unaccompanied minor and pas-
25 senger assistance.

1 (12) Fees for pets.

2 (c) DEFINITIONS.—In this section, the following defi-
3 nitions apply:

4 (1) ANCILLARY REVENUES.—The term “ancil-
5 lary revenues” means charges paid by airline pas-
6 sengers that are not included in the standard ticket
7 fare.

8 (2) COVERED AIR CARRIER.—

9 (A) IN GENERAL.—The term “covered air
10 carrier” means an air carrier covered under
11 part 241 of title 14, Code of Federal Regula-
12 tions.

13 (B) EXCLUSION.—The term “covered air
14 carrier” excludes air carriers with annual reve-
15 nues of less than \$20,000,000.

16 **TITLE VII—ENVIRONMENTAL** 17 **PROTECTIONS**

18 **SEC. 701. SUSTAINABLE AVIATION FUEL DEVELOPMENT** 19 **PROGRAM.**

20 (a) IN GENERAL.—The Secretary of Transportation,
21 in consultation with the Department of Agriculture and
22 the Environmental Protection Agency, may make competi-
23 tive grants to eligible entities to offset the cost of a project
24 to develop, transport, or store sustainable aviation fuels

1 that would reduce United States greenhouse gas emis-
2 sions.

3 (b) SELECTION.—In making grants under subsection
4 (a), the Secretary shall consider—

5 (1) the anticipated public benefits of the
6 project;

7 (2) the potential to increase the commercial ap-
8 plication of sustainable aviation fuels among the
9 United States commercial aviation and aerospace in-
10 dustry;

11 (3) the potential greenhouse gases emitted from
12 the project;

13 (4) the potential for new job creation; and

14 (5) the potential the project has in reducing
15 United States greenhouse gas emissions associated
16 with air travel.

17 (c) AUTHORIZATION OF APPROPRIATIONS.—There
18 are authorized to be appropriated \$200,000,000 for each
19 of the fiscal years 2021 through 2026 to carry out this
20 section.

21 (d) REPORT.—Not later than October 1, 2024, the
22 Secretary shall submit to the Committee on Commerce,
23 Science, and Transportation, the Committee on Environ-
24 ment and Public Works, and the Committee on Agri-
25 culture, Nutrition, and Forestry of the Senate, and the

1 Committee on Transportation and Infrastructure, the
2 Committee on Energy and Commerce, and the Committee
3 on Agriculture of the House of Representatives, a report
4 describing the results of the grant program authorized by
5 this section. The report shall include the following:

6 (1) A description of the entities and projects
7 that received grants under this section.

8 (2) Description of whether the program is lead-
9 ing to an increase in commercial application of sus-
10 tainable aviation fuels by United States aviation and
11 aerospace industry stakeholders.

12 (3) The economic impacts resulting from the
13 grants to and operation of the project.

14 (e) ELIGIBILITY.—Entities eligible to receive a grant
15 under this section shall include State and local govern-
16 ments, nongovernmental entities, air carriers, airports,
17 and businesses engaged in the development, transpor-
18 tation, or storage of sustainable aviation fuels.

19 (f) DEFINITION OF SUSTAINABLE AVIATION FUEL.—
20 The term “sustainable aviation fuel” means liquid fuel
21 consisting of synthesized hydrocarbons which meets the
22 requirements of ASTM International Standard D7566 or
23 ASTM International Standard D1655, Annex A1, sub-
24 section A.1.2.2, and is derived from biomass (as defined
25 in section 45K(c)(3) of the Internal Revenue Code of

1 1986), waste streams, or gaseous carbon oxides, conforms
2 to the standards, recommended practices and guidance
3 agreed to by the United States pursuant to the European
4 Union Emissions Trading Scheme Prohibition Act of 2011
5 (Public Law 112–200) for addressing aircraft emissions,
6 and achieves at least a 30 percent reduction in greenhouse
7 gas emissions on a lifecycle basis compared to conventional
8 jet fuel.

9 **SEC. 702. AIRLINE ASSISTANCE TO RECYCLE AND SAVE**
10 **PROGRAM.**

11 (a) ESTABLISHMENT.—Not later than 90 days after
12 the date of enactment of this Act, the Secretary shall es-
13 tablish and carry out a program, to be known as the “Air-
14 line Assistance to Recycle and Save Program”, under
15 which the Secretary shall purchase high-polluting aircraft
16 from air carriers in exchange for commitments from such
17 air carriers to purchase fuel-efficient aircraft.

18 (b) APPLICATION.—To be eligible for the program es-
19 tablished under subsection (a), an air carrier shall submit
20 to the Secretary an application at such time, in such man-
21 ner, and containing such information as the Secretary may
22 require, including a description of an high-polluting air-
23 craft of the air carrier.

24 (c) PROGRAM REQUIREMENTS.—

1 (1) LIST OF ELIGIBLE AIRCRAFT.—In carrying
2 out the program established under subsection (a),
3 the Secretary, in consultation with the Adminis-
4 trator, shall prepare, maintain, publicize, and make
5 available through a publicly available website, lists of
6 aircraft that are—

7 (A) high-polluting aircraft; and

8 (B) fuel-efficient aircraft that are on the
9 market or in production.

10 (2) COMMITMENT REQUIREMENT.—In carrying
11 out the program established under subsection (a),
12 the Secretary shall issue such regulations as are nec-
13 essary to set requirements for the commitment to
14 purchase a fuel-efficient aircraft described in sub-
15 section (a), including a timing requirement for the
16 purchase of a fuel-efficient aircraft.

17 (d) USE OF PURCHASED AIRCRAFT.—Notwith-
18 standing any other provision of law, the Secretary may
19 sell, to an air carrier or eligible foreign air carrier, parts
20 or components of aircraft purchased under this division.

21 (e) REGULATIONS.—Not later than 30 days after the
22 date of enactment of this Act, the Secretary shall issue
23 such regulations as are necessary to carry out this section.

24 (f) AUTHORIZATION OF APPROPRIATIONS.—There is
25 authorized to carry out the program established under this

1 section \$1,000,000,000 and such sums shall remain avail-
2 able until expended.

3 (g) DEFINITIONS.—In this section:

4 (1) ADMINISTRATOR.—The term “Adminis-
5 trator” means the Administrator of the Environ-
6 mental Protection Agency.

7 (2) AIRCRAFT MANUFACTURER.—The term
8 “aircraft manufacturer” has the meaning given such
9 term in section 44301 of title 49, United States
10 Code.

11 (3) ELIGIBLE FOREIGN AIR CARRIER.—

12 (A) IN GENERAL.—The term “eligible for-
13 eign air carrier” means a foreign air carrier as
14 such term is defined in section 40102 of title
15 49, United States Code.

16 (B) EXCLUSION.—The term “eligible for-
17 eign air carrier” does not include a foreign air
18 carrier that—

19 (i) is domiciled in a country that is a
20 state sponsor of terrorism; or

21 (ii) has a majority ownership interest
22 of individuals or entities domiciled in a
23 country that is a state sponsor of ter-
24 rorism.

1 (4) SECRETARY.—The term “Secretary” means
2 the Secretary of Transportation.

3 (5) STATE SPONSOR OF TERRORISM.—The term
4 “state sponsor of terrorism” means a country the
5 government of which the Secretary of State deter-
6 mines has repeatedly provided support for inter-
7 national terrorism pursuant to—

8 (A) section 1754(c)(1)(A) of the Export
9 Control Reform Act of 2018 (50 U.S.C.
10 4318(c)(1)(A));

11 (B) section 620A of the Foreign Assistance
12 Act of 1961 (22 U.S.C. 2371);

13 (C) section 40 of the Arms Export Control
14 Act (22 U.S.C. 2780); or

15 (D) any other provision of law.

16 **SEC. 703. EXPANSION OF VOLUNTARY AIRPORT LOW EMIS-**
17 **SION PROGRAM.**

18 Section 40117 of title 49, United States Code, is
19 amended—

20 (1) in subsection (a)(3)(G) by striking “if the
21 airport is located in an air quality nonattainment
22 area (as defined in section 171(2) of the Clean Air
23 Act (42 U.S.C. 7501(2)) or a maintenance area re-
24 ferred to in section 175A of such act (42 U.S.C.
25 7505a)”;

1 (2) in subsection (b) by adding at the end the
2 following:

3 “(8) PRIORITY OF PROJECTS.—In carrying out
4 this section, the Secretary shall prioritize funding
5 for airports in areas located in an air quality non-
6 attainment area (as defined in section 171(2) of the
7 Clean Air Act (42 U.S.C. 7501(2)) or a maintenance
8 area referred to in section 175A of such act (42
9 U.S.C. 7505a).”.

10 **SEC. 704. AIRLINE CARBON EMISSIONS OFFSETS AND**
11 **GOALS.**

12 (a) CARBON OFFSETTING PROGRAM.—

13 (1) IN GENERAL.—Not later than 90 days after
14 the enactment of this Act, the Administrator of the
15 Federal Aviation Administration shall require each
16 air carrier receiving assistance under section 101, to
17 fully offset the annual carbon emissions of such air
18 carriers for domestic flights beginning in 2025.

19 (2) VERIFICATION.—In issuing regulations and
20 guidance to carry out to paragraph (1), the Admin-
21 istrator shall develop standards and practices to en-
22 sure the use of carbon offsets by air carriers are
23 real, additional, permanent, verifiable, and not dou-
24 ble counted and align with standards, recommended
25 practices, assessment tools, and guidance agreed to

1 by the United States pursuant to the European
2 Union Emissions Trading Scheme Prohibition Act of
3 2011 (Public Law 112–200) for addressing aircraft
4 emissions.

5 (3) AUDITING.—An air carrier covered under
6 this subsection shall take reasonable and continuous
7 measures to ensure any carbon offsets credited to, or
8 purchased by, such carrier continue to be accurate.

9 (4) CERTIFICATION.—The Administrator shall
10 annually certify that an air carrier’s carbon offset-
11 ting program aligns with the standards developed
12 pursuant to paragraph (2).

13 (b) CARBON EMISSIONS GOAL.—

14 (1) IN GENERAL.—The Administrator of the
15 Federal Aviation Administration shall require each
16 air carrier receiving assistance under section 101
17 to—

18 (A) make and achieve a binding commit-
19 ment to reduce the greenhouse gas emissions
20 attributable to the domestic flights of such air
21 carrier in every calendar year, beginning with
22 2021, on a path consistent with a 25 percent
23 reduction in the aviation sector’s emissions
24 from 2005 levels by 2035, and a 50 percent re-
25 duction in the sector’s emissions from 2005 lev-

1 els by 2050, applying the standards, rec-
2 ommended practices, and guidance agreed to by
3 the United States pursuant to the European
4 Union Emissions Trading Scheme Prohibition
5 Act of 2011 (Public Law 112–200) for address-
6 ing aircraft emissions; and

7 (B) submit to the Administrator, annually,
8 a report containing a plan for meeting the com-
9 mitment described in subparagraph (A) and evi-
10 dence of compliance with such commitment, in-
11 cluding the annual emissions of the air carrier,
12 use of alternative fuels, and any other means of
13 implementing such commitment.

14 (2) CERTIFICATION.—

15 (A) IN GENERAL.—Not later than 5 years
16 after the date of enactment of this Act, and not
17 less frequently than every 5 years thereafter,
18 the Administrator shall certify each air carrier
19 covered under this subsection that is taking
20 such actions as are necessary to meet the re-
21 quirements established pursuant to paragraph
22 (1).

23 (B) REMEDIATION.—With respect to any
24 air carrier covered under this subsection that
25 the Administrator does not certify under sub-

1 paragraph (A), the Administrator, in consulta-
2 tion with such air carrier, shall, not later than
3 180 days after the last date on which a certifi-
4 cation could have been made under such sub-
5 paragraph, develop a plan to ensure such air
6 carrier meets the requirements established pur-
7 suant to paragraph (1).

8 (3) PUBLIC INFORMATION.—The Secretary
9 shall make publicly available the reports described in
10 paragraph (1).

11 (4) LIMITATION.—Nothing in this subsection
12 shall affect or alter the authorities and responsibil-
13 ities to address greenhouse gases under any other
14 provision of law.

15 (c) INTERNATIONAL COMPETITIVENESS.—In issuing
16 regulations to carry out to subsection (b) and (c), the Ad-
17 ministrator shall create a mechanism that ensures foreign
18 air carriers that enter the national airspace system have
19 an equivalent emissions reductions target or programs
20 such that the United States airline industry is not at a
21 competitive disadvantage.

22 **SEC. 705. RESEARCH AND DEVELOPMENT OF SUSTAINABLE**
23 **AVIATION FUELS.**

24 There is authorized to be appropriated to the Federal
25 Aviation Administration \$100,000,000 for each of fiscal

1 years 2021 through 2026 for research and development
2 of sustainable aviation fuels.

3 **SEC. 706. IMPROVING CONSUMER INFORMATION REGARD-**
4 **ING RELEASE OF GREENHOUSE GASES FROM**
5 **FLIGHTS.**

6 (a) IN GENERAL.—Not later than January 1, 2023,
7 the Secretary of Transportation shall develop and imple-
8 ment, by regulation, a program to require air carriers that
9 receive assistance under section 101 provide passengers
10 with information regarding greenhouse gas emissions re-
11 sulting from each individual flight that is—

12 (1) customized to account for such emissions
13 associated with each aircraft and the flight route of
14 such aircraft; and

15 (2) made available on the first display of any
16 website selling any ticket for such flight, following a
17 search of a requested itinerary in a format that is
18 easily visible to the purchaser.

19 (b) PUBLIC REPORTING.—The Secretary shall pub-
20 lish monthly data and information that anonymously ag-
21 gregates and analyzes the information provided to indi-
22 vidual passengers under to subsection (a). Such informa-
23 tion and data shall—

24 (1) be accessible to the public on the internet;
25 and

1 (2) identify and quantify the greenhouse gas
2 emissions and relative climate change impact of each
3 passenger air carrier that receives assistance under
4 section 101.

5 **SEC. 707. STUDY ON CERTAIN CLIMATE CHANGE MITIGA-**
6 **TION EFFORTS.**

7 (a) IN GENERAL.—Not later than 90 days after the
8 date of enactment of this Act, the Secretary of Transpor-
9 tation shall seek to enter into an agreement with the Na-
10 tional Academies of Sciences, Engineering, and Medicine
11 (referred to in this section as the “National Academies”)
12 to conduct a study on climate change mitigation efforts
13 with respect to the civil aviation and aerospace industries.

14 (b) STUDY CONTENTS.—In conducting the study
15 under subsection (a), the National Academies shall—

16 (1) identify climate change mitigation efforts,
17 including efforts relating to emerging technologies,
18 in the civil aviation and aerospace industries;

19 (2) develop and apply an appropriate indicator
20 for assessing the effectiveness of such efforts;

21 (3) identify gaps in such efforts;

22 (4) identify barriers preventing expansion of
23 such efforts; and

24 (5) develop recommendations with respect to
25 such efforts.

1 (c) REPORTS.—

2 (1) FINDINGS OF STUDY.—Not later than 1
3 year after the date on which the Secretary enters
4 into an agreement for a study pursuant to sub-
5 section (a), the Secretary shall submit to the appro-
6 priate congressional committees the findings of the
7 study.

8 (2) ASSESSMENT.—Not later than 180 days
9 after the date on which the Secretary submits the
10 findings pursuant to paragraph (1), the Secretary,
11 acting through the Administrator of the Federal
12 Aviation Administration, shall submit to the appro-
13 priate congressional committees a report that con-
14 tains an assessment of the findings.

15 (d) AUTHORIZATION OF APPROPRIATIONS.—There is
16 authorized to be appropriated to the Secretary to carry
17 out this section \$1,500,000.

18 (e) DEFINITIONS.—In this section:

19 (1) APPROPRIATE CONGRESSIONAL COMMIT-
20 TEES.—The term “appropriate congressional com-
21 mittees” means the Committee on Transportation
22 and Infrastructure of the House of Representatives,
23 the Committee on Commerce, Science, and Trans-
24 portation of the Senate, and other congressional
25 committees determined appropriate by the Secretary.

1 (2) CLIMATE CHANGE MITIGATION EFFORTS.—

2 The term “climate change mitigation efforts” means
3 efforts, including the use of technologies, materials,
4 processes, or practices, that contribute to the reduc-
5 tion of greenhouse gas emissions.

6 **TITLE VIII—MISCELLANEOUS**

7 **SEC. 801. SEPARABILITY.**

8 If any provision of this division (including any
9 amendment made by this division) or the application
10 thereof to any person or circumstance is held invalid, the
11 remainder of this division (including any amendment
12 made by this division) and the application thereof to other
13 persons or circumstances shall not be affected thereby.

14 **SEC. 802. APPLICATION OF LAW.**

15 Chapter 83 of title 41, United States Code, shall not
16 apply with respect to purchases made in response to—

17 (1) the public health emergency declared on
18 January 31, 2020 under section 319 of the Public
19 Health Service Act (42 U.S.C. 247d); or

20 (2) the emergency declared by the President on
21 March 13, 2020, under section 501 of the Robert T.
22 Stafford Disaster Relief and Emergency Assistance
23 Act (42 U.S.C. 5191) and under any subsequent
24 major disaster declaration under section 401 of such
25 Act that supersedes such emergency declaration.

1 **DIVISION S—SBC PROVISIONS**
2 **DIVISION T—REVENUE**
3 **PROVISIONS**

4 **SEC. 1. SHORT TITLE; TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This division may be cited as the
6 “Emergency Pension Plan Relief Act of 2020”.

7 (b) TABLE OF CONTENTS.—The table of contents of
8 this division is as follows:

Sec. 1. Short title; table of contents.

TITLE I—HEALTH-RELATED TAX RELIEF

Sec. 101. Payroll credit for COVID–19 charity care provided by hospitals.

Sec. 102. Payroll credit for COVID–19 hospital facility expenditures.

Sec. 103. Restoration of limitations on reconciliation of tax credits for coverage
under a qualified health plan with advance payments of such
credit.

Sec. 104. Improving affordability by reducing premium costs for consumers.

TITLE II—ECONOMIC STIMULUS

Subtitle A—Economic Assistance Payments

Sec. 201. 2020 economic assistance payments to individuals.

Sec. 202. Economic assistance payments to certain Federal beneficiaries.

Subtitle B—Earned Income Tax Credit

Sec. 211. Strengthening the earned income tax credit for individuals with no
qualifying children.

Sec. 212. Taxpayer eligible for childless earned income credit in case of quali-
fying children who fail to meet certain identification require-
ments.

Sec. 213. Credit allowed in case of certain separated spouses.

Sec. 214. Elimination of disqualified investment income test.

Sec. 215. Application of earned income tax credit in possessions of the United
States.

Subtitle C—Child Tax Credit

Sec. 221. Child tax credit fully refundable for 2020 through 2025.

Sec. 222. Application of child tax credit in possessions.

Sec. 223. Increased child tax credit for children who have not attained age 6.

Subtitle D—Dependent Care Assistance

Sec. 231. Refundability and enhancement of child and dependent care tax cred-
it.

812

Sec. 232. Increase in exclusion for employer-provided dependent care assistance.

Subtitle E—Net Operating Losses

Sec. 241. Five-year carryback of net operating losses and temporary suspension of taxable income limitation.

Subtitle F—Employee Retention Credit

Sec. 251. Payroll credit for certain employers affected by COVID–19.

Subtitle G—Credits for Paid Sick and Family Leave

Sec. 261. Extension of credits.

Sec. 262. Repeal of reduced rate of credit for certain leave.

Sec. 263. Federal, State, and local governments allowed tax credits for paid sick and paid family and medical leave.

Sec. 264. Credits not allowed to certain large employers.

Sec. 265. Effective date.

TITLE III—ADMINISTRATIVE

Sec. 301. Delay of certain deadlines.

TITLE IV—RETIREMENT PROVISIONS

Sec. 401. Special rules for use of retirement funds.

Sec. 402. Single-employer plan funding rules.

Sec. 403. Temporary waiver of required minimum distribution rules for certain retirement plans and accounts.

Sec. 404. Modification of special rules for minimum funding standards for community newspaper plans.

Sec. 405. Application of cooperative and small employer charity pension plan rules to certain charitable employers whose primary exempt purpose is providing services with respect to mothers and children.

Sec. 406. Extended amortization for single employer plans.

Sec. 407. Extension of pension funding stabilization percentages for single employer plans.

TITLE V—REHABILITATION FOR MULTIEMPLOYER PENSIONS

Sec. 501. Short title.

Sec. 502. Pension Rehabilitation Administration; establishment; powers.

Sec. 503. Pension Rehabilitation Trust Fund.

Sec. 504. Loan program for multiemployer defined benefit plans.

Sec. 505. Coordination with withdrawal liability and funding rules.

Sec. 506. Issuance of Treasury bonds.

Sec. 507. Reports of plans receiving pension rehabilitation loans.

Sec. 508. PBGC financial assistance.

1 **TITLE I—HEALTH-RELATED TAX**
2 **RELIEF**

3 **SEC. 101. PAYROLL CREDIT FOR COVID-19 CHARITY CARE**
4 **PROVIDED BY HOSPITALS.**

5 (a) IN GENERAL.—In the case of an employer which
6 is an eligible hospital, there shall be allowed as a credit
7 against the tax imposed by section 3111(a) of the Internal
8 Revenue Code of 1986 for each calendar quarter an
9 amount equal to 90 percent of the COVID-related charity
10 care furnished by such hospital during such calendar quar-
11 ter.

12 (b) LIMITATIONS AND REFUNDABILITY.—

13 (1) CREDIT LIMITED TO CERTAIN EMPLOYMENT
14 TAXES.—The credit allowed by subsection (a) with
15 respect to any calendar quarter shall not exceed the
16 tax imposed by section 3111(a) of such Code for
17 such calendar quarter (reduced by any credits al-
18 lowed under subsection (e) or (f) of section 3111 of
19 such Code, or under section 7001 or 7003 of the
20 Families First Coronavirus Response Act, for such
21 quarter) on the wages paid with respect to the em-
22 ployment of all employees of the employer.

23 (2) REFUNDABILITY OF EXCESS CREDIT.—

24 (A) IN GENERAL.—If the amount of the
25 credit under subsection (a) exceeds the limita-

1 tion of paragraph (1) for any calendar quarter,
2 such excess shall be treated as an overpayment
3 that shall be refunded under sections 6402(a)
4 and 6413(b) of such Code.

5 (B) TREATMENT OF PAYMENTS.—For pur-
6 poses of section 1324 of title 31, United States
7 Code, any amounts due to an employer under
8 this paragraph shall be treated in the same
9 manner as a refund due from a credit provision
10 referred to in subsection (b)(2) of such section.

11 (c) ELIGIBLE HOSPITAL.—For purposes of this sec-
12 tion, the term “eligible hospital” means a subsection (d)
13 hospital as defined in section 1886(d)(1)(B) of the Social
14 Security Act (42 U.S.C. 1395ww(d)(1)(B)) or a critical
15 access hospital (as defined in section 1861(mm)(1) of such
16 Act (42 U.S.C. 1395x(mm)(1))).

17 (d) COVID-RELATED CHARITY CARE.—For purposes
18 of this section—

19 (1) IN GENERAL.—The term “COVID-related
20 charity care” means, with respect to any eligible
21 hospital, so much of the specified charity care fur-
22 nished by such hospital as relates to items and serv-
23 ices furnished in the United States for the treatment
24 of COVID–19 or a related condition.

1 (2) SPECIFIED CHARITY CARE.—The term
2 “specified charity care” means, with respect to an
3 eligible hospital, the cost of charity care of such hos-
4 pital as defined for purposes of the Medicare Cost
5 Report Worksheet S–10.

6 (e) SPECIAL RULES.—

7 (1) DENIAL OF DOUBLE BENEFIT.—For pur-
8 poses of chapter 1 of the Internal Revenue Code of
9 1986, any deduction otherwise allowable under such
10 chapter for any COVID-related charity care shall be
11 reduced by the amount of the credit allowed under
12 this section with respect to such care.

13 (2) DOCUMENTATION.—No credit shall be al-
14 lowed under this section unless the employer main-
15 tains such documentation as the Secretary of the
16 Treasury (or the Secretary’s delegate) may prescribe
17 to establish such employer’s eligibility for the credit
18 allowed under this section (and the amount thereof).

19 (3) ELECTION NOT TO HAVE SECTION APPLY.—
20 This section shall not apply with respect to any em-
21 ployer for any calendar quarter if such employer
22 elects (at such time and in such manner as the Sec-
23 retary of the Treasury (or the Secretary’s delegate)
24 may prescribe) not to have this section apply.

1 (4) CERTAIN TERMS.—Any term used in this
2 section which is also used in chapter 21 of such
3 Code shall have the same meaning as when used in
4 such chapter.

5 (f) REGULATIONS.—The Secretary of the Treasury
6 (or the Secretary’s delegate) shall prescribe such regula-
7 tions or other guidance as may be necessary to carry out
8 the purposes of this section, including—

9 (1) regulations or other guidance (prescribed
10 after consultation with the Secretary of Health and
11 Human Services) which identify specific items and
12 services which are considered for purposes of sub-
13 section (d)(1) to be for the treatment of COVID–19
14 or a related condition,

15 (2) regulations or other guidance to effectuate
16 the purposes of the limitations under this section,

17 (3) regulations or other guidance to minimize
18 compliance and record-keeping burdens under this
19 section,

20 (4) regulations or other guidance providing for
21 a waiver of penalties for the failure to deposit taxes
22 imposed under section 3111(a) of such Code in an-
23 ticipation of the allowance of the credit allowed
24 under this section,

1 (5) regulations or other guidance for recap-
2 turing the benefit of credits determined under this
3 section in cases where there is a subsequent adjust-
4 ment to the credit determined under subsection (a),
5 and

6 (6) regulations or other guidance regarding the
7 treatment of certified professional employer organi-
8 zations, as described in section 3511 of such Code.

9 (g) APPLICATION OF SECTION.—

10 (1) IN GENERAL.—This section shall apply only
11 to COVID-related charity care which is furnished
12 during the period beginning on February 1, 2020,
13 and ending on December 31, 2020.

14 (2) TREATMENT OF CERTAIN CARE FURNISHED
15 BEFORE DATE OF ENACTMENT.—For purposes of
16 this section, any COVID-related charity care which
17 is furnished after January 31, 2020, and before the
18 calendar quarter which includes the date of the en-
19 actment of this Act shall be treated as having been
20 furnished in such calendar quarter.

21 (h) TRANSFERS TO FEDERAL OLD-AGE AND SUR-
22 VIVORS INSURANCE TRUST FUND.—There are hereby ap-
23 propriated to the Federal Old-Age and Survivors Insur-
24 ance Trust Fund and the Federal Disability Insurance
25 Trust Fund established under section 201 of the Social

1 Security Act (42 U.S.C. 401) amounts equal to the reduc-
2 tion in revenues to the Treasury by reason of this section
3 (without regard to this subsection). Amounts appropriated
4 by the preceding sentence shall be transferred from the
5 general fund at such times and in such manner as to rep-
6 licate to the extent possible the transfers which would have
7 occurred to such Trust Fund had this section not been
8 enacted.

9 (i) COORDINATION WITH DSH PAYMENTS.—Section
10 1886(r) of the Social Security Act (42 U.S.C. 1395ww(r))
11 is amended—

12 (1) in paragraph (2), by inserting “subject to
13 paragraph (4),” before “for fiscal year 2014”; and

14 (2) by adding at the end the following new
15 paragraph:

16 “(4) SPECIAL RULE FOR COVID-RELATED CHAR-
17 ITY CARE.—The Secretary shall, beginning in the
18 first fiscal year in which the factor described in
19 paragraph (2)(C) is calculated based on a cost re-
20 porting period that includes any portion of calendar
21 year 2020, exclude the amount of the payroll credit
22 for COVID–19 charity care allowed under section
23 101(a) of the Emergency Pension Plan Relief Act of
24 2020 provided to a subsection (d) hospital, from the
25 calculation of such factor.”.

1 **SEC. 102. PAYROLL CREDIT FOR COVID-19 HOSPITAL FA-**
2 **CILITY EXPENDITURES.**

3 (a) IN GENERAL.—In the case of an employer which
4 is an eligible hospital, there shall be allowed as a credit
5 against the tax imposed by section 3111(a) of the Internal
6 Revenue Code of 1986 for each calendar quarter an
7 amount equal to 90 percent of the COVID-19 hospital
8 facility expenditures paid or incurred by such hospital dur-
9 ing such calendar quarter.

10 (b) LIMITATIONS AND REFUNDABILITY.—

11 (1) CREDIT LIMITED TO CERTAIN EMPLOYMENT
12 TAXES.—The credit allowed by subsection (a) with
13 respect to any calendar quarter shall not exceed the
14 tax imposed by section 3111(a) of such Code for
15 such calendar quarter (reduced by any credits al-
16 lowed under subsection (e) or (f) of section 3111 of
17 such Code, under section 7001 or 7003 of the Fami-
18 lies First Coronavirus Response Act, or under the
19 preceding section of this Act, for such quarter) on
20 the wages paid with respect to the employment of all
21 employees of the employer.

22 (2) REFUNDABILITY OF EXCESS CREDIT.—

23 (A) IN GENERAL.—If the amount of the
24 credit under subsection (a) exceeds the limita-
25 tion of paragraph (1) for any calendar quarter,
26 such excess shall be treated as an overpayment

1 that shall be refunded under sections 6402(a)
2 and 6413(b) of such Code.

3 (B) TREATMENT OF PAYMENTS.—For pur-
4 poses of section 1324 of title 31, United States
5 Code, any amounts due to an employer under
6 this paragraph shall be treated in the same
7 manner as a refund due from a credit provision
8 referred to in subsection (b)(2) of such section.

9 (c) ELIGIBLE HOSPITAL.—For purposes of this sec-
10 tion, the term “eligible hospital” means a subsection (d)
11 hospital as defined in section 1886(d)(1)(B) of the Social
12 Security Act (42 U.S.C. 1395ww(d)(1)(B)) or a critical
13 access hospital (as defined in section 1861(mm)(1) of such
14 Act (42 U.S.C. 1395x(mm)(1)).

15 (d) COVID–19 HOSPITAL FACILITY EXPENDI-
16 TURES.—For purposes of this section—

17 (1) IN GENERAL.—The term “COVID–19 hos-
18 pital facility expenditures” means amounts paid or
19 incurred by an eligible hospital for—

20 (A) the purchase or construction of a tem-
21 porary structure in the United States for speci-
22 fied COVID-related purposes,

23 (B) the lease of any structure in the
24 United States for specified COVID-related pur-

1 poses if the term of such lease is not greater
2 than 2 years,

3 (C) the retrofitting of any existing perma-
4 nent structure in the United States for specified
5 COVID-related purposes, and

6 (D) any property for use in a structure de-
7 scribed in subparagraph (A), (B), or (C) for
8 specified COVID-related purposes if such prop-
9 erty is of a character which is subject to the al-
10 lowance for depreciation provided in section 167
11 of the Internal Revenue Code of 1986.

12 (2) SPECIFIED COVID-RELATED PURPOSES.—
13 The term “specified COVID-related purposes”
14 means the diagnosis, prevention, or treatment of
15 COVID–19 or a related condition.

16 (3) TEMPORARY STRUCTURE.—The term “tem-
17 porary structure” means a tent or such other struc-
18 ture which by its design or nature is not suitable to
19 serve as a permanent structure.

20 (4) COORDINATION WITH GOVERNMENT
21 GRANTS.—The COVID–19 hospital facility expendi-
22 tures taken into account under this section by any
23 eligible hospital shall be reduced by any amounts
24 provided by any Federal, State, or local government

1 for purposes of making or reimbursing such expendi-
2 tures.

3 (e) SPECIAL RULES.—

4 (1) DENIAL OF DOUBLE BENEFIT.—For pur-
5 poses of the Internal Revenue Code of 1986—

6 (A) the basis of any property with respect
7 to which a credit is allowed under this section
8 shall be reduced by the amount of such credit,
9 and

10 (B) such reduction shall be taken into ac-
11 count before determining the amount of any de-
12 duction, or allowance for depreciation or amor-
13 tization, with respect to such property for pur-
14 poses of such Code.

15 (2) RECAPTURE OF GAIN.—If an eligible hos-
16 pital disposes of any property with respect to which
17 a credit was allowed under this section and any gain
18 is determined on such disposition under section
19 1001 of such Code, the tax imposed under chapter
20 1 of such Code on such hospital shall be increased
21 by the amount of such gain. The preceding sentence
22 shall apply without regard to whether such eligible
23 hospital is otherwise exempt from, or not subject to,
24 the taxes otherwise imposed under such chapter.

1 (3) DOCUMENTATION.—No credit shall be al-
2 lowed under this section unless the employer main-
3 tains such documentation as the Secretary of the
4 Treasury (or the Secretary’s delegate) may prescribe
5 to establish such employer’s eligibility for the credit
6 allowed under this section (and the amount thereof).

7 (4) ELECTION NOT TO HAVE SECTION APPLY.—
8 This section shall not apply with respect to any em-
9 ployer for any calendar quarter if such employer
10 elects (at such time and in such manner as the Sec-
11 retary of the Treasury (or the Secretary’s delegate)
12 may prescribe) not to have this section apply.

13 (5) CERTAIN TERMS.—Any term used in this
14 section which is also used in chapter 21 of such
15 Code shall have the same meaning as when used in
16 such chapter.

17 (f) REGULATIONS.—The Secretary of the Treasury
18 (or the Secretary’s delegate) shall prescribe such regula-
19 tions or other guidance as may be necessary to carry out
20 the purposes of this section, including—

21 (1) regulations or other guidance to effectuate
22 the purposes of the limitations under this section,

23 (2) regulations or other guidance to minimize
24 compliance and record-keeping burdens under this
25 section,

1 (3) regulations or other guidance providing for
2 a waiver of penalties for the failure to deposit taxes
3 imposed under section 3111(a) in anticipation of the
4 allowance of the credit allowed under this section,

5 (4) regulations or other guidance for recap-
6 turing the benefit of credits determined under this
7 section in cases where there is a subsequent adjust-
8 ment to the credit determined under subsection (a),

9 (5) regulations or other guidance (prescribed
10 after consultation with the Secretary of Health and
11 Human Services) which identify specific items and
12 services which are considered for purposes of sub-
13 section (d)(2) to be for specified COVID-related pur-
14 poses, and

15 (6) regulations or other guidance regarding the
16 treatment of certified professional employer organi-
17 zations, as described in section 3511 of such Code.

18 (g) APPLICATION OF SECTION.—

19 (1) IN GENERAL.—This section shall apply only
20 to COVID–19 hospital facility expenditures which
21 are paid or incurred during the period beginning on
22 February 1, 2020, and ending on December 31,
23 2020.

24 (2) TREATMENT OF CERTAIN EXPENDITURES
25 MADE BEFORE DATE OF ENACTMENT.—For pur-

1 poses of this section, any COVID–19 hospital facility
2 expenditures which are paid or incurred after Janu-
3 ary 31, 2020, and before the calendar quarter which
4 includes the date of the enactment of this Act shall
5 be treated as having been furnished in such calendar
6 quarter.

7 (h) TRANSFERS TO FEDERAL OLD-AGE AND SUR-
8 VIVORS INSURANCE TRUST FUND.—There are hereby ap-
9 propriated to the Federal Old-Age and Survivors Insur-
10 ance Trust Fund and the Federal Disability Insurance
11 Trust Fund established under section 201 of the Social
12 Security Act (42 U.S.C. 401) amounts equal to the reduc-
13 tion in revenues to the Treasury by reason of this section
14 (without regard to this subsection). Amounts appropriated
15 by the preceding sentence shall be transferred from the
16 general fund at such times and in such manner as to rep-
17 licate to the extent possible the transfers which would have
18 occurred to such Trust Fund had this section not been
19 enacted.

1 **SEC. 103. RESTORATION OF LIMITATIONS ON RECONCILI-**
2 **ATION OF TAX CREDITS FOR COVERAGE**
3 **UNDER A QUALIFIED HEALTH PLAN WITH AD-**
4 **VANCE PAYMENTS OF SUCH CREDIT.**

5 (a) IN GENERAL.—Section 36B(f)(2)(B)(i) of the In-
6 ternal Revenue Code of 1986 is amended to read as fol-
7 lows:

8 “(i) IN GENERAL.—In the case of a
9 taxpayer whose household income is less
10 than 500 percent of the poverty line for
11 the size of the family involved for the tax-
12 able year, the amount of the increase
13 under subparagraph (A) shall in no event
14 exceed the applicable dollar amount deter-
15 mined in accordance with the following
16 table (one-half of such amount in the case
17 of a taxpayer whose tax is determined
18 under section 1(c) for the taxable year):

“If the household income (expressed as a percent of poverty line) is:	The applicable dollar amount is:
Less than 200%	\$600
At least 200% but less than 250%	\$1,000
At least 250% but less than 300%	\$1,500
At least 300% but less than 350%	\$2,000
At least 350% but less than 400%	\$2,500
At least 400% but less than 450%	\$3,000
At least 450% but less than 500%	\$3,500.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 104. IMPROVING AFFORDABILITY BY REDUCING PREMIUM COSTS FOR CONSUMERS.

(a) IN GENERAL.—Section 36B(b)(3)(A) of the Internal Revenue Code of 1986 is amended to read as follows:

“(A) APPLICABLE PERCENTAGE.—The applicable percentage for any taxable year shall be the percentage such that the applicable percentage for any taxpayer whose household income is within an income tier specified in the following table shall increase, on a sliding scale in a linear manner, from the initial premium percentage to the final premium percentage specified in such table for such income tier:

“In the case of household income (expressed as a percent of poverty line) within the following income tier:	The initial premium percentage is—	The final premium percentage is—
Over 100.0 percent up to 150.0 percent	0.0	0.0
150.0 percent up to 200.0 percent	0.0	3.0
200.0 percent up to 250.0 percent	3.0	4.0
250.0 percent up to 300.0 percent	4.0	6.0
300.0 percent up to 400.0 percent	6.0	8.5
400.0 percent and higher	8.5	8.5”.

(b) CONFORMING AMENDMENT.—Section 36B(c)(1)(A) of the Internal Revenue Code of 1986 is amended by striking “but does not exceed 400 percent”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2020.

4 **TITLE II—ECONOMIC STIMULUS**
5 **Subtitle A—Economic Assistance**
6 **Payments**

7 **SEC. 201. 2020 ECONOMIC ASSISTANCE PAYMENTS TO INDI-**
8 **VIDUALS.**

9 (a) IN GENERAL.—Subchapter B of chapter 65 of the
10 Internal Revenue Code of 1986 is amended by adding at
11 the end the following new section:

12 **“SEC. 6431. 2020 ECONOMIC ASSISTANCE PAYMENTS TO IN-**
13 **DIVIDUALS.**

14 “(a) IN GENERAL.—In the case of an eligible indi-
15 vidual, there shall be allowed as a credit against the tax
16 imposed by subtitle A for the first taxable year beginning
17 in 2020 an amount equal to the sum of—

18 “(1) the base amount, and

19 “(2) the income supplement amount.

20 “(b) BASE AMOUNT.—For purposes of this section,
21 the term ‘base amount’ means, with respect to any tax-
22 payer, the sum of—

23 “(1) \$1,500 (\$3,000 in the case of a joint re-
24 turn), plus

1 “(2) \$1,500 multiplied by the number of quali-
2 fying children (within the meaning of section 24(c))
3 of the taxpayer (not in excess of 3 such children) for
4 the taxpayer’s first taxable year beginning in 2020.

5 “(c) INCOME SUPPLEMENT AMOUNT.—For purposes
6 of this section—

7 “(1) IN GENERAL.—The term ‘income supple-
8 ment amount’ means—

9 “(A) in the case of any taxpayer not de-
10 scribed in subparagraph (B), the excess (if any)
11 of—

12 “(i) adjusted gross income for the tax-
13 able year immediately preceding such tax-
14 payer’s first taxable year beginning in
15 2020, over

16 “(ii) adjusted gross income for such
17 taxpayer’s first taxable year beginning in
18 2020, and

19 “(B) in the case of any taxpayer whose
20 household income for such taxpayer’s first tax-
21 able year beginning in 2020 does not exceed the
22 applicable phaseout amount, the greater of—

23 “(i) the excess (if any) described in
24 subparagraph (A), or

25 “(ii) the sum of—

1 “(I) base amount multiplied by 5,
2 plus

3 “(II) \$5,000.

4 “(2) MAXIMUM INCOME SUPPLEMENT
5 AMOUNT.—The income supplement amount deter-
6 mined under this subsection shall not exceed the
7 sum described in paragraph (1)(B)(ii) (determined
8 without regard to paragraph (3)).

9 “(3) PHASEOUT OF THE MINIMUM INCOME SUP-
10 PLEMENT AMOUNT.—The sum described in para-
11 graph (1)(B)(ii) shall be reduced (but not below
12 zero) by the amount which bears the same ratio to
13 such sum as—

14 “(A) the excess (if any) of the household
15 income for the taxpayer’s first taxable year be-
16 ginning in 2020 over 200 percent of the poverty
17 line for a family of the size involved, bears to

18 “(B) the excess of the applicable phaseout
19 amount over 200 percent of the poverty line for
20 a family of the size involved.

21 “(4) DEFINITIONS RELATING TO THE POVERTY
22 LINE.—For purposes of this subsection—

23 “(A) IN GENERAL.—The terms ‘family
24 size’ and ‘poverty line’ have the respective

1 meaning given such terms under section
2 36B(d).

3 “(B) HOUSEHOLD INCOME.—The term
4 ‘household income’ has the meaning given such
5 term by section 36B(d)(2)(A) applied by using
6 adjusted gross income (within the meaning of
7 this section) in lieu of modified adjusted gross
8 income (within the meaning of section 36B).

9 “(d) OVERALL PHASEOUT BASED ON ADJUSTED
10 GROSS INCOME.—

11 “(1) IN GENERAL.—The amount of the credit
12 allowed by subsection (a) (determined without re-
13 gard to this subsection and subsection (g)) shall be
14 reduced (but not below zero) by the amount which
15 bears the same ratio to such amount as—

16 “(A) the excess (if any) of the adjusted
17 gross income for the taxpayer’s first taxable
18 year beginning in 2020 over the applicable
19 phaseout amount, bears to

20 “(B) 50 percent of the applicable phaseout
21 amount.

22 “(2) APPLICABLE PHASEOUT AMOUNT.—The
23 term ‘applicable phaseout amount’ means—

1 “(A) \$150,000 in the case of a joint return
2 or a surviving spouse (as defined in section
3 2(a)),

4 “(B) \$112,500 in the case of a head of
5 household (as defined in section 2(b)), and

6 “(C) \$75,000 in any other case.

7 “(e) OTHER DEFINITIONS.—For purposes of this
8 section—

9 “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible
10 individual’ means any individual other than—

11 “(A) any nonresident alien individual,

12 “(B) any individual with respect to whom
13 a deduction under section 151 is allowable to
14 another taxpayer for a taxable year beginning
15 in the calendar year in which the individual’s
16 taxable year begins, and

17 “(C) an estate or trust.

18 “(2) ADJUSTED GROSS INCOME.—The term ‘ad-
19 justed gross income’ means adjusted gross income
20 determined without regard to sections 911, 931, and
21 933.

22 “(f) SPECIAL RULES.—

23 “(1) CREDIT TREATED AS REFUNDABLE.—The
24 credit allowed by subsection (a) shall be treated as

1 allowed by subpart C of part IV of subchapter A of
2 chapter 1.

3 “(2) TREATMENT OF CREDIT AND ADVANCE
4 PAYMENTS.—For purposes of section 1324 of title
5 31, United States Code, any credit under subsection
6 (a) and any credit or refund under subsection (h)
7 shall be treated in the same manner as a refund due
8 from a credit provision referred to in subsection
9 (b)(2) of such section.

10 “(3) IDENTIFICATION NUMBER REQUIRE-
11 MENT.—An individual shall not be taken into ac-
12 count in determining the amount of the credit al-
13 lowed under subsection (a) unless the taxpayer iden-
14 tification number of such individual is included on
15 the return of tax for the taxable year.

16 “(g) COORDINATION WITH ADVANCE REFUNDS OF
17 CREDIT.—

18 “(1) REDUCTION OF REFUNDABLE CREDIT.—
19 The amount of the credit which would (but for this
20 paragraph) be allowable under subsection (a) shall
21 be reduced (but not below zero) by the aggregate re-
22 funds and credits made or allowed to the taxpayer
23 under subsection (h) and the aggregate payments to
24 which the taxpayer is entitled under section 202 of
25 the Emergency Pension Plan Relief Act of 2020.

1 Any failure to so reduce the credit shall be treated
2 as arising out of a mathematical or clerical error
3 and assessed according to section 6213(b)(1).

4 “(2) RECAPTURE OF PAYMENTS IN EXCESS OF
5 REFUNDABLE CREDIT.—

6 “(A) IN GENERAL.—If the sum of the ag-
7 gregate refunds and credits made or allowed to
8 the taxpayer under subsection (h) and the ag-
9 gregate payments to which the taxpayer is enti-
10 tled under section 202 of the Emergency Pen-
11 sion Plan Relief Act of 2020 exceeds the credit
12 allowed under subsection (a) (determined with-
13 out regard to paragraph (1)), the tax imposed
14 under chapter 1 for the taxpayer’s first taxable
15 year beginning in 2020 shall be increased by
16 the amount of such excess.

17 “(B) ELECTION TO SPREAD RECAPTURE
18 OVER 3 YEARS.—In the case of a taxpayer who
19 elects (at such time and in such manner as the
20 Secretary may provide) the application of this
21 subparagraph, subparagraph (A) shall not apply
22 and the tax imposed under chapter 1 shall be
23 increased by $\frac{1}{3}$ of the excess described in sub-
24 paragraph (A) in the taxpayer’s first taxable

1 year beginning in 2020 and in each of the 2 im-
2 mediately following taxable years.

3 “(3) JOINT RETURNS.—In the case of a refund
4 or credit made or allowed under subsection (h) with
5 respect to a joint return, half of such refund or cred-
6 it shall be treated as having been made or allowed
7 to each individual filing such return.

8 “(h) ADVANCE REFUNDS AND CREDITS.—

9 “(1) IN GENERAL.—Each taxpayer who was an
10 eligible individual for such taxpayer’s first taxable
11 year beginning in 2019 shall be treated as having
12 made a payment against the tax imposed by chapter
13 1 for such first taxable year in an amount equal to
14 the advance refund amount.

15 “(2) ADVANCE REFUND AMOUNT.—For pur-
16 poses of this subsection, the term ‘advance refund
17 amount’ means the sum of—

18 “(A) the product of the prior-year base
19 amount multiplied by 6, plus

20 “(B) \$5,000.

21 “(3) TIMING OF PAYMENTS.—

22 “(A) BASE AMOUNT.—The Secretary shall,
23 subject to the provisions of this title, refund or
24 credit so much of any overpayment attributable

1 to paragraph (1) as is not less than the prior-
2 year base amount as rapidly as possible.

3 “(B) PERIODIC ADDITIONAL PAYMENTS.—

4 To the extent that the Secretary determines
5 feasible, the Secretary shall, subject to the pro-
6 visions of this title, refund or credit any re-
7 maining overpayment in periodic additional
8 amounts. The Secretary, to the maximum ex-
9 tent practicable, shall ensure that the entire
10 overpayment attributable to paragraph (1) is
11 refunded or credited under this paragraph not
12 later than December 31, 2020. For purposes of
13 the preceding sentence, the term ‘remaining
14 overpayment’ means so much of the overpay-
15 ment attributable to paragraph (1) as is not re-
16 funded or credited under subparagraph (A).

17 “(C) TERMINATION OF PAYMENT AUTHOR-
18 ITY.—No refund or credit shall be made or al-
19 lowed under this subsection after December 31,
20 2020.

21 “(4) PRIOR-YEAR BASE AMOUNT.—For pur-
22 poses of this subsection, the term ‘prior-year base
23 amount’ means the base amount determined under
24 subsection (b) with respect to—

1 “(A) the taxpayer’s first taxable year be-
2 ginning in 2019, or

3 “(B) if information regarding such taxable
4 year is not available to the Secretary, the tax-
5 payer’s first taxable year beginning in 2018.

6 “(5) COORDINATION WITH PAYMENTS TO SO-
7 CIAL SECURITY ADMINISTRATION RECIPIENTS.—This
8 subsection shall not apply with respect to any tax-
9 payer entitled to a payment under section 202 of the
10 Emergency Pension Plan Relief Act of 2020.

11 “(6) NO INTEREST.—No interest shall be al-
12 lowed on any overpayment attributable to this sec-
13 tion.

14 “(7) INFORMATION PROVIDED TO TAX-
15 PAYERS.—As soon as practicable, the Secretary
16 shall—

17 “(A) make best efforts to inform every tax-
18 payer that amounts received pursuant to this
19 subsection may be subject to recapture under
20 subsection (g)(2), and

21 “(B) develop an Internet tool allowing tax-
22 payer’s to determine the amount of such recap-
23 ture using input from the taxpayer.

24 “(i) REGULATIONS.—The Secretary shall prescribe
25 such regulations or other guidance as may be necessary

1 or appropriate to carry out the purposes of this section,
2 including—

3 “(1) regulations or other guidance providing for
4 proper determination of adjusted gross income in the
5 case of an individual whose filing status changes be-
6 tween the taxable years taken into account under
7 this section and in the case of any taxable year
8 which is less than 12 months,

9 “(2) regulations or other guidance providing
10 taxpayers with respect to whom information for nei-
11 ther taxable year described in subsection (h)(4) is
12 available to the Secretary the opportunity to provide
13 the Secretary information sufficient to allow the Sec-
14 retary to determine the amount of the credit or re-
15 fund for such taxpayer under subsection (h), and

16 “(3) regulations or other guidance providing for
17 proper determination of the treatment of households
18 that include an eligible individual (as defined in sec-
19 tion 202(b) of the Emergency Pension Plan Relief
20 Act of 2020).

21 “(j) OUTREACH.—The Secretary shall carry out a ro-
22 bust and comprehensive outreach program to ensure that
23 all taxpayers described in subsection (i)(2) learn of their
24 eligibility for the advance refunds and credits under sub-
25 section (h); are advised of the opportunity to receive such

1 advance refunds and credits as provided under subsection
2 (i)(2), and provided assistance in applying for such cred-
3 its. In conducting this outreach, the Secretary shall co-
4 ordinate with other government, state, and local agencies;
5 federal partners; and community-based nonprofit organi-
6 zations that regularly interface with those taxpayers so de-
7 scribed.”.

8 (b) TREATMENT OF CERTAIN POSSESSIONS.—

9 (1) PAYMENTS TO POSSESSIONS WITH MIRROR
10 CODE TAX SYSTEMS.—The Secretary of the Treas-
11 ury shall pay to each possession of the United States
12 which has a mirror code tax system amounts equal
13 to the loss (if any) to that possession by reason of
14 the amendments made by this section. Such
15 amounts shall be determined by the Secretary of the
16 Treasury based on information provided by the gov-
17 ernment of the respective possession.

18 (2) PAYMENTS TO OTHER POSSESSIONS.—The
19 Secretary of the Treasury shall pay to each posses-
20 sion of the United States which does not have a mir-
21 ror code tax system amounts estimated by the Sec-
22 retary of the Treasury as being equal to the aggre-
23 gate benefits (if any) that would have been provided
24 to residents of such possession by reason of the
25 amendments made by this section if a mirror code

1 tax system had been in effect in such possession.
2 The preceding sentence shall not apply unless the re-
3 spective possession has a plan, which has been ap-
4 proved by the Secretary of the Treasury, under
5 which such possession will promptly distribute such
6 payments to its residents.

7 (3) COORDINATION WITH CREDIT ALLOWED
8 AGAINST UNITED STATES INCOME TAXES.—No cred-
9 it shall be allowed against United States income
10 taxes under section 6431 of the Internal Revenue
11 Code of 1986 (as amended by this section), nor shall
12 any credit or refund be made or allowed under sub-
13 section (h) of such section, to any person—

14 (A) to whom a credit is allowed against
15 taxes imposed by the possession by reason of
16 the amendments made by this section, or

17 (B) who is eligible for a payment under a
18 plan described in paragraph (2).

19 (4) MIRROR CODE TAX SYSTEM.—For purposes
20 of this subsection, the term “mirror code tax sys-
21 tem” means, with respect to any possession of the
22 United States, the income tax system of such posses-
23 sion if the income tax liability of the residents of
24 such possession under such system is determined by

1 reference to the income tax laws of the United
2 States as if such possession were the United States.

3 (c) ADMINISTRATIVE PROVISIONS.—

4 (1) DEFINITION OF DEFICIENCY.—Section
5 6211(b)(4)(A) of the Internal Revenue Code of 1986
6 is amended by striking “168(k)(4)” and inserting
7 “168(k)(4), and 6431”.

8 (2) MATHEMATICAL OR CLERICAL ERROR AU-
9 THORITY.—Section 6213(g)(2) of such Code is
10 amended—

11 (A) by inserting “or section 6431 (relating
12 to economic assistance payments to individ-
13 uals)” before the comma at the end of subpara-
14 graph (H), and

15 (B) by striking “or 32” in subparagraph
16 (L) and inserting “32, or 6431”.

17 (3) EXEMPTION FROM OFFSETS.—So much of
18 any overpayment, credit, refund, or payment as is
19 attributable to the application of section 6431 of the
20 Internal Revenue Code of 1986 shall not be subject
21 to reduction, offset, or levy under section 6331 or
22 subsections (c), (d), (e), or (f) of section 6402 of
23 such Code or under section 3716 or 3720A of title
24 31, United States Code.

1 (4) TREATMENT OF CREDIT AND ADVANCE PAY-
2 MENTS.—For purposes of section 1324 of title 31,
3 United States Code, any credit under section
4 6431(a) of the Internal Revenue Code of 1986, any
5 credit or refund under section 6431(h) of such Code,
6 and any payment under subsection (b) of this Act,
7 shall be treated in the same manner as a refund due
8 from a credit provision referred to in subsection
9 (b)(2) of such section 1324.

10 (d) APPROPRIATIONS TO CARRY OUT THIS SEC-
11 TION.—

12 (1) IN GENERAL.—Immediately upon the enact-
13 ment of this Act, the following sums are appro-
14 priated, out of any money in the Treasury not other-
15 wise appropriated, for the fiscal year ending Sep-
16 tember 30, 2020—

17 (A) For an additional amount for “Depart-
18 ment of the Treasury—Bureau of Fiscal Serv-
19 ices—Salaries and Expenses”, \$78,600,000, to
20 remain available until December 31, 2020.

21 (B) For an additional amount for “Depart-
22 ment of the Treasury—Internal Revenue Serv-
23 ice—Taxpayer Services”, \$301,000,000, to re-
24 main available until December 31, 2020.

1 (C) For an additional amount for “Depart-
2 ment of the Treasury—Internal Revenue Serv-
3 ice—Enforcement”, \$37,200,000, to remain
4 available until December 31, 2020.

5 (D) For an additional amount for “De-
6 partment of the Treasury—Internal Revenue
7 Service—Operations Support”, \$8,000,000, to
8 remain available until December 31, 2020.

9 (2) REPORTS.—No later than 15 days after en-
10 actment of this Act, the Secretary of the Treasury
11 shall submit a plan to the Committees on Appropria-
12 tions of the House of Representatives and the Sen-
13 ate detailing the expected use of the funds provided
14 by paragraph (1)(A). Beginning 90 days after enact-
15 ment of this Act, the Secretary of the Treasury shall
16 submit a quarterly report to the Committees on Ap-
17 propriations of the House of Representatives and the
18 Senate detailing the actual expenditure of funds pro-
19 vided by paragraph (1)(A) and the expected expendi-
20 ture of such funds in the subsequent quarter.

21 **SEC. 202. ECONOMIC ASSISTANCE PAYMENTS TO CERTAIN**
22 **FEDERAL BENEFICIARIES.**

23 (a) PAYMENT AUTHORITIES AND AMOUNTS.—

24 (1) BASE AMOUNT PAYMENTS.—Subject to sub-
25 section (c), the Secretary of the Treasury shall dis-

1 burse a base amount payment to each individual
2 who, as of the date of the enactment of this Act, is
3 an eligible individual. Such payment shall be in the
4 amount that would be paid under section 6431(b) of
5 the Internal Revenue Code of 1986 for a single tax-
6 payer with no qualifying children.

7 (2) INCOME SUPPLEMENT AMOUNT PAY-
8 MENTS.—Subject to subsection (c), the Secretary of
9 the Treasury shall disburse income supplement
10 amount payments to each individual who, as of the
11 date of the enactment of this Act, is an eligible indi-
12 vidual. The total of such payments to each such in-
13 dividual shall equal the amount defined in
14 6431(c)(1)(B)(ii) for a single taxpayer with no
15 qualifying children.

16 (b) ELIGIBLE INDIVIDUAL.—

17 (1) IN GENERAL.—For purposes of subsection
18 (a), an “eligible individual” is an individual who, for
19 the last month that ends prior to the date of enact-
20 ment of this Act—

21 (A) is entitled to a social security insur-
22 ance benefit described in paragraph (2); or

23 (B) is eligible for a supplemental security
24 income benefit described in paragraph (3).

1 (2) SOCIAL SECURITY BENEFIT DESCRIBED.—

2 For purposes of paragraph (1), a social security in-
3 surance benefit described in this paragraph is any
4 monthly insurance benefit payable under title II of
5 the Social Security Act (42 U.S.C. 401 et seq.)
6 (other than child's insurance benefits payable under
7 section 202(d)(1)(B)(i) of such Act (42 U.S.C.
8 402(d)(1)(B)(i)), including payments made pursuant
9 to subsections (g) or (i)(7) of section 223 of such
10 Act (42 U.S.C. 423).

11 (3) SUPPLEMENTAL SECURITY INCOME BEN-
12 EFIT DESCRIBED.—For purposes of paragraph (1),
13 a supplemental security income benefit described in
14 this paragraph is a monthly benefit payable under
15 title XVI of the Social Security Act (42 U.S.C. 1381
16 et seq.) (other than a benefit to an individual de-
17 scribed in section 1611(e)(1)(B) or section
18 1614(a)(3)(C) of such Act (42 U.S.C.
19 1382(e)(1)(B); 1382c(a)(3)(C)), including—

20 (A) payments made pursuant to section
21 1619(a) (42 U.S.C. 1382h) or subsections
22 (a)(4), (a)(7), or (p)(7) of section 1631 (42
23 U.S.C. 1383) of such Act; and

24 (B) State supplementary payments of the
25 type referred to in section 1616(a) of such Act

1 (42 U.S.C. 1382e(a)) (or payments of the type
2 described in section 212(a) of Public Law 93–
3 66) which are paid by the Commissioner under
4 an agreement referred to in such section
5 1616(a) (or section 212(a) of Public Law 93–
6 66).

7 (4) LIMITATION.—Notwithstanding paragraph
8 (1), no individual shall be considered an eligible indi-
9 vidual for purposes of subsection (a) if, for the last
10 month that ends prior to the date of enactment of
11 this Act—

12 (A) the individual is entitled to a social se-
13 curity insurance benefit described in paragraph
14 (2) that was not payable for such month by rea-
15 son of subsection (x) or (y) of section 202 the
16 Social Security Act (42 U.S.C. 402) or section
17 1129A of such Act (42 U.S.C. 1320a–8a); or

18 (B) the individual is eligible for a supple-
19 mental security income benefit described in
20 paragraph (3) that was not payable for such
21 month by reason of subsection (e)(1)(A) or
22 (e)(4) of section 1611 (42 U.S.C. 1382) or sec-
23 tion 1129A of such Act (42 U.S.C. 1320a–8a).

24 (c) LIMITATIONS ON PAYMENTS.—

1 (1) RESIDENCY REQUIREMENT.—A payment
2 under this section shall be made only to individuals
3 who reside in 1 of the 50 States, the District of Co-
4 lumbia, Puerto Rico, Guam, the United States Vir-
5 gin Islands, American Samoa, or the Northern Mar-
6 iana Islands, or who are utilizing a foreign or do-
7 mestic Army Post Office or Fleet Post Office ad-
8 dress. For purposes of the preceding sentence, the
9 determination of the individual's residence shall be
10 based on the address of record, as of the date of cer-
11 tification under subsection (d) for a payment under
12 this section, under a program specified in paragraph
13 (b).

14 (2) TIMING AND MANNER OF PAYMENTS.—

15 (A) TIMING OF BASE AMOUNT PAYMENT.—

16 The Secretary of the Treasury shall commence
17 disbursing payments under subsection (a)(1) at
18 the earliest practicable date but in no event
19 later than 90 days after the date of enactment
20 of this Act.

21 (B) TIMING OF INCOME SUPPLEMENT
22 AMOUNT PAYMENTS.—The Secretary of the
23 Treasury shall disburse payments under sub-
24 section (a)(2) on a periodic basis in coordina-
25 tion with the timing of refunds and credits

1 made under section 6431(h)(3)(B) of the Inter-
2 nal Revenue Code of 1986.

3 (C) ELECTRONIC DISBURSEMENT.—The
4 Secretary of the Treasury may disburse any
5 payment electronically to an individual in such
6 manner as if such payment were a benefit pay-
7 ment made to such individual under the appli-
8 cable program described in paragraph (2) or (3)
9 of subsection (b).

10 (D) NOTICES.—The Commissioner of So-
11 cial Security shall send one or more notices, as
12 appropriate, in connection with such payments.
13 Such notices shall include the information de-
14 scribed in section 6431(h)(7)(A) of the Internal
15 Revenue Code of 1986 relating to such pay-
16 ments being subject to recapture.

17 (d) IDENTIFICATION OF RECIPIENTS.—The Commis-
18 sioner of Social Security shall certify the individuals enti-
19 tled to receive payments under this section and provide
20 the Secretary of the Treasury with the information needed
21 to disburse such payments. A certification of an individual
22 for payment shall be unaffected by any subsequent deter-
23 mination or redetermination of the individual's entitlement
24 to, or eligibility for, a benefit specified in paragraph (2)
25 or (3) of subsection (b).

1 (e) TREATMENT OF PAYMENTS.—

2 (1) PAYMENT DISREGARDED FOR PURPOSES OF
3 ALL FEDERAL AND FEDERALLY ASSISTED PRO-
4 GRAMS.—A payment under subsection (a) shall not
5 be regarded as income or as a resource for any
6 month for purposes of determining the eligibility of
7 the recipient (or the recipient's spouse or family) for
8 benefits or assistance, or the amount or extent of
9 benefits or assistance, under any Federal program
10 or under any State or local program financed in
11 whole or in part with Federal funds.

12 (2) PAYMENT NOT CONSIDERED INCOME FOR
13 PURPOSES OF TAXATION.—A payment under sub-
14 section (a) shall not be considered as gross income
15 for purposes of the Internal Revenue Code of 1986.

16 (3) PAYMENTS PROTECTED FROM ASSIGN-
17 MENT.—The provisions of sections 207 and
18 1631(d)(1) of the Social Security Act (42 U.S.C.
19 407, 1383(d)(1)) shall apply to any payment made
20 under subsection (a) as if such payment was a ben-
21 efit payment made to such individual under the ap-
22 plicable program described in paragraph (2) or (3)
23 of subsection (b).

24 (4) PAYMENTS PROTECTED FROM OFFSET AND
25 RECLAMATION.—Notwithstanding paragraph (3), a

1 payment under subsection (a) shall not be subject to
2 any reduction, offset, or levy pursuant to—

3 (A) section 3716 or 3720A of title 31,
4 United States Code;

5 (B) section 6331 of the Internal Revenue
6 Code of 1986; or

7 (C) subsection (c), (d), (e), or (f) of section
8 6402 of the Internal Revenue Code of 1986.

9 (f) PAYMENT TO REPRESENTATIVE PAYEES.—

10 (1) IN GENERAL.—In any case in which an in-
11 dividual who is entitled to a payment under sub-
12 section (a) and whose benefit described in subsection
13 (b) is paid to a representative payee, the payment
14 under subsection (a) shall be made to the individ-
15 ual's representative payee and the entire payment
16 shall be used only for the benefit of the individual
17 who is entitled to the payment.

18 (2) ENFORCEMENT.—Section 1129(a)(3) of the
19 Social Security Act (42 U.S.C. 1320a-8(a)(3)) shall
20 apply to any payment under subsection (a) in the
21 same manner as such section applies to a payment
22 under title II or XVI of such Act.

23 (g) COORDINATION.—The Secretary of the Treasury
24 and the Commissioner of Social Security shall coordinate

1 with respect to any payments made under this section or
2 section 6431(h) of the Internal Revenue Code of 1986.

3 (h) APPROPRIATION.—Out of any money in the
4 Treasury not otherwise appropriated, there is appro-
5 priated to the Commissioner of Social Security such sums
6 as may be necessary for payments to individuals certified
7 by the Commissioner of Social Security as entitled to re-
8 ceive a payment under this section, to remain available
9 until expended.

10 **Subtitle B—Earned Income Tax** 11 **Credit**

12 **SEC. 211. STRENGTHENING THE EARNED INCOME TAX** 13 **CREDIT FOR INDIVIDUALS WITH NO QUALI-** 14 **FYING CHILDREN.**

15 (a) SPECIAL RULES FOR 2020 AND 2021.—Section
16 32 of the Internal Revenue Code of 1986 is amended by
17 adding at the end the following new subsection:

18 “(n) SPECIAL RULES FOR INDIVIDUALS WITHOUT
19 QUALIFYING CHILDREN.—In the case of any taxable year
20 beginning in 2020 or 2021—

21 “(1) DECREASE IN MINIMUM AGE FOR CRED-
22 IT.—

23 “(A) IN GENERAL.—Subsection
24 (c)(1)(A)(ii)(II) shall be applied by substituting
25 ‘the applicable minimum age’ for ‘age 25’.

1 “(B) APPLICABLE MINIMUM AGE.—For
2 purposes of this paragraph, the term ‘applicable
3 minimum age’ means—

4 “(i) except as otherwise provided in
5 this subparagraph, age 19,

6 “(ii) in the case of a full-time student
7 (other than a qualified former foster youth
8 or a qualified homeless youth), age 25, and

9 “(iii) in the case of a qualified former
10 foster youth or qualified homeless youth,
11 age 18.

12 “(C) FULL-TIME STUDENT.—For purposes
13 of this paragraph, the term ‘full-time student’
14 means, with respect to any taxable year, an in-
15 dividual who is an eligible student (as defined
16 in section 25A(b)(3)) during at least 5 calendar
17 months during the taxable year.

18 “(D) QUALIFIED FORMER FOSTER
19 YOUTH.—For purposes of this paragraph, the
20 term ‘qualified former foster youth’ means an
21 individual who—

22 “(i) on or after the date that such in-
23 dividual attained age 14, was in foster care
24 provided under the supervision or adminis-
25 tration of a State or tribal agency admin-

1 istering (or eligible to administer) a plan
2 under part B or part E of the Social Secu-
3 rity Act (without regard to whether Fed-
4 eral assistance was provided with respect
5 to such child under such part E), and

6 “(ii) provides (in such manner as the
7 Secretary may provide) consent for State
8 and tribal agencies which administer a
9 plan under part B or part E of the Social
10 Security Act to disclose to the Secretary
11 information related to the status of such
12 individual as a qualified former foster
13 youth.

14 “(E) QUALIFIED HOMELESS YOUTH.—For
15 purposes of this paragraph, the term ‘qualified
16 homeless youth’ means, with respect to any tax-
17 able year, an individual who—

18 “(i) is certified by a local educational
19 agency or a financial aid administrator
20 during such taxable year as being either an
21 unaccompanied youth who is a homeless
22 child or youth, or as unaccompanied, at
23 risk of homelessness, and self-supporting.
24 Terms used in the preceding sentence
25 which are also used in section 480(d)(1) of

1 the Higher Education Act of 1965 shall
2 have the same meaning as when used in
3 such section, and

4 “(ii) provides (in such manner as the
5 Secretary may provide) consent for local
6 educational agencies and financial aid ad-
7 ministrators to disclose to the Secretary in-
8 formation related to the status of such in-
9 dividual as a qualified homeless youth.

10 “(2) INCREASE IN MAXIMUM AGE FOR CRED-
11 IT.—Subsection (c)(1)(A)(ii)(II) shall be applied by
12 substituting ‘age 66’ for ‘age 65’.

13 “(3) INCREASE IN CREDIT AND PHASEOUT PER-
14 CENTAGES.—The table contained in subsection
15 (b)(1) shall be applied by substituting ‘15.3’ for
16 ‘7.65’ each place it appears therein.

17 “(4) INCREASE IN EARNED INCOME AND
18 PHASEOUT AMOUNTS.—

19 “(A) IN GENERAL.—The table contained in
20 subsection (b)(2)(A) shall be applied—

21 “(i) by substituting ‘\$9,570’ for
22 ‘\$4,220’, and

23 “(ii) by substituting ‘\$11,310’ for
24 ‘\$5,280’.

1 “(B) COORDINATION WITH INFLATION AD-
2 JUSTMENT.—

3 “(i) IN GENERAL.—In the case of any
4 taxable year beginning after 2019, the
5 \$9,570 and \$11,310 amounts in subpara-
6 graph (A) shall each be increased by an
7 amount equal to—

8 “(I) such dollar amount, multi-
9 plied by

10 “(II) the cost-of-living adjust-
11 ment determined under section 1(f)(3)
12 for the calendar year in which the tax-
13 able year begins, determined by sub-
14 stituting ‘2018’ for ‘2016’ in subpara-
15 graph (A)(ii) thereof.

16 “(ii) ROUNDING.—If any increase
17 under clause (i) is not a multiple of \$10,
18 such increase shall be rounded to the near-
19 est multiple of \$10.

20 “(iii) COORDINATION WITH OTHER IN-
21 FLATION ADJUSTMENT.—Subsection (j)
22 shall not apply to any dollar amount speci-
23 fied in this paragraph.”.

24 (b) INFORMATION RETURN MATCHING.—As soon as
25 practicable, the Secretary of the Treasury (or the Sec-

1 retary's delegate) shall develop and implement procedures
2 for checking an individual's claim for a credit under sec-
3 tion 32 of the Internal Revenue Code of 1986, by reason
4 of subsection (n)(1) thereof, against any information re-
5 turn made with respect to such individual under section
6 6050S (relating to returns relating to higher education
7 tuition and related expenses).

8 (c) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to taxable years beginning after
10 December 31, 2019.

11 **SEC. 212. TAXPAYER ELIGIBLE FOR CHILDLESS EARNED IN-**
12 **COME CREDIT IN CASE OF QUALIFYING CHIL-**
13 **DREN WHO FAIL TO MEET CERTAIN IDENTI-**
14 **FICATION REQUIREMENTS.**

15 (a) IN GENERAL.—Section 32(c)(1) of the Internal
16 Revenue Code of 1986 is amended by striking subpara-
17 graph (F).

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 the date of the enactment of this Act.

21 **SEC. 213. CREDIT ALLOWED IN CASE OF CERTAIN SEPA-**
22 **RATED SPOUSES.**

23 (a) IN GENERAL.—Section 32(d) of the Internal Rev-
24 enue Code of 1986 is amended—

1 (1) by striking “MARRIED INDIVIDUALS.—In
2 the case of” and inserting the following: “MARRIED
3 INDIVIDUALS.—

4 “(1) IN GENERAL.—In the case of”, and

5 (2) by adding at the end the following new
6 paragraph:

7 “(2) DETERMINATION OF MARITAL STATUS.—
8 For purposes of this section—

9 “(A) IN GENERAL.—Except as provided in
10 subparagraph (B), marital status shall be deter-
11 mined under section 7703(a).

12 “(B) SPECIAL RULE FOR SEPARATED
13 SPOUSE.—An individual shall not be treated as
14 married if such individual—

15 “(i) is married (as determined under
16 section 7703(a)) and does not file a joint
17 return for the taxable year,

18 “(ii) lives with a qualifying child of
19 the individual for more than one-half of
20 such taxable year, and

21 “(iii)(I) during the last 6 months of
22 such taxable year, does not have the same
23 principal place of abode as the individual’s
24 spouse, or

1 “(II) has a decree, instrument, or
2 agreement (other than a decree of divorce)
3 described in section 121(d)(3)(C) with re-
4 spect to the individual’s spouse and is not
5 a member of the same household with the
6 individual’s spouse by the end of the tax-
7 able year.”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Section 32(c)(1)(A) of such Code is amend-
10 ed by striking the last sentence.

11 (2) Section 32(c)(1)(E)(ii) of such Code is
12 amended by striking “(within the meaning of section
13 7703)”.

14 (3) Section 32(d)(1) of such Code, as amended
15 by subsection (a), is amended by striking “(within
16 the meaning of section 7703)”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 the date of the enactment of this Act.

20 **SEC. 214. ELIMINATION OF DISQUALIFIED INVESTMENT IN-**
21 **COME TEST.**

22 (a) IN GENERAL.—Section 32 of the Internal Rev-
23 enue Code of 1986 is amended by striking subsection (i).

24 (b) CONFORMING AMENDMENTS.—

1 (1) Section 32(j)(1) of such Code is amended
2 by striking “subsections (b)(2) and (i)(1)” and in-
3 serting “subsection (b)(2)”.

4 (2) Section 32(j)(1)(B)(i) of such Code is
5 amended by striking “subsections (b)(2)(A) and
6 (i)(1)” and inserting “subsection (b)(2)(A)”.

7 (3) Section 32(j)(2) of such Code is amended—
8 (A) by striking subparagraph (B), and
9 (B) by striking “ROUNDING.—” and all
10 that follows through “If any dollar amount”
11 and inserting the following: “ROUNDING.—If
12 any dollar amount”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 the date of the enactment of this Act.

16 **SEC. 215. APPLICATION OF EARNED INCOME TAX CREDIT**
17 **IN POSSESSIONS OF THE UNITED STATES.**

18 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
19 enue Code of 1986 is amended by adding at the end the
20 following new section:

21 **“SEC. 7530. APPLICATION OF EARNED INCOME TAX CREDIT**
22 **TO POSSESSIONS OF THE UNITED STATES.**

23 “(a) PUERTO RICO.—

24 “(1) IN GENERAL.—With respect to calendar
25 year 2021 and each calendar year thereafter, the

1 Secretary shall, except as otherwise provided in this
2 subsection, make payments to Puerto Rico equal
3 to—

4 “(A) the specified matching amount for
5 such calendar year, plus

6 “(B) in the case of calendar years 2021
7 through 2025, the lesser of—

8 “(i) the expenditures made by Puerto
9 Rico during such calendar year for edu-
10 cation efforts with respect to individual
11 taxpayers and tax return preparers relat-
12 ing to the earned income tax credit, or

13 “(ii) \$1,000,000.

14 “(2) REQUIREMENT TO REFORM EARNED IN-
15 COME TAX CREDIT.—The Secretary shall not make
16 any payments under paragraph (1) with respect to
17 any calendar year unless Puerto Rico has in effect
18 an earned income tax credit for taxable years begin-
19 ning in or with such calendar year which (relative to
20 the earned income tax credit which was in effect for
21 taxable years beginning in or with calendar year
22 2019) increases the percentage of earned income
23 which is allowed as a credit for each group of indi-
24 viduals with respect to which such percentage is sep-

1 arately stated or determined in a manner designed
2 to substantially increase workforce participation.

3 “(3) SPECIFIED MATCHING AMOUNT.—For pur-
4 poses of this subsection—

5 “(A) IN GENERAL.—The term ‘specified
6 matching amount’ means, with respect to any
7 calendar year, the lesser of—

8 “(i) the excess (if any) of—

9 “(I) the cost to Puerto Rico of
10 the earned income tax credit for tax-
11 able years beginning in or with such
12 calendar year, over

13 “(II) the base amount for such
14 calendar year, or

15 “(ii) the product of 3, multiplied by
16 the base amount for such calendar year.

17 “(B) BASE AMOUNT.—

18 “(i) BASE AMOUNT FOR 2021.—In the
19 case of calendar year 2021, the term ‘base
20 amount’ means the greater of—

21 “(I) the cost to Puerto Rico of
22 the earned income tax credit for tax-
23 able years beginning in or with cal-
24 endar year 2019 (rounded to the
25 nearest multiple of \$1,000,000), or

1 “(II) \$200,000,000.

2 “(ii) INFLATION ADJUSTMENT.—In
3 the case of any calendar year after 2021,
4 the term ‘base amount’ means the dollar
5 amount determined under clause (i) in-
6 creased by an amount equal to—

7 “(I) such dollar amount, multi-
8 plied by—

9 “(II) the cost-of-living adjust-
10 ment determined under section 1(f)(3)
11 for such calendar year, determined by
12 substituting ‘calendar year 2020’ for
13 ‘calendar year 2016’ in subparagraph
14 (A)(ii) thereof.

15 Any amount determined under this clause
16 shall be rounded to the nearest multiple of
17 \$1,000,000.

18 “(4) RULES RELATED TO PAYMENTS AND RE-
19 PORTS.—

20 “(A) TIMING OF PAYMENTS.—The Sec-
21 retary shall make payments under paragraph
22 (1) for any calendar year—

23 “(i) after receipt of the report de-
24 scribed in subparagraph (B) for such cal-
25 endar year, and

1 “(ii) except as provided in clause (i),
2 within a reasonable period of time before
3 the due date for individual income tax re-
4 turns (as determined under the laws of
5 Puerto Rico) for taxable years which began
6 on the first day of such calendar year.

7 “(B) ANNUAL REPORTS.—With respect to
8 calendar year 2021 and each calendar year
9 thereafter, Puerto Rico shall provide to the Sec-
10 retary a report which shall include—

11 “(i) an estimate of the costs described
12 in paragraphs (1)(B)(i) and (3)(A)(i)(I)
13 with respect to such calendar year, and

14 “(ii) a statement of such costs with
15 respect to the preceding calendar year.

16 “(C) ADJUSTMENTS.—

17 “(i) IN GENERAL.—In the event that
18 any estimate of an amount is more or less
19 than the actual amount as later deter-
20 mined and any payment under paragraph
21 (1) was determined on the basis of such
22 estimate, proper payment shall be made
23 by, or to, the Secretary (as the case may
24 be) as soon as practicable after the deter-
25 mination that such estimate was inac-

1 curate. Proper adjustment shall be made in
2 the amount of any subsequent payments
3 made under paragraph (1) to the extent
4 that proper payment is not made under the
5 preceding sentence before such subsequent
6 payments.

7 “(ii) ADDITIONAL REPORTS.—The
8 Secretary may require such additional peri-
9 odic reports of the information described in
10 subparagraph (B) as the Secretary deter-
11 mines appropriate to facilitate timely ad-
12 justments under clause (i).

13 “(D) DETERMINATION OF COST OF
14 EARNED INCOME TAX CREDIT.—For purposes
15 of this subsection, the cost to Puerto Rico of
16 the earned income tax credit shall be deter-
17 mined by the Secretary on the basis of the laws
18 of Puerto Rico and shall include reductions in
19 revenues received by Puerto Rico by reason of
20 such credit and refunds attributable to such
21 credit, but shall not include any administrative
22 costs with respect to such credit.

23 “(E) PREVENTION OF MANIPULATION OF
24 BASE AMOUNT.—No payments shall be made
25 under paragraph (1) if the earned income tax

1 credit as in effect in Puerto Rico for taxable
2 years beginning in or with calendar year 2019
3 is modified after the date of the enactment of
4 this subsection.

5 “(b) POSSESSIONS WITH MIRROR CODE TAX SYS-
6 TEMS.—

7 “(1) IN GENERAL.—With respect to calendar
8 year 2021 and each calendar year thereafter, the
9 Secretary shall, except as otherwise provided in this
10 subsection, make payments to the Virgin Islands,
11 Guam, and the Commonwealth of the Northern Mar-
12 iana Islands equal to—

13 “(A) 75 percent of the cost to such posses-
14 sion of the earned income tax credit for taxable
15 years beginning in or with such calendar year,
16 plus

17 “(B) in the case of calendar years 2021
18 through 2025, the lesser of—

19 “(i) the expenditures made by such
20 possession during such calendar year for
21 education efforts with respect to individual
22 taxpayers and tax return preparers relat-
23 ing to such earned income tax credit, or

24 “(ii) \$50,000.

1 “(2) APPLICATION OF CERTAIN RULES.—Rules
2 similar to the rules of subparagraphs (A), (B), (C),
3 and (D) of subsection (a)(4) shall apply for purposes
4 of this subsection.

5 “(c) AMERICAN SAMOA.—

6 “(1) IN GENERAL.—With respect to calendar
7 year 2021 and each calendar year thereafter, the
8 Secretary shall, except as otherwise provided in this
9 subsection, make payments to American Samoa
10 equal to—

11 “(A) the lesser of—

12 “(i) 75 percent of the cost to Amer-
13 ican Samoa of the earned income tax cred-
14 it for taxable years beginning in or with
15 such calendar year, or

16 “(ii) \$12,000,000, plus

17 “(B) in the case of calendar years 2021
18 through 2025, the lesser of—

19 “(i) the expenditures made by Amer-
20 ican Samoa during such calendar year for
21 education efforts with respect to individual
22 taxpayers and tax return preparers relat-
23 ing to such earned income tax credit, or

24 “(ii) \$50,000.

1 “(2) REQUIREMENT TO ENACT AND MAINTAIN
2 AN EARNED INCOME TAX CREDIT.—The Secretary
3 shall not make any payments under paragraph (1)
4 with respect to any calendar year unless American
5 Samoa has in effect an earned income tax credit for
6 taxable years beginning in or with such calendar
7 year which allows a refundable tax credit to individ-
8 uals on the basis of the taxpayer’s earned income
9 which is designed to substantially increase workforce
10 participation.

11 “(3) INFLATION ADJUSTMENT.—In the case of
12 any calendar year after 2021, the \$12,000,000
13 amount in paragraph (1)(A)(ii) shall be increased by
14 an amount equal to—

15 “(A) such dollar amount, multiplied by—

16 “(B) the cost-of-living adjustment deter-
17 mined under section 1(f)(3) for such calendar
18 year, determined by substituting ‘calendar year
19 2020’ for ‘calendar year 2016’ in subparagraph
20 (A)(ii) thereof.

21 Any increase determined under this clause shall be
22 rounded to the nearest multiple of \$100,000.

23 “(4) APPLICATION OF CERTAIN RULES.—Rules
24 similar to the rules of subparagraphs (A), (B), (C),

1 and (D) of subsection (a)(4) shall apply for purposes
2 of this subsection.

3 “(d) TREATMENT OF PAYMENTS.—For purposes of
4 section 1324 of title 31, United States Code, the payments
5 under this section shall be treated in the same manner
6 as a refund due from a credit provision referred to in sub-
7 section (b)(2) of such section.”.

8 (b) CLERICAL AMENDMENT.—The table of sections
9 for chapter 77 of such Code is amended by adding at the
10 end the following new item:

“Sec. 7529. Application of earned income tax credit to possessions of the
United States.”.

11 **Subtitle C—Child Tax Credit**

12 **SEC. 221. CHILD TAX CREDIT FULLY REFUNDABLE FOR 2020** 13 **THROUGH 2025.**

14 (a) IN GENERAL.—Section 24(h)(5) of the Internal
15 Revenue Code of 1986 is amended to read as follows:

16 “(5) REFUNDABLE CREDIT.—The increase de-
17 termined under the first sentence of subsection
18 (d)(1) shall be the amount determined under sub-
19 paragraph (A) of such subsection (determined with-
20 out regard to paragraph (4) of this subsection).”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to taxable years beginning after
23 December 31, 2019.

1 **SEC. 222. APPLICATION OF CHILD TAX CREDIT IN POSSES-**
2 **SIONS.**

3 (a) IN GENERAL.—Section 24 of the Internal Rev-
4 enue Code of 1986 is amended by adding at the end the
5 following new subsection:

6 “(i) APPLICATION OF CREDIT IN POSSESSIONS.—

7 “(1) MIRROR CODE POSSESSIONS.—

8 “(A) IN GENERAL.—The Secretary shall
9 pay to each possession of the United States
10 with a mirror code tax system amounts equal to
11 the loss to that possession by reason of the ap-
12 plication of this section (determined without re-
13 gard to this subsection) with respect to taxable
14 years beginning after 2019. Such amounts shall
15 be determined by the Secretary of the Treasury
16 based on information provided by the govern-
17 ment of the respective possession.

18 “(B) COORDINATION WITH CREDIT AL-
19 LOWED AGAINST UNITED STATES INCOME
20 TAXES.—No credit shall be allowed under this
21 section for any taxable year to any individual to
22 whom a credit is allowable against taxes im-
23 posed by a possession with a mirror code tax
24 system by reason of the application of this sec-
25 tion in such possession for such taxable year.

1 “(C) MIRROR CODE TAX SYSTEM.—For
2 purposes of this paragraph, the term ‘mirror
3 code tax system’ means, with respect to any
4 possession of the United States, the income tax
5 system of such possession if the income tax li-
6 ability of the residents of such possession under
7 such system is determined by reference to the
8 income tax laws of the United States as if such
9 possession were the United States.

10 “(2) PUERTO RICO.—In the case of any bona
11 fide resident of Puerto Rico (within the meaning of
12 section 937(a))—

13 “(A) the credit determined under this sec-
14 tion shall be allowable to such resident,

15 “(B) in the case of any taxable year begin-
16 ning after December 31, 2021, and before Jan-
17 uary 1, 2027, the increase determined under
18 the first sentence of subsection (d)(1) shall be
19 the lesser of—

20 “(i) the amount determined under
21 subsection (d)(1)(A) (determined without
22 regard to subsection (h)(4)), or

23 “(ii) the dollar amount in effect under
24 subsection (h)(5), and

1 “(C) in the case of any taxable year after
2 December 31, 2026, the increase determined
3 under the first sentence of subsection (d)(1)
4 shall be the amount determined under sub-
5 section (d)(1)(A).

6 “(3) AMERICAN SAMOA.—

7 “(A) IN GENERAL.—The Secretary shall
8 pay to American Samoa amounts estimated by
9 the Secretary as being equal to the aggregate
10 benefits that would have been provided to resi-
11 dents of American Samoa by reason of the ap-
12 plication of this section for taxable years begin-
13 ning after 2019 if the provisions of this section
14 had been in effect in American Samoa.

15 “(B) DISTRIBUTION REQUIREMENT.—Sub-
16 paragraph (A) shall not apply unless American
17 Samoa has a plan, which has been approved by
18 the Secretary, under which American Samoa
19 will promptly distribute such payments to the
20 residents of American Samoa in a manner
21 which replicates to the greatest degree prac-
22 ticable the benefits that would have been so
23 provided to each such resident.

1 “(C) COORDINATION WITH CREDIT AL-
2 LOWED AGAINST UNITED STATES INCOME
3 TAXES.—

4 “(i) IN GENERAL.—In the case of a
5 taxable year with respect to which a plan
6 is approved under subparagraph (B), this
7 section (other than this subsection) shall
8 not apply to any individual eligible for a
9 distribution under such plan.

10 “(ii) APPLICATION OF SECTION IN
11 EVENT OF ABSENCE OF APPROVED
12 PLAN.—In the case of a taxable year with
13 respect to which a plan is not approved
14 under subparagraph (B), rules similar to
15 the rules of paragraph (2) shall apply with
16 respect to bona fide residents of American
17 Samoa (within the meaning of section
18 937(a)).

19 “(4) TREATMENT OF PAYMENTS.—The pay-
20 ments made under this subsection shall be treated in
21 the same manner for purposes of section 1324(b)(2)
22 of title 31, United States Code, as refunds due from
23 the credit allowed under this section.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2019.

4 **SEC. 223. INCREASED CHILD TAX CREDIT FOR CHILDREN**
5 **WHO HAVE NOT ATTAINED AGE 6.**

6 (a) IN GENERAL.—Section 24(h)(2) of the Internal
7 Revenue Code of 1986 is amended to read to as follows:

8 “(2) CREDIT AMOUNT.—Subsection (a) shall be
9 applied by substituting ‘\$2,000 (\$3,600 in the case
10 of a qualifying child who has not attained age 6 as
11 of the close of the calendar year in which the taxable
12 year of the taxpayer begins)’ for ‘\$1,000’ ”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to taxable years beginning after
15 December 31, 2019.

16 **Subtitle D—Dependent Care**
17 **Assistance**

18 **SEC. 231. REFUNDABILITY AND ENHANCEMENT OF CHILD**
19 **AND DEPENDENT CARE TAX CREDIT.**

20 (a) IN GENERAL.—Section 21 of the Internal Rev-
21 enue Code of 1986 is amended by adding at the end the
22 following new subsection:

23 “(g) SPECIAL RULES FOR 2020 AND 2021.—In the
24 case of any taxable year beginning in 2020 or 2021—

1 “(1) CREDIT MADE REFUNDABLE.—In the case
2 of an individual other than a nonresident alien, the
3 credit allowed under subsection (a) shall be treated
4 as a credit allowed under subpart C (and not allowed
5 under this subpart).

6 “(2) INCREASE IN APPLICABLE PERCENTAGE.—
7 Subsection (a)(2) shall be applied—

8 “(A) by substituting ‘50 percent’ for ‘35
9 percent ’, and

10 “(B) by substituting ‘\$120,000’ for
11 ‘\$15,000’.

12 “(3) INCREASE IN DOLLAR LIMIT ON AMOUNT
13 CREDITABLE.—Subsection (c) shall be applied—

14 “(A) by substituting ‘\$6,000’ for ‘\$3,000’
15 in paragraph (1) thereof, and

16 “(B) by substituting ‘twice the amount in
17 effect under paragraph (1)’ for ‘\$6,000’ in
18 paragraph (2) thereof.

19 “(4) INFLATION ADJUSTMENT OF DOLLAR
20 AMOUNTS.—In the case of any taxable year begin-
21 ning after 2020, the \$120,000 amount in paragraph
22 (2)(B) and the \$6,000 amount in paragraph (3)(A)
23 shall each be increased by an amount equal to—

24 “(A) such dollar amount, multiplied by

1 “(B) the cost-of-living adjustment deter-
2 mined under section 1(f)(3) for the calendar
3 year in which the taxable year begins, deter-
4 mined by substituting ‘2019’ for ‘2016’ in sub-
5 paragraph (A)(ii) thereof.

6 If any increase determined under this paragraph is
7 not a multiple of \$100, such increase shall be round-
8 ed to the next lowest multiple of \$100.

9 “(5) INCOME LIMITATION.—

10 “(A) IN GENERAL.—Paragraphs (1)
11 through (4) of this subsection shall not apply to
12 any taxpayer for any taxable year if the modi-
13 fied adjusted gross income of such taxpayer for
14 such taxable year exceeds \$1,000,000.

15 “(B) MODIFIED ADJUSTED GROSS IN-
16 COME.—For purposes of this paragraph, the
17 term ‘modified adjusted gross income’ means
18 adjusted gross income determined without re-
19 gard to sections 911, 931, and 933.”.

20 (b) CONFORMING AMENDMENT.—Section 1324(b)(2)
21 of title 31, United States Code, is amended by inserting
22 “21 (by reason of subsection (g) thereof),” before “25A”.

23 (c) COORDINATION WITH POSSESSION TAX SYS-
24 TEMS.—Section 21(g)(1) of the Internal Revenue Code of

1 1986 (as added by this section) shall not apply to any per-
2 son—

3 (1) to whom a credit is allowed against taxes
4 imposed by a possession with a mirror code tax sys-
5 tem by reason of the application of section 21 of
6 such Code in such possession for such taxable year,
7 or

8 (2) to whom a credit would be allowed against
9 taxes imposed by a possession which does not have
10 a mirror code tax system if the provisions of section
11 21 of such Code had been in effect in such posses-
12 sion for such taxable year.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 2019.

16 **SEC. 232. INCREASE IN EXCLUSION FOR EMPLOYER-PRO-**
17 **VIDED DEPENDENT CARE ASSISTANCE.**

18 (a) IN GENERAL.—Section 129(a)(2) of the Internal
19 Revenue Code of 1986 is amended by adding at the end
20 the following new subparagraph:

21 “(D) SPECIAL RULE FOR 2021 AND 2022.—
22 In the case of any taxable year beginning in
23 2021 or 2022—

24 “(i) IN GENERAL.—Subparagraph (A)
25 shall be applied be substituting ‘\$10,500

1 (half such dollar amount’ for ‘\$5,000
2 (\$2,500’.

3 “(ii) INFLATION ADJUSTMENT.—In
4 the case of any taxable year beginning
5 after 2021, the \$10,500 amount in clause
6 (i) shall be increased by an amount equal
7 to—

8 “(I) such dollar amount, multi-
9 plied by

10 “(II) the cost-of-living adjust-
11 ment determined under section 1(f)(3)
12 for the calendar year in which the tax-
13 able year begins, determined by sub-
14 stituting ‘2020’ for ‘2016’ in subpara-
15 graph (A)(ii) thereof.

16 Any increase determined under the pre-
17 ceding sentence which is not a multiple of
18 \$50, shall be rounded to the nearest mul-
19 tiple of \$50.”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to taxable years beginning after
22 December 31, 2020.

1 **Subtitle E—Net Operating Losses**

2 **SEC. 241. FIVE-YEAR CARRYBACK OF NET OPERATING** 3 **LOSSES AND TEMPORARY SUSPENSION OF** 4 **TAXABLE INCOME LIMITATION.**

5 (a) IN GENERAL.—Section 172 of the Internal Rev-
6 enue Code of 1986 is amended by redesignating subsection
7 (g) as subsection (h) and by inserting after subsection (f)
8 the following new subsection:

9 “(g) SPECIAL RULES FOR 2018, 2019, and 2020.—
10 For purposes of this section—

11 “(1) FIVE-YEAR CARRYBACK.—

12 “(A) IN GENERAL.—Any net operating loss
13 arising in a taxable year beginning after De-
14 cember 31, 2017, and before January 1,
15 2021—

16 “(i) shall be a net operating loss
17 carryback to each of the 5 taxable years
18 preceding the taxable year of such loss
19 (but not to any taxable year beginning be-
20 fore January 1, 2015), and

21 “(ii) subparagraphs (B) and (C)(i) of
22 subsection (b)(1) shall not apply.

23 “(B) ELECTION OUT.—A taxpayer may
24 elect not to have subparagraph (A) apply for
25 any taxable year. Such election shall be made in

1 such manner as may be prescribed by the Sec-
2 retary, and shall be made—

3 “(i) in the case of any election relat-
4 ing to a net operating loss arising in a tax-
5 able year beginning in 2018 or 2019, by
6 the due date (including extension of time)
7 for filing the return for the taxpayer’s first
8 taxable year ending after the date of the
9 enactment of this subparagraph.

10 “(ii) in the case of any election relat-
11 ing to a net operating loss arising in a tax-
12 able year beginning in 2020, by the due
13 date (including extensions of time) for
14 such taxable year.

15 Any such election, once made, shall be irrev-
16 ocable.

17 “(2) SUSPENSION OF NET OPERATING LOSS
18 LIMITATION.—For taxable years beginning after De-
19 cember 31, 2017, and before January 1, 2021, the
20 amount of the deduction allowed under subsection
21 (a) shall be the aggregate of the net operating loss
22 carryovers to such year, plus the net operating loss
23 carrybacks to such year.

24 “(3) DISQUALIFIED TAXPAYER.—Paragraphs
25 (1) and (2) shall not apply with respect to any tax-

1 able year in which the taxpayer is a disqualified tax-
2 payer. Any taxpayer who is a disqualified taxpayer
3 in the first taxable year ending after the date of the
4 enactment of this paragraph, shall be treated as a
5 disqualified taxpayer for taxable years beginning on
6 or after January 1, 2018.

7 “(4) DEFINITIONS.—For purposes of this sub-
8 section—

9 “(A) DISQUALIFIED TAXPAYER.—A tax-
10 payer is a disqualified taxpayer with respect to
11 a taxable year if—

12 “(i) in the case of a taxable year end-
13 ing after December 31, 2019, and begin-
14 ning before January 1, 2021, the taxpayer
15 (or any related person) is not allowed a de-
16 duction under this chapter for the taxable
17 year by reason of section 162(m) or section
18 280G, or

19 “(ii) the taxpayer (or any related per-
20 son) is a specified corporation for the tax-
21 able year.

22 “(B) SPECIFIED CORPORATION.—

23 “(i) IN GENERAL.—The term ‘speci-
24 fied corporation’ means, with respect to
25 any taxable year, a corporation the aggre-

1 gate distributions (including redemptions)
2 of which during any taxable year ending
3 after December 31, 2017, exceed the sum
4 of applicable stock issued of such corpora-
5 tion and 5 percent of the fair market value
6 of the stock of such corporation as of the
7 last day of the taxable year.

8 “(ii) APPLICABLE STOCK ISSUED.—
9 The term ‘applicable stock issued’ means,
10 with respect to any corporation, the aggre-
11 gate value of stock issued by the corpora-
12 tion during any taxable year ending after
13 December 31, 2017, in exchange for money
14 or property other than stock in such cor-
15 poration.

16 “(iii) CERTAIN PREFERRED STOCK
17 DISREGARDED.—For purposes of clause
18 (i), stock described in section 1504(a)(4),
19 and distributions (including redemptions)
20 with respect to such stock, shall be dis-
21 regarded.

22 “(C) RELATED PERSON.—A person is a re-
23 lated person to a taxpayer if the related person
24 bears a relationship to the taxpayer specified in
25 section 267(b) or section 707(b)(1).

1 “(5) SPECIAL RULE FOR LIFE INSURANCE COM-
2 PANIES.—In the case of a net operating loss of a life
3 insurance company which arises in a taxable year
4 beginning after December 31, 2017, and before Jan-
5 uary 1, 2021, and which is a net operating loss
6 carryback to a taxable year beginning before Janu-
7 ary 1, 2018, such net operating loss shall be treated
8 as an operations loss deduction under subchapter L
9 (as in effect before the enactment of Public Law
10 115–97) with respect to such taxable year in the
11 same manner as a loss arising in a taxable year be-
12 ginning before January 1, 2018.”.

13 (b) COORDINATION WITH TAXABLE YEAR FOR
14 WHICH DEFERRED FOREIGN INCOME TREATED AS SUB-
15 PART F INCOME.—Section 965(n) of such Code is amend-
16 ed by adding at the end the following new paragraph:

17 “(4) DEEMED ELECTION IN CASE OF CERTAIN
18 NET OPERATING LOSS CARRYBACKS.—In the case of
19 a net operating loss carryback to such taxable year
20 by reason of section 172(g)(1), the taxpayer shall be
21 treated as having elected the application of this sub-
22 section for such taxable year.”.

23 (c) CONFORMING AMENDMENT.—Section 172(b)(1)
24 of such Code is amended by inserting “and subsection (g)”
25 after “this paragraph”.

1 (d) REGULATORY AUTHORITY.—The Secretary of the
2 Treasury (or the Secretary’s delegate) shall prescribe such
3 regulations or other guidance as are necessary or appro-
4 priate to prevent the abuse of the purposes of the amend-
5 ments made by this section, including—

6 (1) anti-stuffing rules, anti-churning rules (in-
7 cluding rules relating to sale-leasebacks), and rules
8 similar to the rules under section 1091 of the Inter-
9 nal Revenue Code of 1986 relating to losses from
10 wash sales,

11 (2) rules applying this subsection to successor
12 corporations and in cases where a taxpayer becomes,
13 or ceases to be, a member of an affiliated group fil-
14 ing a consolidated return under section 1501 of such
15 Code,

16 (3) rules treating members of an affiliated
17 group filing a consolidated return under section
18 1501 of such Code as a single corporation, and

19 (4) rules to prevent the avoidance of this sec-
20 tion through related parties, pass-through entities,
21 and intermediaries.

22 (e) SPECIAL RULES.—Rules similar to the rules of
23 subparagraphs (B) and (D) of section 172(b)(1) of the
24 Internal Revenue Code of 1986, as in effect on the day
25 before the date of the enactment of Public Law 115–97,

1 shall apply to any net operating loss to which the amend-
2 ment made by this section applies. The Secretary of the
3 Treasury (or the Secretary's delegate) shall prescribe such
4 regulations or other guidance as are necessary or appro-
5 priate to effect the purposes of such subparagraphs with
6 respect to any such net operating losses.

7 (f) EFFECTIVE DATE.—

8 (1) NET OPERATING LOSS LIMITATION.—Ex-
9 cept as provided in paragraph (2), the amendments
10 made by subsections (a) shall apply to—

11 (A) taxable years beginning after Decem-
12 ber 31, 2017, and

13 (B) taxable years beginning on or before
14 December 31, 2017, to which net operating
15 losses arising in taxable years beginning after
16 December 31, 2017, are carried.

17 (2) CARRYBACKS.—In the case of the amend-
18 ments made by subsections (b) and (c), and so much
19 of subsection (a) as relates to the carryback of net
20 operating losses, such amendments shall apply to net
21 operating losses arising in taxable years ending after
22 December 31, 2017, and beginning before January
23 1, 2021.

1 **Subtitle F—Employee Retention**
2 **Credit**

3 **SEC. 251. PAYROLL CREDIT FOR CERTAIN EMPLOYERS AF-**
4 **FECTED BY COVID-19.**

5 (a) IN GENERAL.—In the case of an eligible em-
6 ployer, there shall be allowed as a credit against the tax
7 imposed by section 3111(a) or 3221(a) of the Internal
8 Revenue Code of 1986 for each calendar quarter an
9 amount equal to 80 percent of the qualified wages allo-
10 cable to the inoperable trade or business with respect to
11 each employee of such employer for such calendar quarter.

12 (b) LIMITATIONS AND REFUNDABILITY.—

13 (1) WAGES TAKEN INTO ACCOUNT.—The
14 amount of qualified wages with respect to any em-
15 ployee which may be taken into account under sub-
16 section (a) by the eligible employer for all calendar
17 quarters shall not exceed \$10,000.

18 (2) CREDIT LIMITED TO EMPLOYMENT
19 TAXES.—The credit allowed by subsection (a) with
20 respect to any calendar quarter shall not exceed the
21 tax imposed by section 3111(a) or 3221(a) of the
22 Internal Revenue Code of 1986 for such calendar
23 quarter (reduced by any credits allowed under sub-
24 sections (e) and (f) of section 3111 and sections
25 7001 and 7003 of the Families First Coronavirus

1 Response Act) on the wages paid with respect to the
2 employment of all the employees of the eligible em-
3 ployer.

4 (3) REFUNDABILITY OF EXCESS CREDIT.—

5 (A) IN GENERAL.—If the amount of the
6 credit under subsection (a) exceeds the limita-
7 tion of paragraph (2) for any calendar quarter,
8 such excess shall be treated as an overpayment
9 that shall be refunded under sections 6402(a)
10 and 6413(b) of such Code.

11 (B) TREATMENT OF PAYMENTS.—For pur-
12 poses of section 1324 of title 31, United States
13 Code, any amounts due to the employer under
14 this paragraph shall be treated in the same
15 manner as a refund due from a credit provision
16 referred to in subsection (b)(2) of such section.

17 (c) DEFINITIONS.—For purposes of this section—

18 (1) ELIGIBLE EMPLOYER.—The term “eligible
19 employer” means an employer—

20 (A) which conducted an active trade or
21 business on January 31, 2020,

22 (B) with respect to which such trade or
23 business is an inoperable trade or business after
24 January 31, 2020 during any calendar quarter,
25 and

1 (C) which had either—

2 (i) no more than 1,500 full-time
3 equivalent employees (as defined in section
4 45R(d)(2) of the Internal Revenue Code of
5 1986) for calendar year 2019, or

6 (ii) no more than \$41.5 million in
7 gross receipts in calendar year 2019.

8 (2) INOPERABLE TRADE OR BUSINESS.—The
9 term “inoperable trade or business” means any
10 trade or business of an eligible employer for which
11 gross receipts for the calendar quarter are less than
12 80 percent of gross receipts for the same calendar
13 quarter for the prior year.

14 (3) QUALIFIED WAGES.—The term “qualified
15 wages” means wages (as defined in section 3121(a)
16 of such Code) or compensation (as defined in section
17 3231(e) of such Code) paid or incurred by an eligi-
18 ble employer with respect to an employee on any day
19 after January 31, 2020 and before December 31,
20 2020 that falls during the designated period, except
21 that such term shall not include any wages taken
22 into account under section 7001 or section 7003 of
23 the Families First Coronavirus Response Act.

24 (4) DESIGNATED PERIOD.—The term “des-
25 ignated period” means the period—

1 (A) beginning in the calendar quarter in
2 which the trade or business became an inoper-
3 able trade or business, and

4 (B) ending in the calendar quarter for
5 which the gross receipts of the trade or busi-
6 ness of the eligible employer are greater than
7 90 percent of gross receipts for the same cal-
8 endar quarter for the prior year.

9 Such term shall include wages paid or incurred with-
10 out regard to whether the employee performs no
11 services, performs services at a different place of em-
12 ployment, or performs services during the period in
13 which the eligible employer is an inoperable trade or
14 business.

15 (d) AGGREGATION RULE.—All persons treated as a
16 single employer under subsection (a) or (b) of section 52
17 of such Code, or subsection (m) or (o) of section 414 of
18 such Code, shall be treated as one eligible employer for
19 purposes of this section.

20 (e) DENIAL OF DOUBLE BENEFIT.—For purposes of
21 chapter 1 of such Code, the gross income of the employer
22 for the taxable year which includes the last day of any
23 calendar quarter with respect to which a credit is allowed
24 under this section shall be increased by the amount of
25 such credit.

1 (f) SPECIAL RULE FOR THIRD PARTY PAYORS.—Any
2 credit allowed under this section shall be treated as a cred-
3 it described in section 3511(d)(2) of such Code.

4 (g) ELECTION NOT TO HAVE SECTION APPLY.—This
5 section shall not apply with respect to any eligible em-
6 ployer for any calendar quarter if such employer elects (at
7 such time and in such manner as the Secretary of the
8 Treasury (or the Secretary's delegate) may prescribe) not
9 to have this section apply.

10 (h) EMPLOYEE NOT TAKEN INTO ACCOUNT MORE
11 THAN ONCE.—An employee shall not be treated as an em-
12 ployee for purposes of this section for any period with re-
13 spect to any employer if such employer is allowed a credit
14 under section 51 of such Code with respect to such em-
15 ployee for such period.

16 (i) REGULATIONS.—The Secretary of the Treasury
17 (or the Secretary's delegate) shall prescribe such regula-
18 tions or other guidance as may be necessary to carry out
19 the purposes of this section, including—

20 (1) regulations or other guidance providing for
21 waiver of penalties for failure to deposit amounts in
22 anticipation of the allowance of the credit allowed
23 under this section,

1 (2) regulations or other guidance regarding the
2 form and manner for recapturing credits under this
3 section,

4 (3) regulations or other guidance to prevent the
5 avoidance of the purposes of this section,

6 (4) regulations or other guidance describing
7 proper calculation of gross receipts for purposes of
8 subsection (c) for eligible employers that did not op-
9 erate a trade or business in prior calendar quarters,
10 and

11 (5) regulations or other guidance regarding the
12 application of the credit under subsection (a) to
13 third party payors (including professional employer
14 organizations, certified professional employer organi-
15 zations, or agents under section 3504 of such Code),
16 including regulations or other guidance allowing
17 such payors to submit documentation necessary to
18 substantiate the eligible employer status of employ-
19 ers that use such payors.

20 (j) TRANSFERS TO FEDERAL OLD-AGE AND SUR-
21 VIVORS INSURANCE TRUST FUND.—There are hereby ap-
22 propriated to the Federal Old-Age and Survivors Insur-
23 ance Trust Fund and the Federal Disability Insurance
24 Trust Fund established under section 201 of the Social
25 Security Act (42 U.S.C. 401) and the Social Security

1 Equivalent Benefit Account established under section
2 15A(a) of the Railroad Retirement Act of 1974 (45 U.S.C.
3 14 231n–1(a)) amounts equal to the reduction in revenues
4 to the Treasury by reason of this section (without regard
5 to this subsection). Amounts appropriated by the pre-
6 ceding sentence shall be transferred from the general fund
7 at such times and in such manner as to replicate to the
8 extent possible the transfers which would have occurred
9 to such Trust Fund or Account had this section not been
10 enacted.

11 **Subtitle G—Credits for Paid Sick**
12 **and Family Leave**

13 **SEC. 261. EXTENSION OF CREDITS.**

14 Sections 7001(g), 7002(e), 7003(g), and 7004(e) of
15 Public Law 116–127 are each amended by striking
16 “2020” and inserting “2021”.

17 **SEC. 262. REPEAL OF REDUCED RATE OF CREDIT FOR CER-**
18 **TAIN LEAVE.**

19 (a) PAYROLL CREDIT.—Section 7001(b) of Public
20 Law 116–127 is amended by striking “\$200 (\$511 in the
21 case of any day any portion of which is paid sick time
22 described in paragraph (1), (2), or (3) of section 5102(a)
23 of the Emergency Paid Sick Leave Act)” and inserting
24 “\$511”.

25 (b) SELF-EMPLOYED CREDIT.—

1 (1) IN GENERAL.—Section 7002(c)(1)(B) of
2 Public Law 116–127 is amended to read as follows:

3 “(B) the lesser of—

4 “(i) \$511, or

5 “(ii) the average daily self-employ-
6 ment income of the individual for the tax-
7 able year.”.

8 (2) CONFORMING AMENDMENT.—Section
9 7002(d)(3) of Public Law 116–127 is amended by
10 striking “\$2,000 (\$5,110 in the case of any day any
11 portion of which is paid sick time described in para-
12 graph (1), (2), or (3) of section 5102(a) of the
13 Emergency Paid Sick Leave Act)” and inserting
14 “\$5,110”.

15 **SEC. 263. FEDERAL, STATE, AND LOCAL GOVERNMENTS AL-**
16 **LOWED TAX CREDITS FOR PAID SICK AND**
17 **PAID FAMILY AND MEDICAL LEAVE.**

18 (a) CREDIT FOR REQUIRED PAID SICK LEAVE.—Sec-
19 tion 7001(e) of Public Law 116–127 is amended by strik-
20 ing paragraph (4).

21 (b) CREDIT FOR REQUIRED PAID FAMILY LEAVE.—
22 Section 7003(e) of Public Law 116–127 is amended by
23 striking paragraph (4).

1 **SEC. 264. CREDITS NOT ALLOWED TO CERTAIN LARGE EM-**
2 **PLOYERS.**

3 (a) CREDIT FOR REQUIRED PAID SICK LEAVE.—

4 (1) IN GENERAL.—Section 7001(a) of Public
5 Law 116–127 is amended by striking “In the case
6 of an employer” and inserting “In the case of an eli-
7 gible employer”.

8 (2) ELIGIBLE EMPLOYER.—Section 7001(c) of
9 Public Law 116–127 is amended by striking “For
10 purposes of this section, the term” and all that pre-
11 cedes it and inserting the following:

12 “(c) DEFINITIONS.—For purposes of this section—

13 “(1) ELIGIBLE EMPLOYER.—The term ‘eligible
14 employer’ means any employer other an applicable
15 large employer (as defined in section 4980H(c)(2),
16 determined by substituting ‘500’ for ‘50’ each place
17 it appears in subparagraphs (A) and (B) thereof and
18 without regard to subparagraphs (D) and (F) there-
19 of). For purposes of the preceding sentence, the
20 Government of the United States, the government of
21 any State or political subdivision thereof, or any
22 agency or instrumentality of any of the foregoing,
23 shall not be treated as an applicable large employer.

24 “(2) QUALIFIED SICK LEAVE WAGES.—The
25 term”.

26 (b) CREDIT FOR REQUIRED PAID FAMILY LEAVE.—

1 (1) IN GENERAL.—Section 7003(a) of Public
2 Law 116–127 is amended by striking “In the case
3 of an employer” and inserting “In the case of an eli-
4 gible employer”.

5 (2) ELIGIBLE EMPLOYER.—Section 7003(c) of
6 Public Law 116–127 is amended by striking “For
7 purposes of this section, the term” and all that pre-
8 cedes it and inserting the following:

9 “(c) DEFINITIONS.—For purposes of this section—
10 “(1) ELIGIBLE EMPLOYER.—The term ‘eligible
11 employer’ means any employer other an applicable
12 large employer (as defined in section 4980H(c)(2),
13 determined by substituting ‘500’ for ‘50’ each place
14 it appears in subparagraphs (A) and (B) thereof and
15 without regard to subparagraphs (D) and (F) there-
16 of). For purposes of the preceding sentence, the
17 Government of the United States, the government of
18 any State or political subdivision thereof, or any
19 agency or instrumentality of any of the foregoing,
20 shall not be treated as an applicable large employer.

21 “(2) QUALIFIED FAMILY LEAVE WAGES.—The
22 term”.

1 **SEC. 265. EFFECTIVE DATE.**

2 The amendments made by this title shall take effect
3 as if included in the provisions of Public Law 116–127
4 to which they relate.

5 **TITLE III—ADMINISTRATIVE**

6 **SEC. 301. DELAY OF CERTAIN DEADLINES.**

7 (a) FILING DEADLINES FOR 2019.—In the case of
8 any return required to be filed for a taxable year ending
9 in 2019, including for purposes of section 6151(a) of the
10 Internal Revenue Code of 1986, section 6072(a) of such
11 Code shall be applied—

12 (1) by substituting “July” for “April”, and

13 (2) by substituting “the seventh month” for
14 “the fourth month”.

15 (b) ESTIMATED TAX PAYMENTS FOR INDIVID-
16 UALS.—

17 (1) IN GENERAL.—In the case of an individual,
18 the due date for any required installment under sec-
19 tion 6654 of the Internal Revenue Code of 1986
20 which (but for the application of this section) would
21 be due during the applicable period shall not be due
22 before October 15, 2020, and all such installments
23 shall be treated as one installment due on such date.
24 The Secretary of the Treasury (or the Secretary’s
25 delegate) shall prescribe such regulations or other

1 guidance as may be necessary to carry out the pur-
2 poses of this subsection.

3 (2) APPLICABLE PERIOD.—For purposes of this
4 subsection, the applicable period is the period begin-
5 ning on the date of the enactment of this Act and
6 ending before October 15, 2020.

7 **TITLE IV—RETIREMENT**
8 **PROVISIONS**

9 **SEC. 401. SPECIAL RULES FOR USE OF RETIREMENT**
10 **FUNDS.**

11 (a) TAX-FAVORED WITHDRAWALS FROM RETIRE-
12 MENT PLANS.—

13 (1) IN GENERAL.—Section 72(t) of the Internal
14 Revenue Code of 1986 shall not apply to any
15 coronavirus-related distribution.

16 (2) AGGREGATE DOLLAR LIMITATION.—

17 (A) IN GENERAL.—For purposes of this
18 subsection, the aggregate amount of distribu-
19 tions received by an individual which may be
20 treated as coronavirus-related distributions for
21 any taxable year shall not exceed \$100,000.

22 (B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would
23 (without regard to subparagraph (A)) be a
24 coronavirus-related distribution, a plan shall not
25

1 be treated as violating any requirement of the
2 Internal Revenue Code of 1986 merely because
3 the plan treats such distribution as a
4 coronavirus-related distribution, unless the ag-
5 gregate amount of such distributions from all
6 plans maintained by the employer (and any
7 member of any controlled group which includes
8 the employer) to such individual exceeds
9 \$100,000.

10 (C) CONTROLLED GROUP.—For purposes
11 of subparagraph (B), the term “controlled
12 group” means any group treated as a single
13 employer under subsection (b), (c), (m), or (o)
14 of section 414 of the Internal Revenue Code of
15 1986.

16 (3) AMOUNT DISTRIBUTED MAY BE REPAID.—

17 (A) IN GENERAL.—Any individual who re-
18 ceives a coronavirus-related distribution may, at
19 any time during the 3-year period beginning on
20 the day after the date on which such distribu-
21 tion was received, make 1 or more contributions
22 in an aggregate amount not to exceed the
23 amount of such distribution to an eligible retire-
24 ment plan of which such individual is a bene-
25 ficiary and to which a rollover contribution of

1 such distribution could be made under section
2 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or
3 457(e)(16), of the Internal Revenue Code of
4 1986, as the case may be.

5 (B) TREATMENT OF REPAYMENTS OF DIS-
6 TRIBUTIONS FROM ELIGIBLE RETIREMENT
7 PLANS OTHER THAN IRAS.—For purposes of
8 the Internal Revenue Code of 1986, if a con-
9 tribution is made pursuant to subparagraph (A)
10 with respect to a coronavirus-related distribu-
11 tion from an eligible retirement plan other than
12 an individual retirement plan, then the taxpayer
13 shall, to the extent of the amount of the con-
14 tribution, be treated as having received the
15 coronavirus-related distribution in an eligible
16 rollover distribution (as defined in section
17 402(c)(4) of such Code) and as having trans-
18 ferred the amount to the eligible retirement
19 plan in a direct trustee to trustee transfer with-
20 in 60 days of the distribution.

21 (C) TREATMENT OF REPAYMENTS OF DIS-
22 TRIBUTIONS FROM IRAS.—For purposes of the
23 Internal Revenue Code of 1986, if a contribu-
24 tion is made pursuant to subparagraph (A)
25 with respect to a coronavirus-related distribu-

1 tion from an individual retirement plan (as de-
2 fined by section 7701(a)(37) of such Code),
3 then, to the extent of the amount of the con-
4 tribution, the coronavirus-related distribution
5 shall be treated as a distribution described in
6 section 408(d)(3) of such Code and as having
7 been transferred to the eligible retirement plan
8 in a direct trustee to trustee transfer within 60
9 days of the distribution.

10 (4) DEFINITIONS.—For purposes of this sub-
11 section—

12 (A) CORONAVIRUS-RELATED DISTRIBUTION.—Except as provided in paragraph (2),
13 the term “coronavirus-related distribution”
14 means any distribution from an eligible retire-
15 ment plan made—
16

17 (i) on or after January 1, 2020, and
18 before December 31, 2020,

19 (ii) to an individual—

20 (I) who is diagnosed with the
21 virus SARS-CoV-2 or with
22 coronavirus disease 2019 (COVID-
23 19) by a test approved by the Centers
24 for Disease Control and Prevention,

1 (II) whose spouse or dependent
2 (as defined in section 152 of the In-
3 ternal Revenue Code of 1986) is diag-
4 nosed with such virus or disease by
5 such a test, or

6 (III) who experiences adverse fi-
7 nancial consequences as a result of
8 being quarantined, being furloughed
9 or laid off or having work hours re-
10 duced due to such virus or disease,
11 being unable to work due to lack of
12 child care due to such virus or dis-
13 ease, closing or reducing hours of a
14 business owned or operated by the in-
15 dividual due to such virus or disease,
16 or other factors as determined by the
17 Secretary of the Treasury (or the Sec-
18 retary's delegate).

19 (B) EMPLOYEE CERTIFICATION.—The ad-
20 ministrator of an eligible retirement plan may
21 rely on an employee's certification that the em-
22 ployee satisfies the conditions of subparagraph
23 (A)(ii) in determining whether any distribution
24 is a coronavirus-related distribution.

1 (C) ELIGIBLE RETIREMENT PLAN.—The
2 term “eligible retirement plan” has the meaning
3 given such term by section 402(c)(8)(B) of the
4 Internal Revenue Code of 1986.

5 (5) INCOME INCLUSION SPREAD OVER 3-YEAR
6 PERIOD.—

7 (A) IN GENERAL.—In the case of any
8 coronavirus-related distribution, unless the tax-
9 payer elects not to have this paragraph apply
10 for any taxable year, any amount required to be
11 included in gross income for such taxable year
12 shall be so included ratably over the 3-taxable-
13 year period beginning with such taxable year.

14 (B) SPECIAL RULE.—For purposes of sub-
15 paragraph (A), rules similar to the rules of sub-
16 paragraph (E) of section 408A(d)(3) of the In-
17 ternal Revenue Code of 1986 shall apply.

18 (6) SPECIAL RULES.—

19 (A) EXEMPTION OF DISTRIBUTIONS FROM
20 TRUSTEE TO TRUSTEE TRANSFER AND WITH-
21 HOLDING RULES.—For purposes of sections
22 401(a)(31), 402(f), and 3405 of the Internal
23 Revenue Code of 1986, coronavirus-related dis-
24 tributions shall not be treated as eligible roll-
25 over distributions.

1 (B) CORONAVIRUS-RELATED DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.—For purposes of the Internal Revenue Code of 1986, a coronavirus-related distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(i), 403(b)(11), and 457(d)(1)(A) of such Code.

9 (b) LOANS FROM QUALIFIED PLANS.—

10 (1) INCREASE IN LIMIT ON LOANS NOT TREATED AS DISTRIBUTIONS.—In the case of any loan from a qualified employer plan (as defined under section 72(p)(4) of the Internal Revenue Code of 1986) to a qualified individual made during the 180-day period beginning on the date of the enactment of this Act—

17 (A) clause (i) of section 72(p)(2)(A) of such Code shall be applied by substituting “\$100,000” for “\$50,000”, and

20 (B) clause (ii) of such section shall be applied by substituting “the present value of the nonforfeitable accrued benefit of the employee under the plan” for “one-half of the present value of the nonforfeitable accrued benefit of the employee under the plan”.

1 (2) DELAY OF REPAYMENT.—In the case of a
2 qualified individual with an outstanding loan (on or
3 after the date of the enactment of this Act) from a
4 qualified employer plan (as defined in section
5 72(p)(4) of the Internal Revenue Code of 1986)—

6 (A) if the due date pursuant to subpara-
7 graph (B) or (C) of section 72(p)(2) of such
8 Code for any repayment with respect to such
9 loan occurs during the period beginning on the
10 date of the enactment of this Act and ending on
11 December 31, 2020, such due date shall be de-
12 layed for 1 year (or, if later, until the date
13 which is 180 days after the date of the enact-
14 ment of this Act),

15 (B) any subsequent repayments with re-
16 spect to any such loan shall be appropriately
17 adjusted to reflect the delay in the due date
18 under subparagraph (A) and any interest accru-
19 ing during such delay, and

20 (C) in determining the 5-year period and
21 the term of a loan under subparagraph (B) or
22 (C) of section 72(p)(2) of such Code, the period
23 described in subparagraph (A) of this para-
24 graph shall be disregarded.

1 (3) QUALIFIED INDIVIDUAL.—For purposes of
2 this subsection, the term “qualified individual”
3 means any individual who is described in subsection
4 (a)(4)(A)(ii).

5 (c) PROVISIONS RELATING TO PLAN AMEND-
6 MENTS.—

7 (1) IN GENERAL.—If this subsection applies to
8 any amendment to any plan or annuity contract,
9 such plan or contract shall be treated as being oper-
10 ated in accordance with the terms of the plan during
11 the period described in paragraph (2)(B)(i).

12 (2) AMENDMENTS TO WHICH SUBSECTION AP-
13 PLIES.—

14 (A) IN GENERAL.—This subsection shall
15 apply to any amendment to any plan or annuity
16 contract which is made—

17 (i) pursuant to any provision of this
18 section, or pursuant to any regulation
19 issued by the Secretary of the Treasury or
20 the Secretary of Labor (or the delegate of
21 either such Secretary) under any provision
22 of this section, and

23 (ii) on or before the last day of the
24 first plan year beginning on or after Janu-
25 ary 1, 2022, or such later date as the Sec-

1 retary of the Treasury (or the Secretary's
2 delegate) may prescribe.

3 In the case of a governmental plan (as defined
4 in section 414(d) of the Internal Revenue Code
5 of 1986), clause (ii) shall be applied by sub-
6 stituting the date which is 2 years after the
7 date otherwise applied under clause (ii).

8 (B) CONDITIONS.—This subsection shall
9 not apply to any amendment unless—

10 (i) during the period—

11 (I) beginning on the date that
12 this section or the regulation de-
13 scribed in subparagraph (A)(i) takes
14 effect (or in the case of a plan or con-
15 tract amendment not required by this
16 section or such regulation, the effec-
17 tive date specified by the plan), and

18 (II) ending on the date described
19 in subparagraph (A)(ii) (or, if earlier,
20 the date the plan or contract amend-
21 ment is adopted),

22 the plan or contract is operated as if such
23 plan or contract amendment were in effect,
24 and

1 (ii) such plan or contract amendment
2 applies retroactively for such period.

3 **SEC. 402. SINGLE-EMPLOYER PLAN FUNDING RULES.**

4 (a) DELAY IN PAYMENT OF MINIMUM REQUIRED
5 CONTRIBUTIONS.—In the case of any minimum required
6 contribution (as determined under section 430(a) of the
7 Internal Revenue Code of 1986 and section 303(a) of the
8 Employee Retirement Income Security Act of 1974 (29
9 U.S.C. 1083(a))) which (but for this section) would other-
10 wise be due under section 430(j) of such Code (including
11 quarterly contributions under paragraph (3) thereof) and
12 section 303(j) of such Act (29 U.S.C. 1083(j)) (including
13 quarterly contributions under paragraph (3) thereof) dur-
14 ing calendar year 2020—

15 (1) such contributions shall not be required to
16 be made until January 1, 2021, and

17 (2) the amount of each such minimum required
18 contribution shall be increased by interest accruing
19 for the period between the original due date (without
20 regard to this section) for the contribution and the
21 payment date, at the effective rate of interest for the
22 plan for the plan year which includes such payment
23 date.

24 (b) BENEFIT RESTRICTION STATUS.—For purposes
25 of section 436 of the Internal Revenue Code of 1986 and

1 section 206(g) of the Employee Retirement Income Secu-
2 rity Act of 1974 (29 U.S.C. 1056(g)), a plan sponsor may
3 elect to treat the plan’s adjusted funding target attain-
4 ment percentage for the last plan year ending before Janu-
5 ary 1, 2020, as the adjusted funding target attainment
6 percentage for plan years which include calendar year
7 2020.

8 **SEC. 403. TEMPORARY WAIVER OF REQUIRED MINIMUM**
9 **DISTRIBUTION RULES FOR CERTAIN RETIRE-**
10 **MENT PLANS AND ACCOUNTS.**

11 (a) IN GENERAL.—Section 401(a)(9) of the Internal
12 Revenue Code of 1986 is amended by adding at the end
13 the following new subparagraph:

14 “(I) TEMPORARY WAIVER OF MINIMUM RE-
15 QUIRED DISTRIBUTION.—

16 “(i) IN GENERAL.—The requirements
17 of this paragraph shall not apply for cal-
18 endar year 2020 to—

19 “(I) a defined contribution plan
20 which is described in this subsection
21 or in section 403(a) or 403(b),

22 “(II) a defined contribution plan
23 which is an eligible deferred com-
24 pensation plan described in section
25 457(b) but only if such plan is main-

1 tained by an employer described in
2 section 457(e)(1)(A), or

3 “(III) an individual retirement
4 plan.

5 “(ii) SPECIAL RULE FOR REQUIRED
6 BEGINNING DATES IN 2020.—Clause (i)
7 shall apply to any distribution which is re-
8 quired to be made in calendar year 2020
9 by reason of—

10 “(I) a required beginning date
11 occurring in such calendar year, and

12 “(II) such distribution not having
13 been made before January 1, 2020.

14 “(iii) SPECIAL RULES REGARDING
15 WAIVER PERIOD.—For purposes of this
16 paragraph—

17 “(I) the required beginning date
18 with respect to any individual shall be
19 determined without regard to this
20 subparagraph for purposes of applying
21 this paragraph for calendar years
22 after 2020,

23 “(II) if clause (ii) of subpara-
24 graph (B) applies, the 5-year period
25 described in such clause shall be de-

1 terminated without regard to calendar
2 year 2020,

3 “(III) if clause (iii) of subpara-
4 graph (E) applies, the 10-year period
5 described in such clause shall be de-
6 termined without regard to calendar
7 year 2020, and

8 “(IV) if clause (i) of subpara-
9 graph (H) applies, the 10-year period
10 described in such clause shall be de-
11 termined without regard to calendar
12 year 2020.”.

13 (b) ELIGIBLE ROLLOVER DISTRIBUTIONS.—Section
14 402(c)(4) of the Internal Revenue Code of 1986 is amend-
15 ed by striking “2009” each place it appears in the last
16 sentence and inserting “2020”.

17 (c) EFFECTIVE DATES.—

18 (1) IN GENERAL.—The amendments made by
19 this section shall apply for calendar years beginning
20 after December 31, 2019.

21 (2) PROVISIONS RELATING TO PLAN OR CON-
22 TRACT AMENDMENTS.—

23 (A) IN GENERAL.—If this paragraph ap-
24 plies to any pension plan or contract amend-
25 ment, such pension plan or contract shall not

1 fail to be treated as being operated in accord-
2 ance with the terms of the plan during the pe-
3 riod described in subparagraph (B)(ii) solely be-
4 cause the plan operates in accordance with this
5 section.

6 (B) AMENDMENTS TO WHICH PARAGRAPH
7 APPLIES.—

8 (i) IN GENERAL.—This paragraph
9 shall apply to any amendment to any pen-
10 sion plan or annuity contract which—

11 (I) is made pursuant to the
12 amendments made by this section,
13 and

14 (II) is made on or before the last
15 day of the first plan year beginning
16 on or after January 1, 2022.

17 In the case of a governmental plan, sub-
18 clause (II) shall be applied by substituting
19 “2024” for “2022”.

20 (ii) CONDITIONS.—This paragraph
21 shall not apply to any amendment unless
22 during the period beginning on the effec-
23 tive date of the amendment and ending on
24 December 31, 2020, the plan or contract is

1 operated as if such plan or contract
2 amendment were in effect.

3 **SEC. 404. MODIFICATION OF SPECIAL RULES FOR MINIMUM**
4 **FUNDING STANDARDS FOR COMMUNITY**
5 **NEWSPAPER PLANS.**

6 (a) AMENDMENT TO INTERNAL REVENUE CODE OF
7 1986.—Subsection (m) of section 430 of the Internal Rev-
8 enue Code of 1986, as added by the Setting Every Com-
9 munity Up for Retirement Enhancement Act of 2019, is
10 amended to read as follows:

11 “(m) SPECIAL RULES FOR COMMUNITY NEWSPAPER
12 PLANS.—

13 “(1) IN GENERAL.—An eligible newspaper plan
14 sponsor of a plan under which no participant has
15 had the participant’s accrued benefit increased
16 (whether because of service or compensation) after
17 April 2, 2019, may elect to have the alternative
18 standards described in paragraph (4) apply to such
19 plan.

20 “(2) ELIGIBLE NEWSPAPER PLAN SPONSOR.—
21 The term ‘eligible newspaper plan sponsor’ means
22 the plan sponsor of—

23 “(A) any community newspaper plan, or

24 “(B) any other plan sponsored, as of April
25 2, 2019, by a member of the same controlled

1 group of a plan sponsor of a community news-
2 paper plan if such member is in the trade or
3 business of publishing 1 or more newspapers.

4 “(3) ELECTION.—An election under paragraph
5 (1) shall be made at such time and in such manner
6 as prescribed by the Secretary. Such election, once
7 made with respect to a plan year, shall apply to all
8 subsequent plan years unless revoked with the con-
9 sent of the Secretary.

10 “(4) ALTERNATIVE MINIMUM FUNDING STAND-
11 ARDS.—The alternative standards described in this
12 paragraph are the following:

13 “(A) INTEREST RATES.—

14 “(i) IN GENERAL.—Notwithstanding
15 subsection (h)(2)(C) and except as pro-
16 vided in clause (ii), the first, second, and
17 third segment rates in effect for any
18 month for purposes of this section shall be
19 8 percent.

20 “(ii) NEW BENEFIT ACCRUALS.—Not-
21 withstanding subsection (h)(2), for pur-
22 poses of determining the funding target
23 and normal cost of a plan for any plan
24 year, the present value of any benefits ac-
25 crued or earned under the plan for a plan

1 year with respect to which an election
2 under paragraph (1) is in effect shall be
3 determined on the basis of the United
4 States Treasury obligation yield curve for
5 the day that is the valuation date of such
6 plan for such plan year.

7 “(iii) UNITED STATES TREASURY OB-
8 LIGATION YIELD CURVE.—For purposes of
9 this subsection, the term ‘United States
10 Treasury obligation yield curve’ means,
11 with respect to any day, a yield curve
12 which shall be prescribed by the Secretary
13 for such day on interest-bearing obligations
14 of the United States.

15 “(B) SHORTFALL AMORTIZATION BASE.—

16 “(i) PREVIOUS SHORTFALL AMORTIZA-
17 TION BASES.—The shortfall amortization
18 bases determined under subsection (c)(3)
19 for all plan years preceding the first plan
20 year to which the election under paragraph
21 (1) applies (and all shortfall amortization
22 installments determined with respect to
23 such bases) shall be reduced to zero under
24 rules similar to the rules of subsection
25 (c)(6).

1 “(ii) NEW SHORTFALL AMORTIZATION
2 BASE.—Notwithstanding subsection (c)(3),
3 the shortfall amortization base for the first
4 plan year to which the election under para-
5 graph (1) applies shall be the funding
6 shortfall of such plan for such plan year
7 (determined using the interest rates as
8 modified under subparagraph (A)).

9 “(C) DETERMINATION OF SHORTFALL AM-
10 ORTIZATION INSTALLMENTS.—

11 “(i) 30-YEAR PERIOD.—Subpara-
12 graphs (A) and (B) of subsection (c)(2)
13 shall be applied by substituting ‘30-plan-
14 year’ for ‘7-plan-year’ each place it ap-
15 pears.

16 “(ii) NO SPECIAL ELECTION.—The
17 election under subparagraph (D) of sub-
18 section (c)(2) shall not apply to any plan
19 year to which the election under paragraph
20 (1) applies.

21 “(D) EXEMPTION FROM AT-RISK TREAT-
22 MENT.—Subsection (i) shall not apply.

23 “(5) COMMUNITY NEWSPAPER PLAN.—For pur-
24 poses of this subsection—

1 “(A) IN GENERAL.—The term ‘community
2 newspaper plan’ means any plan to which this
3 section applies maintained as of December 31,
4 2018, by an employer which—

5 “(i) maintains the plan on behalf of
6 participants and beneficiaries with respect
7 to employment in the trade or business of
8 publishing 1 or more newspapers which
9 were published by the employer at any
10 time during the 11-year period ending on
11 the date of the enactment of this sub-
12 section,

13 “(ii)(I) is not a company the stock of
14 which is publicly traded (on a stock ex-
15 change or in an over-the-counter market),
16 and is not controlled, directly or indirectly,
17 by such a company, or

18 “(II) is controlled, directly or indi-
19 rectly, during the entire 30-year period
20 ending on the date of the enactment of this
21 subsection by individuals who are members
22 of the same family, and does not publish or
23 distribute a daily newspaper that is car-
24 rier-distributed in printed form in more
25 than 5 States, and

1 “(iii) is controlled, directly or indi-
2 rectly—

3 “(I) by 1 or more persons resid-
4 ing primarily in a State in which the
5 community newspaper has been pub-
6 lished on newsprint or carrier-distrib-
7 uted,

8 “(II) during the entire 30-year
9 period ending on the date of the en-
10 actment of this subsection by individ-
11 uals who are members of the same
12 family,

13 “(III) by 1 or more trusts, the
14 sole trustees of which are persons de-
15 scribed in subclause (I) or (II), or

16 “(IV) by a combination of per-
17 sons described in subclause (I), (II),
18 or (III).

19 “(B) NEWSPAPER.—The term ‘newspaper’
20 does not include any newspaper (determined
21 without regard to this subparagraph) to which
22 any of the following apply:

23 “(i) Is not in general circulation.

1 “(ii) Is published (on newsprint or
2 electronically) less frequently than 3 times
3 per week.

4 “(iii) Has not ever been regularly
5 published on newsprint.

6 “(iv) Does not have a bona fide list of
7 paid subscribers.

8 “(C) CONTROL.—A person shall be treated
9 as controlled by another person if such other
10 person possesses, directly or indirectly, the
11 power to direct or cause the direction and man-
12 agement of such person (including the power to
13 elect a majority of the members of the board of
14 directors of such person) through the ownership
15 of voting securities.

16 “(6) CONTROLLED GROUP.—For purposes of
17 this subsection, the term ‘controlled group’ means all
18 persons treated as a single employer under sub-
19 section (b), (c), (m), or (o) of section 414 as of the
20 date of the enactment of this subsection.”.

21 (b) AMENDMENT TO EMPLOYEE RETIREMENT IN-
22 COME SECURITY ACT OF 1974.—Subsection (m) of section
23 303 of the Employee Retirement Income Security Act of
24 1974 (29 U.S.C. 1083(m)), as added by the Setting Every

1 Community Up for Retirement Enhancement Act of 2019,
2 is amended to read as follows:

3 “(m) SPECIAL RULES FOR COMMUNITY NEWSPAPER
4 PLANS.—

5 “(1) IN GENERAL.—An eligible newspaper plan
6 sponsor of a plan under which no participant has
7 had the participant’s accrued benefit increased
8 (whether because of service or compensation) after
9 April 2, 2019, may elect to have the alternative
10 standards described in paragraph (4) apply to such
11 plan.

12 “(2) ELIGIBLE NEWSPAPER PLAN SPONSOR.—
13 The term ‘eligible newspaper plan sponsor’ means
14 the plan sponsor of—

15 “(A) any community newspaper plan, or

16 “(B) any other plan sponsored, as of April
17 2, 2019, by a member of the same controlled
18 group of a plan sponsor of a community news-
19 paper plan if such member is in the trade or
20 business of publishing 1 or more newspapers.

21 “(3) ELECTION.—An election under paragraph
22 (1) shall be made at such time and in such manner
23 as prescribed by the Secretary of the Treasury. Such
24 election, once made with respect to a plan year, shall

1 apply to all subsequent plan years unless revoked
2 with the consent of the Secretary of the Treasury.

3 “(4) ALTERNATIVE MINIMUM FUNDING STAND-
4 ARDS.—The alternative standards described in this
5 paragraph are the following:

6 “(A) INTEREST RATES.—

7 “(i) IN GENERAL.—Notwithstanding
8 subsection (h)(2)(C) and except as pro-
9 vided in clause (ii), the first, second, and
10 third segment rates in effect for any
11 month for purposes of this section shall be
12 8 percent.

13 “(ii) NEW BENEFIT ACCRUALS.—Not-
14 withstanding subsection (h)(2), for pur-
15 poses of determining the funding target
16 and normal cost of a plan for any plan
17 year, the present value of any benefits ac-
18 crued or earned under the plan for a plan
19 year with respect to which an election
20 under paragraph (1) is in effect shall be
21 determined on the basis of the United
22 States Treasury obligation yield curve for
23 the day that is the valuation date of such
24 plan for such plan year.

1 “(iii) UNITED STATES TREASURY OB-
2 LIGATION YIELD CURVE.—For purposes of
3 this subsection, the term ‘United States
4 Treasury obligation yield curve’ means,
5 with respect to any day, a yield curve
6 which shall be prescribed by the Secretary
7 of the Treasury for such day on interest-
8 bearing obligations of the United States.

9 “(B) SHORTFALL AMORTIZATION BASE.—

10 “(i) PREVIOUS SHORTFALL AMORTIZA-
11 TION BASES.—The shortfall amortization
12 bases determined under subsection (c)(3)
13 for all plan years preceding the first plan
14 year to which the election under paragraph
15 (1) applies (and all shortfall amortization
16 installments determined with respect to
17 such bases) shall be reduced to zero under
18 rules similar to the rules of subsection
19 (c)(6).

20 “(ii) NEW SHORTFALL AMORTIZATION
21 BASE.—Notwithstanding subsection (c)(3),
22 the shortfall amortization base for the first
23 plan year to which the election under para-
24 graph (1) applies shall be the funding
25 shortfall of such plan for such plan year

1 (determined using the interest rates as
2 modified under subparagraph (A)).

3 “(C) DETERMINATION OF SHORTFALL AM-
4 ORTIZATION INSTALLMENTS.—

5 “(i) 30-YEAR PERIOD.—Subpara-
6 graphs (A) and (B) of subsection (c)(2)
7 shall be applied by substituting ‘30-plan-
8 year’ for ‘7-plan-year’ each place it ap-
9 pears.

10 “(ii) NO SPECIAL ELECTION.—The
11 election under subparagraph (D) of sub-
12 section (c)(2) shall not apply to any plan
13 year to which the election under paragraph
14 (1) applies.

15 “(D) EXEMPTION FROM AT-RISK TREAT-
16 MENT.—Subsection (i) shall not apply.

17 “(5) COMMUNITY NEWSPAPER PLAN.—For pur-
18 poses of this subsection—

19 “(A) IN GENERAL.—The term ‘community
20 newspaper plan’ means a plan to which this sec-
21 tion applies maintained as of December 31,
22 2018, by an employer which—

23 “(i) maintains the plan on behalf of
24 participants and beneficiaries with respect
25 to employment in the trade or business of

1 publishing 1 or more newspapers which
2 were published by the employer at any
3 time during the 11-year period ending on
4 the date of the enactment of this sub-
5 section,

6 “(ii)(I) is not a company the stock of
7 which is publicly traded (on a stock ex-
8 change or in an over-the-counter market),
9 and is not controlled, directly or indirectly,
10 by such a company, or

11 “(II) is controlled, directly, or indi-
12 rectly, during the entire 30-year period
13 ending on the date of the enactment of this
14 subsection by individuals who are members
15 of the same family, and does not publish or
16 distribute a daily newspaper that is car-
17 rier-distributed in printed form in more
18 than 5 States, and

19 “(iii) is controlled, directly, or indi-
20 rectly—

21 “(I) by 1 or more persons resid-
22 ing primarily in a State in which the
23 community newspaper has been pub-
24 lished on newsprint or carrier-distrib-
25 uted,

1 “(II) during the entire 30-year
2 period ending on the date of the en-
3 actment of this subsection by individ-
4 uals who are members of the same
5 family,

6 “(III) by 1 or more trusts, the
7 sole trustees of which are persons de-
8 scribed in subclause (I) or (II), or

9 “(IV) by a combination of per-
10 sons described in subclause (I), (II),
11 or (III).

12 “(B) NEWSPAPER.—The term ‘newspaper’
13 does not include any newspaper (determined
14 without regard to this subparagraph) to which
15 any of the following apply:

16 “(i) Is not in general circulation.

17 “(ii) Is published (on newsprint or
18 electronically) less frequently than 3 times
19 per week.

20 “(iii) Has not ever been regularly
21 published on newsprint.

22 “(iv) Does not have a bona fide list of
23 paid subscribers.

24 “(C) CONTROL.—A person shall be treated
25 as controlled by another person if such other

1 person possesses, directly or indirectly, the
2 power to direct or cause the direction and man-
3 agement of such person (including the power to
4 elect a majority of the members of the board of
5 directors of such person) through the ownership
6 of voting securities.

7 “(6) CONTROLLED GROUP.—For purposes of
8 this subsection, the term ‘controlled group’ means all
9 persons treated as a single employer under sub-
10 section (b), (c), (m), or (o) of section 414 of the In-
11 ternal Revenue Code of 1986 as of the date of the
12 enactment of this subsection.

13 “(7) EFFECT ON PREMIUM RATE CALCULA-
14 TION.—Notwithstanding any other provision of law
15 or any regulation issued by the Pension Benefit
16 Guaranty Corporation, in the case of a plan for
17 which an election is made to apply the alternative
18 standards described in paragraph (3), the additional
19 premium under section 4006(a)(3)(E) shall be deter-
20 mined as if such election had not been made.”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to plan years ending after Decem-
23 ber 31, 2017.

1 **SEC. 405. APPLICATION OF COOPERATIVE AND SMALL EM-**
2 **PLOYER CHARITY PENSION PLAN RULES TO**
3 **CERTAIN CHARITABLE EMPLOYERS WHOSE**
4 **PRIMARY EXEMPT PURPOSE IS PROVIDING**
5 **SERVICES WITH RESPECT TO MOTHERS AND**
6 **CHILDREN.**

7 (a) EMPLOYEE RETIREMENT INCOME SECURITY ACT
8 OF 1974.—Section 210(f)(1) of the Employee Retirement
9 Income Security Act of 1974 (29 U.S.C. 1060(f)(1)) is
10 amended—

11 (1) by striking “or” at the end of subparagraph
12 (B);

13 (2) by striking the period at the end of sub-
14 paragraph (C)(iv) and inserting “; or”; and

15 (3) by inserting after subparagraph (C) the fol-
16 lowing new subparagraph:

17 “(D) that, as of January 1, 2000, was
18 maintained by an employer—

19 “(i) described in section 501(c)(3) of
20 the Internal Revenue Code of 1986,

21 “(ii) who has been in existence since
22 at least 1938,

23 “(iii) who conducts medical research
24 directly or indirectly through grant mak-
25 ing, and

1 “(iv) whose primary exempt purpose
2 is to provide services with respect to moth-
3 ers and children.”.

4 (b) INTERNAL REVENUE CODE OF 1986.—Section
5 414(y)(1) of the Internal Revenue Code of 1986 is amend-
6 ed—

7 (1) by striking “or” at the end of subparagraph
8 (B);

9 (2) by striking the period at the end of sub-
10 paragraph (C)(iv) and inserting “; or”; and

11 (3) by inserting after subparagraph (C) the fol-
12 lowing new subparagraph:

13 “(D) that, as of January 1, 2000, was
14 maintained by an employer—

15 “(i) described in section 501(c)(3),

16 “(ii) who has been in existence since
17 at least 1938,

18 “(iii) who conducts medical research
19 directly or indirectly through grant mak-
20 ing, and

21 “(iv) whose primary exempt purpose
22 is to provide services with respect to moth-
23 ers and children.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to plan years beginning after De-
3 cember 31, 2018.

4 **SEC. 406. EXTENDED AMORTIZATION FOR SINGLE EM-**
5 **PLOYER PLANS.**

6 (a) 15-YEAR AMORTIZATION UNDER THE INTERNAL
7 REVENUE CODE OF 1986.—Section 430(c) of the Internal
8 Revenue Code of 1986 is amended by adding at the end
9 the following new paragraph:

10 “(8) 15-YEAR AMORTIZATION.—With respect to
11 plan years beginning after December 31, 2019—

12 “(A) the shortfall amortization bases for
13 all plan years preceding the first plan year be-
14 ginning after December 31, 2019 (and all
15 shortfall amortization installments determined
16 with respect to such bases) shall be reduced to
17 zero, and

18 “(B) subparagraphs (A) and (B) of para-
19 graph (2) shall each be applied by substituting
20 ‘15-plan-year period’ for ‘7-plan-year period’.”.

21 (b) 15-YEAR AMORTIZATION UNDER THE EMPLOYEE
22 RETIREMENT INCOME SECURITY ACT OF 1974.—Section
23 303(c) of the Employee Retirement Income Security Act
24 of 1974 (29 U.S.C. 1083(c)) is amended by adding at the
25 end the following new paragraph:

1 “(8) 15-YEAR AMORTIZATION.—With respect to
2 plan years beginning after December 31, 2019—

3 “(A) the shortfall amortization bases for
4 all plan years preceding the first plan year be-
5 ginning after December 31, 2019 (and all
6 shortfall amortization installments determined
7 with respect to such bases) shall be reduced to
8 zero, and

9 “(B) subparagraphs (A) and (B) of para-
10 graph (2) shall each be applied by substituting
11 ‘15-plan-year period’ for ‘7-plan-year period’.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to plan years beginning after De-
14 cember 31, 2019.

15 **SEC. 407. EXTENSION OF PENSION FUNDING STABILIZA-**
16 **TION PERCENTAGES FOR SINGLE EMPLOYER**
17 **PLANS.**

18 (a) AMENDMENTS TO INTERNAL REVENUE CODE OF
19 1986.—

20 (1) IN GENERAL.—The table contained in sub-
21 clause (II) of section 430(h)(2)(C)(iv) of the Inter-
22 nal Revenue Code of 1986 is amended to read as fol-
23 lows:

“If the calendar year is:	The applica- ble min- imum per- centage is:	The applica- ble max- imum per- centage is:
Any year in the period starting in 2012 and ending in 2019	90%	110%
Any year in the period starting in 2020 and ending in 2025	95%	105%
2026	90%	110%
2027	85%	115%
2028	80%	120%
2029	75%	125%
After 2029	70%	130%.”.

1 (2) FLOOR ON 25-YEAR AVERAGES.—Subclause
2 (I) of section 430(h)(2)(C)(iv) of such Code is
3 amended by adding at the end the following: “Not-
4 withstanding anything in this subclause, if the aver-
5 age of the first, second, or third segment rate for
6 any 25-year period is less than 5 percent, such aver-
7 age shall be deemed to be 5 percent.”.

8 (b) AMENDMENTS TO EMPLOYEE RETIREMENT IN-
9 COME SECURITY ACT OF 1974.—

10 (1) IN GENERAL.—The table contained in sub-
11 clause (II) of section 303(h)(2)(C)(iv) of the Em-
12 ployee Retirement Income Security Act of 1974 (29
13 U.S.C. 1083(h)(2)(C)(iv)(II)) is amended to read as
14 follows:

“If the calendar year is:	The applica- ble min- imum per- centage is:	The applica- ble max- imum per- centage is:
Any year in the period starting in 2012 and ending in 2019	90%	110%
Any year in the period starting in 2020 and ending in 2025	95%	105%

“If the calendar year is:	The applica- ble min- imum per- centage is:	The applica- ble max- imum per- centage is:
2026	90%	110%
2027	85%	115%
2028	80%	120%
2029	75%	125%
After 2029	70%	130%.”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) IN GENERAL.—Section 101(f)(2)(D) of
3 such Act (29 U.S.C. 1021(f)(2)(D)) is amend-
4 ed—

5 (i) in clause (i) by striking “and the
6 Bipartisan Budget Act of 2015” both
7 places it appears and inserting “, the Bi-
8 partisan Budget Act of 2015, and the
9 Emergency Pension Plan Relief Act of
10 2020”, and

11 (ii) in clause (ii) by striking “2023”
12 and inserting “2029”.

13 (B) STATEMENTS.—The Secretary of
14 Labor shall modify the statements required
15 under subclauses (I) and (II) of section
16 101(f)(2)(D)(i) of such Act to conform to the
17 amendments made by this section.

18 (3) FLOOR ON 25-YEAR AVERAGES.—Subclause
19 (I) of section 303(h)(2)(C)(iv) of such Act (29
20 U.S.C. 1083(h)(2)(C)(iv)(II)) is amended by adding

1 at the end the following: “Notwithstanding anything
2 in this subclause, if the average of the first, second,
3 or third segment rate for any 25-year period is less
4 than 5 percent, such average shall be deemed to be
5 5 percent.”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply with respect to plan years begin-
8 ning after December 31, 2019.

9 **TITLE V—REHABILITATION FOR** 10 **MULTIEMPLOYER PENSIONS**

11 **SEC. 501. SHORT TITLE.**

12 This title may be cited as the “Rehabilitation for
13 Multiemployer Pensions Act of 2020”.

14 **SEC. 502. PENSION REHABILITATION ADMINISTRATION; ES-** 15 **TABLISHMENT; POWERS.**

16 (a) ESTABLISHMENT.—There is established in the
17 Department of the Treasury an agency to be known as
18 the “Pension Rehabilitation Administration”.

19 (b) DIRECTOR.—

20 (1) ESTABLISHMENT OF POSITION.—There
21 shall be at the head of the Pension Rehabilitation
22 Administration a Director, who shall be appointed
23 by the President.

24 (2) TERM.—

1 (A) IN GENERAL.—The term of office of
2 the Director shall be 5 years.

3 (B) SERVICE UNTIL APPOINTMENT OF
4 SUCCESSOR.—An individual serving as Director
5 at the expiration of a term may continue to
6 serve until a successor is appointed.

7 (3) POWERS.—

8 (A) APPOINTMENT OF DEPUTY DIREC-
9 TORS, OFFICERS, AND EMPLOYEES.—The Di-
10 rector may appoint Deputy Directors, officers,
11 and employees, including attorneys, in accord-
12 ance with chapter 51 and subchapter III of
13 chapter 53 of title 5, United States Code.

14 (B) CONTRACTING.—

15 (i) IN GENERAL.—The Director may
16 contract for financial and administrative
17 services (including those related to budget
18 and accounting, financial reporting, per-
19 sonnel, and procurement) with the General
20 Services Administration, or such other
21 Federal agency as the Director determines
22 appropriate, for which payment shall be
23 made in advance, or by reimbursement,
24 from funds of the Pension Rehabilitation
25 Administration in such amounts as may be

1 agreed upon by the Director and the head
2 of the Federal agency providing the serv-
3 ices.

4 (ii) SUBJECT TO APPROPRIATIONS.—
5 Contract authority under clause (i) shall be
6 effective for any fiscal year only to the ex-
7 tent that appropriations are available for
8 that purpose.

9 **SEC. 503. PENSION REHABILITATION TRUST FUND.**

10 (a) IN GENERAL.—Subchapter A of chapter 98 of the
11 Internal Revenue Code of 1986 is amended by adding at
12 the end the following new section:

13 **“SEC. 9512. PENSION REHABILITATION TRUST FUND.**

14 “(a) CREATION OF TRUST FUND.—There is estab-
15 lished in the Treasury of the United States a trust fund
16 to be known as the ‘Pension Rehabilitation Trust Fund’
17 (hereafter in this section referred to as the ‘Fund’), con-
18 sisting of such amounts as may be appropriated or cred-
19 ited to the Fund as provided in this section and section
20 9602(b).

21 “(b) TRANSFERS TO FUND.—

22 “(1) AMOUNTS ATTRIBUTABLE TO TREASURY
23 BONDS.—There shall be credited to the Fund the
24 amounts transferred under section 506 of the Reha-
25 bilitation for Multiemployer Pensions Act of 2020.

1 “(2) LOAN INTEREST AND PRINCIPAL.—

2 “(A) IN GENERAL.—The Director of the
3 Pension Rehabilitation Administration estab-
4 lished under section 502 of the Rehabilitation
5 for Multiemployer Pensions Act of 2020 shall
6 deposit in the Fund any amounts received from
7 a plan as payment of interest or principal on a
8 loan under section 4 of such Act.

9 “(B) INTEREST.—For purposes of sub-
10 paragraph (A), the term ‘interest’ includes
11 points and other similar amounts.

12 “(3) AVAILABILITY OF FUNDS.—Amounts cred-
13 ited to or deposited in the Fund shall remain avail-
14 able until expended.

15 “(c) EXPENDITURES FROM FUND.—Amounts in the
16 Fund are available without further appropriation to the
17 Pension Rehabilitation Administration—

18 “(1) for the purpose of making the loans de-
19 scribed in section 504 of the Rehabilitation for Mul-
20 tiemployer Pensions Act of 2020,

21 “(2) for the payment of principal and interest
22 on obligations issued under section 6 of such Act,
23 and

24 “(3) for administrative and operating expenses
25 of such Administration.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for subchapter A of chapter 98 of the Internal Revenue
3 Code of 1986 is amended by adding at the end the fol-
4 lowing new item:

“Sec. 9512. Pension Rehabilitation Trust Fund.”.

5 **SEC. 504. LOAN PROGRAM FOR MULTIEMPLOYER DEFINED**
6 **BENEFIT PLANS.**

7 (a) LOAN AUTHORITY.—

8 (1) IN GENERAL.—The Pension Rehabilitation
9 Administration established under section 2 is au-
10 thorized—

11 (A) to make loans to multiemployer plans
12 (as defined in section 414(f) of the Internal
13 Revenue Code of 1986) which are defined ben-
14 efit plans (as defined in section 414(j) of such
15 Code) and—

16 (i)(I) which are in critical and declin-
17 ing status (within the meaning of section
18 432(b)(6) of such Code and section
19 305(b)(6) of the Employee Retirement and
20 Income Security Act) as of the date of the
21 enactment of this section, or during the 2-
22 year period beginning on such date, or

23 (II) with respect to which a suspen-
24 sion of benefits has been approved under
25 section 432(e)(9) of such Code and section

1 305(e)(9) of such Act as of such date or
2 during such period;

3 (ii) which as of such date of enact-
4 ment, or during such period, are in critical
5 status (within the meaning of section
6 432(b)(2) of such Code and section
7 305(b)(2) of such Act), have a modified
8 funded percentage of less than 40 percent,
9 and have a ratio of active to inactive par-
10 ticipants which is less than 2 to 5; or

11 (iii) which are insolvent for purposes
12 of section 418E of such Code as of such
13 date of enactment, or during such period,
14 if they became insolvent after December
15 16, 2014, and have not been terminated;
16 and

17 (B) subject to subsection (b), to establish
18 appropriate terms for such loans.

19 For purposes of subparagraph (A)(ii), the term
20 “modified funded percentage” means the percentage
21 equal to a fraction the numerator of which is current
22 value of plan assets (as defined in section 3(26) of
23 such Act) and the denominator of which is current
24 liabilities (as defined in section 431(c)(6)(D) of such
25 Code and section 304(c)(6)(D) of such Act).

1 (2) CONSULTATION.—The Director of the Pen-
2 sion Rehabilitation Administration shall consult with
3 the Secretary of the Treasury, the Secretary of
4 Labor, and the Director of the Pension Benefit
5 Guaranty Corporation before making any loan under
6 paragraph (1), and shall share with such persons the
7 application and plan information with respect to
8 each such loan.

9 (3) ESTABLISHMENT OF LOAN PROGRAM.—

10 (A) IN GENERAL.—A program to make the
11 loans authorized under this section shall be es-
12 tablished not later than May 31, 2020, with
13 guidance regarding such program to be promul-
14 gated by the Director of the Pension Rehabilita-
15 tion Administration, in consultation with the
16 Director of the Pension Benefit Guaranty Cor-
17 poration, the Secretary of the Treasury, and
18 the Secretary of Labor, not later than August
19 31, 2020.

20 (B) LOANS AUTHORIZED BEFORE PRO-
21 GRAM DATE.—Without regard to whether the
22 program under subparagraph (A) has been es-
23 tablished, a plan may apply for a loan under
24 this section before either date described in such
25 subparagraph, and the Pension Rehabilitation

1 Administration shall approve the application
2 and make the loan before establishment of the
3 program if necessary to avoid any suspension of
4 the accrued benefits of participants.

5 (b) LOAN TERMS.—

6 (1) IN GENERAL.—The terms of any loan made
7 under subsection (a) shall state that—

8 (A) the plan shall make payments of inter-
9 est on the loan for a period of 29 years begin-
10 ning on the date of the loan (or 19 years in the
11 case of a plan making the election under sub-
12 section (c)(5));

13 (B) final payment of interest and principal
14 shall be due in the 30th year after the date of
15 the loan (except as provided in an election
16 under subsection (c)(5)); and

17 (C) as a condition of the loan, the plan
18 sponsor stipulates that—

19 (i) except as provided in clause (ii),
20 the plan will not increase benefits, allow
21 any employer participating in the plan to
22 reduce its contributions, or accept any col-
23 lective bargaining agreement which pro-
24 vides for reduced contribution rates, dur-

1 ing the 30-year period described in sub-
2 paragraphs (A) and (B);

3 (ii) in the case of a plan with respect
4 to which a suspension of benefits has been
5 approved under section 432(e)(9) of the
6 Internal Revenue Code of 1986 and section
7 305(e)(9) of the Employee Retirement In-
8 come Security Act of 1974, or under sec-
9 tion 418E of such Code, before the loan,
10 the plan will reinstate the suspended bene-
11 fits (or will not carry out any suspension
12 which has been approved but not yet im-
13 plemented);

14 (iii) the plan sponsor will comply with
15 the requirements of section 6059A of the
16 Internal Revenue Code of 1986;

17 (iv) the plan will continue to pay all
18 premiums due under section 4007 of the
19 Employee Retirement Income Security Act
20 of 1974; and

21 (v) the plan and plan administrator
22 will meet such other requirements as the
23 Director of the Pension Rehabilitation Ad-
24 ministration provides in the loan terms.

1 The terms of the loan shall not make reference
2 to whether the plan is receiving financial assist-
3 ance under section 4261(d) of the Employee
4 Retirement Income Security Act of 1974 (29
5 U.S.C. 1431(d)) or to any adjustment of the
6 loan amount under subsection (d)(2)(A)(ii).

7 (2) INTEREST RATE.—Except as provided in
8 the second sentence of this paragraph and sub-
9 section (c)(5), loans made under subsection (a) shall
10 have as low an interest rate as is feasible. Such rate
11 shall be determined by the Pension Rehabilitation
12 Administration and shall—

13 (A) not be lower than the rate of interest
14 on 30-year Treasury securities on the first day
15 of the calendar year in which the loan is issued;
16 and

17 (B) not exceed the greater of—

18 (i) a rate 0.2 percentage points higher
19 than such rate of interest on such date; or
20 (ii) the rate necessary to collect reve-
21 nues sufficient to administer the program
22 under this section.

23 (c) LOAN APPLICATION.—

24 (1) IN GENERAL.—In applying for a loan under
25 subsection (a), the plan sponsor shall—

1 (A) demonstrate that, except as provided
2 in subparagraph (C)—

3 (i) the loan will enable the plan to
4 avoid insolvency for at least the 30-year
5 period described in subparagraphs (A) and
6 (B) of subsection (b)(1) or, in the case of
7 a plan which is already insolvent, to
8 emerge from insolvency within and avoid
9 insolvency for the remainder of such pe-
10 riod; and

11 (ii) the plan is reasonably expected to
12 be able to pay benefits and the interest on
13 the loan during such period and to accu-
14 mulate sufficient funds to repay the prin-
15 cipal when due;

16 (B) provide the plan's most recently filed
17 Form 5500 as of the date of application and
18 any other information necessary to determine
19 the loan amount under subsection (d);

20 (C) stipulate whether the plan is also ap-
21 plying for financial assistance under section
22 4261(d) of the Employee Retirement Income
23 Security Act of 1974 (29 U.S.C. 1431(d)) in
24 combination with the loan to enable the plan to
25 avoid insolvency and to pay benefits, or is al-

1 ready receiving such financial assistance as a
2 result of a previous application;

3 (D) state in what manner the loan pro-
4 ceeds will be invested pursuant to subsection
5 (d), the person from whom any annuity con-
6 tracts under such subsection will be purchased,
7 and the person who will be the investment man-
8 ager for any portfolio implemented under such
9 subsection; and

10 (E) include such other information and
11 certifications as the Director of the Pension Re-
12 habilitation Administration shall require.

13 (2) STANDARD FOR ACCEPTING ACTUARIAL AND
14 PLAN SPONSOR DETERMINATIONS AND DEMONSTRA-
15 TIONS IN THE APPLICATION.—In evaluating the plan
16 sponsor's application, the Director of the Pension
17 Rehabilitation Administration shall accept the deter-
18 minations and demonstrations in the application un-
19 less the Director, in consultation with the Director
20 of the Pension Benefit Guaranty Corporation, the
21 Secretary of the Treasury, and the Secretary of
22 Labor, concludes that any such determinations or
23 demonstrations in the application (or any underlying
24 assumptions) are clearly erroneous or are incon-

1 sistent with any rules issued by the Director pursu-
2 ant to subsection (g).

3 (3) REQUIRED ACTIONS; DEEMED APPROVAL.—

4 The Director of the Pension Rehabilitation Adminis-
5 tration shall approve any application under this sub-
6 section within 90 days after the submission of such
7 application unless such application is incomplete or
8 the Director makes a conclusion described in para-
9 graph (2) with respect to the application. An appli-
10 cation shall be deemed approved unless, within such
11 90 days, the Director notifies the plan sponsor of
12 the denial of such application and the reasons for
13 such denial. Any approval or denial of an application
14 by the Director of the Pension Rehabilitation Ad-
15 ministration shall be treated as a final agency action
16 for purposes of section 704 of title 5, United States
17 Code. The Pension Rehabilitation Administration
18 shall make the loan pursuant to any application
19 promptly after the approval of such application.

20 (4) CERTAIN PLANS REQUIRED TO APPLY.—

21 The plan sponsor of any plan with respect to which
22 a suspension of benefits has been approved under
23 section 432(e)(9) of the Internal Revenue Code of
24 1986 and section 305(e)(9) of the Employee Retire-
25 ment Income Security Act of 1974 or under section

1 418E of such Code, before the date of the enactment
2 of this Act shall apply for a loan under this section.
3 The Director of the Pension Rehabilitation Adminis-
4 tration shall provide for such plan sponsors to use
5 the simplified application under subsection
6 (d)(2)(B).

7 (5) INCENTIVE FOR EARLY REPAYMENT.—The
8 plan sponsor may elect at the time of the application
9 to repay the loan principal, along with the remaining
10 interest, at least as rapidly as equal installments
11 over the 10-year period beginning with the 21st year
12 after the date of the loan. In the case of a plan mak-
13 ing this election, the interest on the loan shall be re-
14 duced by 0.5 percentage points.

15 (d) LOAN AMOUNT AND USE.—

16 (1) AMOUNT OF LOAN.—

17 (A) IN GENERAL.—Except as provided in
18 subparagraph (B) and paragraph (2), the
19 amount of any loan under subsection (a) shall
20 be, as demonstrated by the plan sponsor on the
21 application under subsection (c), the amount
22 needed to purchase annuity contracts or to im-
23 plement a portfolio described in paragraph
24 (3)(C) (or a combination of the two) sufficient
25 to provide benefits of participants and bene-

1 ficiaries of the plan in pay status, and termi-
2 nated vested benefits, at the time the loan is
3 made.

4 (B) PLANS WITH SUSPENDED BENE-
5 FITS.—In the case of a plan with respect to
6 which a suspension of benefits has been ap-
7 proved under section 432(e)(9) of the Internal
8 Revenue Code of 1986 and section 305(e)(9) of
9 the Employee Retirement Income Security Act
10 of 1974 (29 U.S.C. 1085(e)(9)) or under sec-
11 tion 418E of such Code—

12 (i) the suspension of benefits shall not
13 be taken into account in applying subpara-
14 graph (A); and

15 (ii) the loan amount shall be the
16 amount sufficient to provide benefits of
17 participants and beneficiaries of the plan
18 in pay status and terminated vested bene-
19 fits at the time the loan is made, deter-
20 mined without regard to the suspension,
21 including retroactive payment of benefits
22 which would otherwise have been payable
23 during the period of the suspension.

24 (2) COORDINATION WITH PBGC FINANCIAL AS-
25 SISTANCE.—

1 (A) IN GENERAL.—In the case of a plan
2 which is also applying for financial assistance
3 under section 4261(d) of the Employee Retirement
4 Income Security Act of 1974 (29 U.S.C.
5 1431(d))—

6 (i) the plan sponsor shall submit the
7 loan application and the application for fi-
8 nancial assistance jointly to the Pension
9 Rehabilitation Administration and the Pen-
10 sion Benefit Guaranty Corporation with
11 the information necessary to determine the
12 eligibility for and amount of the loan under
13 this section and the financial assistance
14 under section 4261(d) of such Act; and

15 (ii) if such financial assistance is
16 granted, the amount of the loan under sub-
17 section (a) shall not exceed an amount
18 equal to the excess of—

19 (I) the amount determined under
20 paragraph (1)(A) or (1)(B)(ii) (which-
21 ever is applicable); over

22 (II) the amount of such financial
23 assistance.

24 (B) PLANS ALREADY RECEIVING PBGC AS-
25 SISTANCE.—The Director of the Pension Reha-

1 bilitation Administration shall provide for a
2 simplified application for the loan under this
3 section which may be used by an insolvent plan
4 which has not been terminated and which is al-
5 ready receiving financial assistance (other than
6 under section 4261(d) of such Act) from the
7 Pension Benefit Guaranty Corporation at the
8 time of the application for the loan under this
9 section.

10 (3) USE OF LOAN FUNDS.—

11 (A) IN GENERAL.—Notwithstanding sec-
12 tion 432(f)(2)(A)(ii) of the Internal Revenue
13 Code of 1986 and section 305(f)(2)(A)(ii) of
14 such Act, the loan received under subsection (a)
15 shall only be used to purchase annuity contracts
16 which meet the requirements of subparagraph
17 (B) or to implement a portfolio described in
18 subparagraph (C) (or a combination of the two)
19 to provide the benefits described in paragraph
20 (1).

21 (B) ANNUITY CONTRACT REQUIRE-
22 MENTS.—The annuity contracts purchased
23 under subparagraph (A) shall be issued by an
24 insurance company which is licensed to do busi-
25 ness under the laws of any State and which is

1 rated A or better by a nationally recognized sta-
2 tistical rating organization, and the purchase of
3 such contracts shall meet all applicable fidu-
4 ciary standards under the Employee Retirement
5 Income Security Act of 1974.

6 (C) PORTFOLIO.—

7 (i) IN GENERAL.—A portfolio de-
8 scribed in this subparagraph is—

9 (I) a cash matching portfolio or
10 duration matching portfolio consisting
11 of investment grade (as rated by a na-
12 tionally recognized statistical rating
13 organization) fixed income invest-
14 ments, including United States dollar-
15 denominated public or private debt
16 obligations issued or guaranteed by
17 the United States or a foreign issuer,
18 which are tradeable in United States
19 currency and are issued at fixed or
20 zero coupon rates; or

21 (II) any other portfolio pre-
22 scribed by the Secretary of the Treas-
23 ury in regulations which has a similar
24 risk profile to the portfolios described
25 in subclause (I) and is equally protec-

1 tive of the interests of participants
2 and beneficiaries.

3 Once implemented, such a portfolio shall
4 be maintained until all liabilities to partici-
5 pants and beneficiaries in pay status, and
6 terminated vested participants, at the time
7 of the loan are satisfied.

8 (ii) FIDUCIARY DUTY.—Any invest-
9 ment manager of a portfolio under this
10 subparagraph shall acknowledge in writing
11 that such person is a fiduciary under the
12 Employee Retirement Income Security Act
13 of 1974 with respect to the plan.

14 (iii) TREATMENT OF PARTICIPANTS
15 AND BENEFICIARIES.—Participants and
16 beneficiaries covered by a portfolio under
17 this subparagraph shall continue to be
18 treated as participants and beneficiaries of
19 the plan, including for purposes of title IV
20 of the Employee Retirement Income Secu-
21 rity Act of 1974.

22 (D) ACCOUNTING.—

23 (i) IN GENERAL.—Annuity contracts
24 purchased and portfolios implemented
25 under this paragraph shall be used solely

1 to provide the benefits described in para-
2 graph (1) until all such benefits have been
3 paid and shall be accounted for separately
4 from the other assets of the plan.

5 (ii) OVERSIGHT OF NON-ANNUITY IN-
6 VESTMENTS.—

7 (I) IN GENERAL.—Any portfolio
8 implemented under this paragraph
9 shall be subject to oversight by the
10 Pension Rehabilitation Administra-
11 tion, including a mandatory triennial
12 review of the adequacy of the portfolio
13 to provide the benefits described in
14 paragraph (1) and approval (to be
15 provided within a reasonable period of
16 time) of any decision by the plan
17 sponsor to change the investment
18 manager of the portfolio.

19 (II) REMEDIAL ACTION.—If the
20 oversight under subclause (I) deter-
21 mines an inadequacy, the plan spon-
22 sor shall take remedial action to en-
23 sure that the inadequacy will be cured
24 within 2 years of such determination.

1 (E) OMBUDSPERSON.—The Participant
2 and Plan Sponsor Advocate established under
3 section 4004 of the Employee Retirement In-
4 come Security Act of 1974 shall act as
5 ombudsperson for participants and beneficiaries
6 on behalf of whom annuity contracts are pur-
7 chased or who are covered by a portfolio under
8 this paragraph.

9 (e) COLLECTION OF REPAYMENT.—Except as pro-
10 vided in subsection (f), the Pension Rehabilitation Admin-
11 istration shall make every effort to collect repayment of
12 loans under this section in accordance with section 3711
13 of title 31, United States Code.

14 (f) LOAN DEFAULT.—If a plan is unable to make any
15 payment on a loan under this section when due, the Pen-
16 sion Rehabilitation Administration shall negotiate with the
17 plan sponsor revised terms for repayment (including in-
18 stallment payments over a reasonable period or forgive-
19 ness of a portion of the loan principal), but only to the
20 extent necessary to avoid insolvency in the subsequent 18
21 months.

22 (g) AUTHORITY TO ISSUE RULES, ETC.—The Direc-
23 tor of the Pension Rehabilitation Administration, in con-
24 sultation with the Director of the Pension Benefit Guar-
25 anty Corporation, the Secretary of the Treasury, and the

1 Secretary of Labor, is authorized to issue rules regarding
2 the form, content, and process of applications for loans
3 under this section, actuarial standards and assumptions
4 to be used in making estimates and projections for pur-
5 poses of such applications, and assumptions regarding in-
6 terest rates, mortality, and distributions with respect to
7 a portfolio described in subsection (d)(3)(C).

8 (h) REPORT TO CONGRESS ON STATUS OF CERTAIN
9 PLANS WITH LOANS.—Not later than 1 year after the
10 first loan is made under this section, and annually there-
11 after, the Director of the Pension Rehabilitation Adminis-
12 tration shall submit to the Committee on Ways and Means
13 and the Committee on Education and Labor of the House
14 of Representatives, and the Committee on Finance and the
15 Committee on Health, Education, Labor and Pensions of
16 the Senate, a report identifying any plan that—

17 (1) has failed to make any scheduled payment
18 on a loan under this section;

19 (2) has negotiated revised terms for repayment
20 of such loan (including any installment payments or
21 forgiveness of a portion of the loan principal); or

22 (3) the Director has determined is no longer
23 reasonably expected to be able to—

24 (A) pay benefits and the interest on the
25 loan; or

1 (B) accumulate sufficient funds to repay
2 the principal when due.

3 Such report shall include the details of any such failure,
4 revised terms, or determination, as the case may be.

5 (i) COORDINATION WITH TAXATION OF UNRELATED
6 BUSINESS INCOME.—Subparagraph (A) of section
7 514(c)(6) of the Internal Revenue Code of 1986 is amend-
8 ed—

9 (1) by striking “or” at the end of clause (i);

10 (2) by striking the period at the end of clause

11 (ii)(II) and inserting “, or”; and

12 (3) by adding at the end the following new
13 clause:

14 “(iii) indebtedness with respect to a
15 multiemployer plan under a loan made by
16 the Pension Rehabilitation Administration
17 pursuant to section 504 of the Rehabilita-
18 tion for Multiemployer Pensions Act of
19 2020.”.

20 **SEC. 505. COORDINATION WITH WITHDRAWAL LIABILITY**
21 **AND FUNDING RULES.**

22 (a) AMENDMENT TO INTERNAL REVENUE CODE OF
23 1986.—Section 432 of the Internal Revenue Code of 1986
24 is amended by adding at the end the following new sub-
25 section:

1 “(k) SPECIAL RULES FOR PLANS RECEIVING PEN-
2 SION REHABILITATION LOANS.—

3 “(1) DETERMINATION OF WITHDRAWAL LIABIL-
4 ITY.—

5 “(A) IN GENERAL.—If any employer par-
6 ticipating in a plan at the time the plan receives
7 a loan under section 504(a) of the Rehabilita-
8 tion for Multiemployer Pensions Act of 2020
9 withdraws from the plan before the end of the
10 30-year period beginning on the date of the
11 loan, the withdrawal liability of such employer
12 shall be determined under the Employee Retire-
13 ment Income Security Act of 1974—

14 “(i) by applying section 4219(c)(1)(D)
15 of the Employee Retirement Income Secu-
16 rity Act of 1974 as if the plan were termi-
17 nating by the withdrawal of every employer
18 from the plan, and

19 “(ii) by determining the value of non-
20 forfeitable benefits under the plan at the
21 time of the deemed termination by using
22 the interest assumptions prescribed for
23 purposes of section 4044 of the Employee
24 Retirement Income Security Act of 1974,
25 as prescribed in the regulations under sec-

1 tion 4281 of the Employee Retirement In-
2 come Security Act of 1974 in the case of
3 such a mass withdrawal.

4 “(B) ANNUITY CONTRACTS AND INVEST-
5 MENT PORTFOLIOS PURCHASED WITH LOAN
6 FUNDS.—Annuity contracts purchased and
7 portfolios implemented under section 504(d)(3)
8 of the Rehabilitation for Multiemployer Pen-
9 sions Act of 2020 shall not be taken into ac-
10 count as plan assets in determining the with-
11 drawal liability of any employer under subpara-
12 graph (A), but the amount equal to the greater
13 of—

14 “(i) the benefits provided under such
15 contracts or portfolios to participants and
16 beneficiaries, or

17 “(ii) the remaining payments due on
18 the loan under section 4(a) of such Act,
19 shall be taken into account as unfunded vested
20 benefits in determining such withdrawal liabil-
21 ity.

22 “(2) COORDINATION WITH FUNDING REQUIRE-
23 MENTS.—In the case of a plan which receives a loan
24 under section 504(a) of the Rehabilitation for Multi-
25 employer Pensions Act of 2020—

1 “(A) annuity contracts purchased and
2 portfolios implemented under section 4(d)(3) of
3 such Act, and the benefits provided to partici-
4 pants and beneficiaries under such contracts or
5 portfolios, shall not be taken into account in de-
6 termining minimum required contributions
7 under section 412,

8 “(B) payments on the interest and prin-
9 cipal under the loan, and any benefits owed in
10 excess of those provided under such contracts
11 or portfolios, shall be taken into account as li-
12 abilities for purposes of such section, and

13 “(C) if such a portfolio is projected due to
14 unfavorable investment or actuarial experience
15 to be unable to fully satisfy the liabilities which
16 it covers, the amount of the liabilities projected
17 to be unsatisfied shall be taken into account as
18 liabilities for purposes of such section.”.

19 (b) AMENDMENT TO EMPLOYEE RETIREMENT IN-
20 COME SECURITY ACT OF 1974.—Section 305 of the Em-
21 ployee Retirement Income Security Act of 1974 (29
22 U.S.C. 1085) is amended by adding at the end the fol-
23 lowing new subsection:

24 “(k) SPECIAL RULES FOR PLANS RECEIVING PEN-
25 SION REHABILITATION LOANS.—

1 “(1) DETERMINATION OF WITHDRAWAL LIABIL-
2 ITY.—

3 “(A) IN GENERAL.—If any employer par-
4 ticipating in a plan at the time the plan receives
5 a loan under section 504(a) of the Rehabilita-
6 tion for Multiemployer Pensions Act of 2020
7 withdraws from the plan before the end of the
8 30-year period beginning on the date of the
9 loan, the withdrawal liability of such employer
10 shall be determined—

11 “(i) by applying section 4219(c)(1)(D)
12 as if the plan were terminating by the
13 withdrawal of every employer from the
14 plan, and

15 “(ii) by determining the value of non-
16 forfeitable benefits under the plan at the
17 time of the deemed termination by using
18 the interest assumptions prescribed for
19 purposes of section 4044, as prescribed in
20 the regulations under section 4281 in the
21 case of such a mass withdrawal.

22 “(B) ANNUITY CONTRACTS AND INVEST-
23 MENT PORTFOLIOS PURCHASED WITH LOAN
24 FUNDS.—Annuity contracts purchased and
25 portfolios implemented under section 504(d)(3)

1 of the Rehabilitation for Multiemployer Pen-
2 sions Act of 2020 shall not be taken into ac-
3 count in determining the withdrawal liability of
4 any employer under subparagraph (A), but the
5 amount equal to the greater of—

6 “(i) the benefits provided under such
7 contracts or portfolios to participants and
8 beneficiaries, or

9 “(ii) the remaining payments due on
10 the loan under section 4(a) of such Act,
11 shall be taken into account as unfunded vested
12 benefits in determining such withdrawal liabil-
13 ity.

14 “(2) COORDINATION WITH FUNDING REQUIRE-
15 MENTS.—In the case of a plan which receives a loan
16 under section 504(a) of the Rehabilitation for Multi-
17 employer Pensions Act of 2020—

18 “(A) annuity contracts purchased and
19 portfolios implemented under section 4(d)(3) of
20 such Act, and the benefits provided to partici-
21 pants and beneficiaries under such contracts or
22 portfolios, shall not be taken into account in de-
23 termining minimum required contributions
24 under section 302,

1 “(B) payments on the interest and prin-
2 cipal under the loan, and any benefits owed in
3 excess of those provided under such contracts
4 or portfolios, shall be taken into account as li-
5 abilities for purposes of such section, and

6 “(C) if such a portfolio is projected due to
7 unfavorable investment or actuarial experience
8 to be unable to fully satisfy the liabilities which
9 it covers, the amount of the liabilities projected
10 to be unsatisfied shall be taken into account as
11 liabilities for purposes of such section.”.

12 **SEC. 506. ISSUANCE OF TREASURY BONDS.**

13 The Secretary of the Treasury shall from time to time
14 transfer from the general fund of the Treasury to the Pen-
15 sion Rehabilitation Trust Fund established under section
16 9512 of the Internal Revenue Code of 1986 such amounts
17 as are necessary to fund the loan program under section
18 504 of this Act, including from proceeds from the Sec-
19 retary’s issuance of obligations under chapter 31 of title
20 31, United States Code.

21 **SEC. 507. REPORTS OF PLANS RECEIVING PENSION REHA-**
22 **BILITATION LOANS.**

23 (a) IN GENERAL.—Subpart E of part III of sub-
24 chapter A of chapter 61 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
2 section:

3 **“SEC. 6059A. REPORTS OF PLANS RECEIVING PENSION RE-**
4 **HABILITATION LOANS.**

5 “(a) IN GENERAL.—In the case of a plan receiving
6 a loan under section 504(a) of the Rehabilitation for Mul-
7 tiemployer Pensions Act of 2020, with respect to the first
8 plan year beginning after the date of the loan and each
9 of the 29 succeeding plan years, not later than the 90th
10 day of each such plan year the plan sponsor shall file with
11 the Secretary a report (including appropriate documenta-
12 tion and actuarial certifications from the plan actuary, as
13 required by the Secretary) that contains—

14 “(1) the funded percentage (as defined in sec-
15 tion 432(j)(2)) as of the first day of such plan year,
16 and the underlying actuarial value of assets (deter-
17 mined with regard, and without regard, to annuity
18 contracts purchased and portfolios implemented with
19 proceeds of such loan) and liabilities (including any
20 amounts due with respect to such loan) taken into
21 account in determining such percentage,

22 “(2) the market value of the assets of the plan
23 (determined as provided in paragraph (1)) as of the
24 last day of the plan year preceding such plan year,

1 “(3) the total value of all contributions made by
2 employers and employees during the plan year pre-
3 ceding such plan year,

4 “(4) the total value of all benefits paid during
5 the plan year preceding such plan year,

6 “(5) cash flow projections for such plan year
7 and the 9 succeeding plan years, and the assump-
8 tions used in making such projections,

9 “(6) funding standard account projections for
10 such plan year and the 9 succeeding plan years, and
11 the assumptions relied upon in making such projec-
12 tions,

13 “(7) the total value of all investment gains or
14 losses during the plan year preceding such plan year,

15 “(8) any significant reduction in the number of
16 active participants during the plan year preceding
17 such plan year, and the reason for such reduction,

18 “(9) a list of employers that withdrew from the
19 plan in the plan year preceding such plan year, and
20 the resulting reduction in contributions,

21 “(10) a list of employers that paid withdrawal
22 liability to the plan during the plan year preceding
23 such plan year and, for each employer, a total as-
24 sessment of the withdrawal liability paid, the annual
25 payment amount, and the number of years remain-

1 ing in the payment schedule with respect to such
2 withdrawal liability,

3 “(11) any material changes to benefits, accrual
4 rates, or contribution rates during the plan year pre-
5 ceding such plan year, and whether such changes re-
6 late to the terms of the loan,

7 “(12) details regarding any funding improve-
8 ment plan or rehabilitation plan and updates to such
9 plan,

10 “(13) the number of participants during the
11 plan year preceding such plan year who are active
12 participants, the number of participants and bene-
13 ficiaries in pay status, and the number of terminated
14 vested participants and beneficiaries,

15 “(14) the amount of any financial assistance re-
16 ceived under section 4261 of the Employee Retirement
17 Income Security Act of 1974 to pay benefits
18 during the preceding plan year, and the total
19 amount of such financial assistance received for all
20 preceding years,

21 “(15) the information contained on the most re-
22 cent annual funding notice submitted by the plan
23 under section 101(f) of the Employee Retirement In-
24 come Security Act of 1974,

1 “(16) the information contained on the most re-
2 cent annual return under section 6058 and actuarial
3 report under section 6059 of the plan, and

4 “(17) copies of the plan document and amend-
5 ments, other retirement benefit or ancillary benefit
6 plans relating to the plan and contribution obliga-
7 tions under such plans, a breakdown of administra-
8 tive expenses of the plan, participant census data
9 and distribution of benefits, the most recent actu-
10 arial valuation report as of the plan year, copies of
11 collective bargaining agreements, and financial re-
12 ports, and such other information as the Secretary,
13 in consultation with the Director of the Pension Re-
14 habilitation Administration, may require.

15 “(b) ELECTRONIC SUBMISSION.—The report re-
16 quired under subsection (a) shall be submitted electroni-
17 cally.

18 “(c) INFORMATION SHARING.—The Secretary shall
19 share the information in the report under subsection (a)
20 with the Secretary of Labor and the Director of the Pen-
21 sion Benefit Guaranty Corporation.

22 “(d) REPORT TO PARTICIPANTS, BENEFICIARIES,
23 AND EMPLOYERS.—Each plan sponsor required to file a
24 report under subsection (a) shall, before the expiration of
25 the time prescribed for the filing of such report, also pro-

1 vide a summary (written in a manner so as to be under-
2 stood by the average plan participant) of the information
3 in such report to participants and beneficiaries in the plan
4 and to each employer with an obligation to contribute to
5 the plan.”.

6 (b) PENALTY.—Subsection (e) of section 6652 of the
7 Internal Revenue Code of 1986 is amended—

8 (1) by inserting “, 6059A (relating to reports of
9 plans receiving pension rehabilitation loans)” after
10 “deferred compensation”;

11 (2) by inserting “(\$100 in the case of failures
12 under section 6059A)” after “\$25”; and

13 (3) by adding at the end the following: “In the
14 case of a failure with respect to section 6059A, the
15 amount imposed under this subsection shall not be
16 paid from the assets of the plan.”.

17 (c) CLERICAL AMENDMENT.—The table of sections
18 for subpart E of part III of subchapter A of chapter 61
19 of the Internal Revenue Code of 1986 is amended by add-
20 ing at the end the following new item:

“Sec. 6059A. Reports of plans receiving pension rehabilitation loans.”.

21 **SEC. 508. PBGC FINANCIAL ASSISTANCE.**

22 (a) IN GENERAL.—Section 4261 of the Employee Re-
23 tirement Income Security Act of 1974 (29 U.S.C. 1431)
24 is amended by adding at the end the following new sub-
25 section:

1 “(d)(1) The plan sponsor of a multiemployer plan—

2 “(A) which is in critical and declining status
3 (within the meaning of section 305(b)(6)) as of the
4 date of the enactment of this subsection or during
5 the 2-year period beginning on such date, or with re-
6 spect to which a suspension of benefits has been ap-
7 proved under section 305(e)(9) as of such date;

8 “(B) which, as of such date of enactment or
9 during such period, is in critical status (within the
10 meaning of section 305(b)(2)), has a modified fund-
11 ed percentage of less than 40 percent (as defined in
12 section 504(a)(1) of the Rehabilitation for Multiem-
13 ployer Pensions Act of 2020), and has a ratio of ac-
14 tive to inactive participants which is less than 2 to
15 5; or

16 “(C) which is insolvent for purposes of section
17 418E of the Internal Revenue Code of 1986 as of
18 such date of enactment or during such period, if the
19 plan became insolvent after December 16, 2014, and
20 has not been terminated;

21 and which is applying for a loan under section 504(a) of
22 the Rehabilitation for Multiemployer Pensions Act of 2020
23 may also apply to the corporation for financial assistance
24 under this subsection, by jointly submitting such applica-
25 tions in accordance with section 4(d)(2) of such Act. The

1 application for financial assistance under this subsection
2 shall demonstrate, based on projections by the plan actu-
3 ary, that after the receipt of the anticipated loan amount
4 under section 4(a) of such Act, the plan will still become
5 (or remain) insolvent within the 30-year period beginning
6 on the date of the loan.

7 “(2) In reviewing an application under paragraph
8 (1), the corporation shall review the determinations and
9 demonstrations submitted with the loan application under
10 section 504(c) of the Rehabilitation for Multiemployer
11 Pensions Act of 2020 and provide guidance regarding such
12 determinations and demonstrations prior to approving any
13 application for financial assistance under this subsection.
14 The corporation may deny any application if any such de-
15 terminations or demonstrations (or any underlying as-
16 sumptions) are clearly erroneous, or inconsistent with
17 rules issued by the corporation, and the plan and the cor-
18 poration are unable to reach agreement on such deter-
19 minations or demonstrations. The corporation shall pre-
20 scribe any such rules or guidance not later than August
21 31, 2020.

22 “(3) In the case of a plan described in paragraph
23 (1)(A) or (1)(B), the total financial assistance provided
24 under this subsection shall be an amount equal to the
25 smallest portion of the loan amount with respect to the

1 plan under paragraph (1)(A) or (1)(B)(ii) of section
2 504(d) of the Rehabilitation for Multiemployer Pensions
3 Act of 2020 (determined without regard to paragraph (2)
4 thereof) that, if provided as financial assistance under this
5 subsection instead of a loan, would allow the plan to avoid
6 the projected insolvency.

7 “(4) In the case of a plan described in paragraph
8 (1)(C), the financial assistance provided pursuant to such
9 application under this subsection shall be the present value
10 of the amount (determined by the plan actuary and sub-
11 mitted on the application) that, if such amount were paid
12 by the corporation in combination with the loan and any
13 other assistance being provided to the plan by the corpora-
14 tion at the time of the application, would enable the plan
15 to emerge from insolvency and avoid any other insolvency
16 projected under paragraph (1).

17 “(5)(A)(i) Except as provided in subparagraph (B),
18 if the corporation determines at the time of approval, or
19 at the beginning of any plan year beginning thereafter,
20 that the plan’s 5-year expenditure projection (determined
21 without regard to loan payments described in clause
22 (iii)(III)) exceeds the fair market value of the plan’s as-
23 sets, the corporation shall (subject to the total amount of
24 financial assistance approved under this subsection) pro-
25 vide such assistance in an amount equal to the lesser of—

1 “(I) the amount by which the plan’s 5-year
2 expenditure projection exceeds such fair market
3 value; or

4 “(II) the plan’s expected expenditures for
5 the plan year.

6 “(ii) For purposes of this subparagraph, the term ‘5-
7 year expenditure projection’ means, with respect to any
8 plan for a plan year, an amount equal to 500 percent of
9 the plan’s expected expenditures for the plan year.

10 “(iii) For purposes of this subparagraph, the term
11 ‘expected expenditures’ means, with respect to any plan
12 for a plan year, an amount equal to the sum of—

13 “(I) expected benefit payments for the plan
14 year;

15 “(II) expected administrative expense payments
16 for the plan year; plus

17 “(III) payments on the loan scheduled during
18 the plan year pursuant to the terms of the loan
19 under section 504(b) of the Rehabilitation for Multi-
20 employer Pensions Act of 2020.

21 “(iv) For purposes of this subparagraph, in the case
22 of any plan year during which a plan is approved for a
23 loan under section 4 of such Act, but has not yet received
24 the proceeds, such proceeds shall be included in deter-
25 mining the fair market value of the plan’s assets for the

1 plan year. The preceding sentence shall not apply in the
2 case of any plan that for the plan year beginning in 2015
3 was certified pursuant to section 305(b)(3) as being in
4 critical and declining status, and had more than 300,000
5 participants.

6 “(B) The financial assistance under this subsection
7 shall be provided in a lump sum if the plan sponsor dem-
8 onstrates in the application, and the corporation deter-
9 mines, that such a lump sum payment is necessary for
10 the plan to avoid the insolvency to which the application
11 relates. In the case of a plan described in paragraph
12 (1)(C), such lump sum shall be provided not later than
13 December 31, 2020.

14 “(6) Subsections (b) and (c) shall apply to financial
15 assistance under this subsection as if it were provided
16 under subsection (a), except that the terms for repayment
17 under subsection (b)(2) shall not require the financial as-
18 sistance to be repaid before the date on which the loan
19 under section 504(a) of the Rehabilitation for Multiem-
20 ployer Pensions Act of 2020 is repaid in full.

21 “(7) The corporation may forgo repayment of the fi-
22 nancial assistance provided under this subsection if nec-
23 essary to avoid any suspension of the accrued benefits of
24 participants.”.

1 (b) APPROPRIATIONS.—There is appropriated to the
2 Director of the Pension Benefit Guaranty Corporation
3 such sums as may be necessary for each fiscal year to pro-
4 vide the financial assistance described in section 4261(d)
5 of the Employee Retirement Income Security Act of 1974
6 (29 U.S.C. 1431(d)) (as added by this section) (including
7 necessary administrative and operating expenses relating
8 to such assistance).

9 **DIVISION U—TELECOMMUNI-**
10 **CATIONS PROVISIONS**
11 **TITLE I—COVID-19 PRICE**
12 **GOUGING PREVENTION**

13 **SEC. 101. SHORT TITLE.**

14 This title may be cited as the “COVID-19 Price
15 Gouging Prevention Act”.

16 **SEC. 102. PREVENTION OF PRICE GOUGING.**

17 (a) IN GENERAL.—For the duration of a public
18 health emergency declared pursuant to section 319 of the
19 Public Health Service Act (42 U.S.C. 247d) as a result
20 of confirmed cases of 2019 novel coronavirus (COVID-
21 19), including any renewal thereof, it shall be unlawful
22 for any person to sell or offer for sale a good or service
23 at a price that—

24 (1) is unconscionably excessive; and

1 (2) indicates the seller is using the cir-
2 cumstances related to such public health emergency
3 to increase prices unreasonably.

4 (b) FACTORS FOR CONSIDERATION.—In determining
5 whether a person has violated subsection (a), there shall
6 be taken into account, with respect to the price at which
7 such person sold or offered for sale the good or service,
8 factors that include the following:

9 (1) Whether such price grossly exceeds the av-
10 erage price at which the same or a similar good or
11 service was sold or offered for sale by such person—

12 (A) during the 90-day period immediately
13 preceding January 31, 2020; or

14 (B) during the same 90-day period of the
15 previous year.

16 (2) Whether such price grossly exceeds the av-
17 erage price at which the same or a similar good or
18 service was readily obtainable from other similarly
19 situated competing sellers before January 31, 2020.

20 (3) Whether such price reasonably reflects addi-
21 tional costs, not within the control of such person,
22 that were paid, incurred, or reasonably anticipated
23 by such person, or reasonably reflects the profit-
24 ability of forgone sales or additional risks taken by

1 such person, to produce, distribute, obtain, or sell
2 such good or service under the circumstances.

3 (c) ENFORCEMENT.—

4 (1) ENFORCEMENT BY FEDERAL TRADE COM-
5 MISSION.—

6 (A) UNFAIR OR DECEPTIVE ACTS OR PRAC-
7 TICES.—A violation of subsection (a) shall be
8 treated as a violation of a regulation under sec-
9 tion 18(a)(1)(B) of the Federal Trade Commis-
10 sion Act (15 U.S.C. 57a(a)(1)(B)) regarding
11 unfair or deceptive acts or practices.

12 (B) POWERS OF COMMISSION.—The Com-
13 mission shall enforce subsection (a) in the same
14 manner, by the same means, and with the same
15 jurisdiction, powers, and duties as though all
16 applicable terms and provisions of the Federal
17 Trade Commission Act (15 U.S.C. 41 et seq.)
18 were incorporated into and made a part of this
19 section. Any person who violates such sub-
20 section shall be subject to the penalties and en-
21 titled to the privileges and immunities provided
22 in the Federal Trade Commission Act.

23 (2) EFFECT ON OTHER LAWS.—Nothing in this
24 section shall be construed in any way to limit the

1 authority of the Commission under any other provi-
2 sion of law.

3 (3) ENFORCEMENT BY STATE ATTORNEYS GEN-
4 ERAL.—

5 (A) IN GENERAL.—If the chief law en-
6 forcement officer of a State, or an official or
7 agency designated by a State, has reason to be-
8 lieve that any person has violated or is violating
9 subsection (a), the attorney general, official, or
10 agency of the State, in addition to any author-
11 ity it may have to bring an action in State
12 court under its consumer protection law, may
13 bring a civil action in any appropriate United
14 States district court or in any other court of
15 competent jurisdiction, including a State court,
16 to—

17 (i) enjoin further such violation by
18 such person;

19 (ii) enforce compliance with such sub-
20 section;

21 (iii) obtain civil penalties; and

22 (iv) obtain damages, restitution, or
23 other compensation on behalf of residents
24 of the State.

1 (B) NOTICE AND INTERVENTION BY THE
2 FTC.—The attorney general of a State shall
3 provide prior written notice of any action under
4 subparagraph (A) to the Commission and pro-
5 vide the Commission with a copy of the com-
6 plaint in the action, except in any case in which
7 such prior notice is not feasible, in which case
8 the attorney general shall serve such notice im-
9 mediately upon instituting such action. The
10 Commission shall have the right—

- 11 (i) to intervene in the action;
12 (ii) upon so intervening, to be heard
13 on all matters arising therein; and
14 (iii) to file petitions for appeal.

15 (C) LIMITATION ON STATE ACTION WHILE
16 FEDERAL ACTION IS PENDING.—If the Commis-
17 sion has instituted a civil action for violation of
18 this section, no State attorney general, or offi-
19 cial or agency of a State, may bring an action
20 under this paragraph during the pendency of
21 that action against any defendant named in the
22 complaint of the Commission for any violation
23 of this section alleged in the complaint.

24 (D) RELATIONSHIP WITH STATE-LAW
25 CLAIMS.—If the attorney general of a State has

1 authority to bring an action under State law di-
2 rected at acts or practices that also violate this
3 section, the attorney general may assert the
4 State-law claim and a claim under this section
5 in the same civil action.

6 (4) SAVINGS CLAUSE.—Nothing in this section
7 shall preempt or otherwise affect any State or local
8 law.

9 (d) DEFINITIONS.—In this section:

10 (1) COMMISSION.—The term “Commission”
11 means the Federal Trade Commission.

12 (2) GOOD OR SERVICE.—The term “good or
13 service” means a good or service offered in com-
14 merce, including—

15 (A) food, beverages, water, ice, a chemical,
16 or a personal hygiene product;

17 (B) any personal protective equipment for
18 protection from or prevention of contagious dis-
19 eases, filtering facepiece respirators, medical
20 supplies (including medical testing supplies),
21 cleaning supplies, disinfectants, sanitizers; or

22 (C) any healthcare service, cleaning serv-
23 ice, or delivery service.

24 (3) STATE.—The term “State” means each of
25 the several States, the District of Columbia, each

1 commonwealth, territory, or possession of the United
2 States, and each federally recognized Indian Tribe.

3 **TITLE II—E-RATE SUPPORT FOR**
4 **WI-FI HOTSPOTS AND CON-**
5 **NECTED DEVICES**

6 **SEC. 201. E-RATE SUPPORT FOR WI-FI HOTSPOTS AND CON-**
7 **NECTED DEVICES DURING EMERGENCY PERI-**
8 **ODS RELATING TO COVID-19.**

9 (a) REGULATIONS REQUIRED.—Not later than 7
10 days after the date of the enactment of this Act, the Com-
11 mission shall promulgate regulations providing for the
12 provision, during an emergency period described in sub-
13 section (b) and from amounts made available from the
14 Emergency Connectivity Fund established under sub-
15 section (i)(1), of universal service support under section
16 254(h)(1)(B) of the Communications Act of 1934 (47
17 U.S.C. 254(h)(1)(B)) to an elementary school, secondary
18 school, or library eligible for support under such section,
19 as well as a tribal elementary school, tribal secondary
20 school, or tribal library designated as eligible to receive
21 support under such regulations by an Indian tribe that
22 is eligible for support under section 261 of the Library
23 Services and Technology Act (20 U.S.C. 9161), for—
24 (1) providing Wi-Fi hotspots to—

1 (A) in the case of a school, students and
2 staff of such school for use at locations that in-
3 clude locations other than such school; and

4 (B) in the case of a library, patrons of
5 such library for use at locations that include lo-
6 cations other than such library;

7 (2) providing connected devices to students and
8 staff or patrons (as the case may be) for use as de-
9 scribed in subparagraph (A) or (B) of paragraph
10 (1); and

11 (3) providing mobile broadband internet access
12 service through such Wi-Fi hotspots or connected
13 devices.

14 (b) EMERGENCY PERIODS DESCRIBED.—An emer-
15 gency period described in this subsection is the duration
16 of a public health emergency declared pursuant to section
17 319 of the Public Health Service Act (42 U.S.C. 247d)
18 as a result of COVID–19, including any renewal thereof.

19 (c) SERVICE REQUIREMENT FOR CONNECTED DE-
20 VICES.—If a school or library provides a connected device
21 to a student, staff member, or patron using universal serv-
22 ice support under the regulations required by subsection
23 (a) and such connected device is only capable of con-
24 necting to broadband internet access service through the
25 use of Wi-Fi, such school or library shall also provide to

1 such student, staff member, or patron a Wi-Fi hotspot and
2 mobile broadband internet access service through such Wi-
3 Fi hotspot.

4 (d) TREATMENT OF WI-FI HOTSPOTS AND CON-
5 NECTED DEVICES AFTER EMERGENCY PERIOD.—The
6 Commission shall provide in the regulations required by
7 subsection (a) that, in the case of a school or library that
8 purchases Wi-Fi hotspots or connected devices using sup-
9 port received under such regulations, such school or li-
10 brary—

11 (1) may, after the emergency period with re-
12 spect to which such support is received, use such
13 Wi-Fi hotspots or connected devices for such pur-
14 poses as such school or library considers appro-
15 priate, subject to any restrictions provided in such
16 regulations (or any successor regulation); and

17 (2) may not sell or otherwise transfer in ex-
18 change for any thing of value such Wi-Fi hotspots
19 or connected devices.

20 (e) PRIORITIZATION OF SUPPORT.—The Commission
21 shall provide in the regulations required by subsection (a)
22 that a school or library shall prioritize the provision of
23 Wi-Fi hotspots or connected devices and associated mobile
24 broadband internet access service for which support is re-
25 ceived under such regulations to students and staff or pa-

1 trons (as the case may be) that the school or library be-
2 lieves do not otherwise have access to broadband internet
3 access service at the residences of such students and staff
4 or patrons.

5 (f) CERTIFICATION REQUIREMENTS.—The Commis-
6 sion shall provide in the regulations required by subsection
7 (a) that—

8 (1) Wi-Fi hotspots and connected devices for
9 which support is received under such regulations
10 shall be treated as computers for purposes of the
11 certification requirements of paragraphs (5) and (6)
12 of section 254(h) of the Communications Act of
13 1934 (47 U.S.C. 254(h)); and

14 (2) notwithstanding the requirements of such
15 paragraphs relating to the timing of certifications,
16 the certifications required by such paragraphs shall
17 be made with respect to such Wi-Fi hotspots and
18 connected devices as a condition of receiving such
19 support.

20 (g) RULE OF CONSTRUCTION.—Nothing in this sec-
21 tion shall be construed to affect any authority the Com-
22 mission may have under section 254(h)(1)(B) of the Com-
23 munications Act of 1934 (47 U.S.C. 254(h)(1)(B)) to
24 allow universal service support under such section to be

1 used for the purposes described in subsection (a) other
2 than as required by such subsection.

3 (h) EXEMPTIONS.—

4 (1) NOTICE AND COMMENT RULEMAKING RE-
5 QUIREMENTS.—Section 553 of title 5, United States
6 Code, shall not apply to a regulation promulgated
7 under subsection (a) or a rulemaking to promulgate
8 such a regulation.

9 (2) PAPERWORK REDUCTION ACT REQUIRE-
10 MENTS.—A collection of information conducted or
11 sponsored under the regulations required by sub-
12 section (a), or under section 254 of the Communica-
13 tions Act of 1934 (47 U.S.C. 254) in connection
14 with universal service support provided under such
15 regulations, shall not constitute a collection of infor-
16 mation for the purposes of subchapter I of chapter
17 35 of title 44, United States Code (commonly re-
18 ferred to as the Paperwork Reduction Act).

19 (i) EMERGENCY CONNECTIVITY FUND.—

20 (1) ESTABLISHMENT.—There is established in
21 the Treasury of the United States a fund to be
22 known as the Emergency Connectivity Fund.

23 (2) AUTHORIZATION OF APPROPRIATIONS.—
24 There is authorized to be appropriated to the Emer-
25 gency Connectivity Fund, out of any money in the

1 Treasury not otherwise appropriated,
2 \$2,000,000,000 for fiscal year 2020, to remain
3 available through fiscal year 2021.

4 (3) USE OF FUNDS.—Amounts in the Emer-
5 gency Connectivity Fund shall be available to the
6 Commission to provide universal service support
7 under the regulations required by subsection (a).

8 (4) RELATIONSHIP TO UNIVERSAL SERVICE
9 CONTRIBUTIONS.—Universal service support pro-
10 vided under the regulations required by subsection
11 (a) shall be provided from amounts made available
12 under paragraph (3) and not from contributions
13 under section 254(d) of the Communications Act of
14 1934 (47 U.S.C. 254(d)).

15 (j) EXCEPTION TO GIFT RESTRICTIONS.—Not later
16 than 7 days after the date of the enactment of this Act,
17 the Commission shall amend section 54.503(d) of title 47,
18 Code of Federal Regulations, so as to provide that such
19 section does not apply in the case of a gift or other thing
20 of value that is solicited, accepted, offered, or provided
21 during an emergency period described in subsection (b)
22 for the purpose of responding to needs arising from the
23 emergency.

24 (k) DEFINITIONS.—In this section:

1 (1) BROADBAND INTERNET ACCESS SERVICE.—

2 The term “broadband internet access service” has
3 the meaning given such term in section 8.1(b) of
4 title 47, Code of Federal Regulations (or any suc-
5 cessor regulation).

6 (2) COMMISSION.—The term “Commission”
7 means the Federal Communications Commission.

8 (3) CONNECTED DEVICE.—The term “con-
9 nected device” means a laptop computer, tablet com-
10 puter, or similar device that is capable of connecting
11 to mobile broadband internet access service, either
12 by receiving such service directly or through the use
13 of Wi-Fi.

14 (4) WI-FI.—The term “Wi-Fi” means a wire-
15 less networking protocol based on Institute of Elec-
16 trical and Electronics Engineers standard 802.11
17 (or any successor standard).

18 (5) WI-FI HOTSPOT.—The term “Wi-Fi
19 hotspot” means a device that is capable of—

20 (A) receiving mobile broadband internet
21 access service; and

22 (B) sharing such service with another de-
23 vice through the use of Wi-Fi.

1 **TITLE III—EMERGENCY LIFE-**
2 **LINE BENEFIT FOR**
3 **BROADBAND SERVICE**

4 **SEC. 301. EMERGENCY LIFELINE BENEFIT FOR**
5 **BROADBAND SERVICE DURING EMERGENCY**
6 **PERIODS RELATING TO COVID-19.**

7 (a) PROMULGATION OF REGULATIONS REQUIRED.—

8 Not later than 7 days after the date of the enactment of
9 this Act, the Commission shall promulgate regulations for
10 the provision of an emergency lifeline broadband benefit
11 described and in accordance with the requirements of this
12 section.

13 (b) REQUIREMENTS.—The regulations promulgated
14 pursuant to subsection (a) shall establish the following:

15 (1) Regardless of whether a household or any
16 consumer in the household receives support under
17 subpart E of part 54 of title 47, Code of Federal
18 Regulations, a household is eligible for the provision
19 of Tier I service or Tier II service, supported by the
20 emergency lifeline broadband benefit, during an
21 emergency period if—

22 (A) the household includes at least one
23 qualifying low-income consumer who meets the
24 qualifications in paragraphs (a) and (b) of sec-

1 tion 54.409 of title 47, Code of Federal Regula-
2 tions, or any successor regulation; or

3 (B) the household receives benefits from
4 the National School Lunch Program's free or
5 reduced cost lunch program.

6 (2) A provider of broadband internet access
7 service shall apply to the Commission for the reim-
8 bursement described in paragraph (6) for each eligi-
9 ble household that requests the emergency lifeline
10 broadband benefit and receives Tier I or Tier II
11 service from the provider.

12 (3) Within five business days of receiving a re-
13 quest from a broadband internet service provider,
14 the Commission shall determine and issue a decision
15 whether it is in the public interest—

16 (A) to allow such provider to provide Tier
17 I or Tier II service supported by the emergency
18 lifeline broadband benefit, and

19 (B) to allow the provider to use its own
20 verification processes to determine whether a
21 household is eligible to receive the emergency
22 lifeline broadband benefit according to the eligi-
23 bility criteria in paragraph (1), if such proc-
24 esses are reasonable and sufficient to avoid
25 waste, fraud, and abuse.

1 (4) The Commission shall adopt reasonable rec-
2 ordkeeping and retention requirements for recipients
3 of reimbursements from the funds made available in
4 subsection (f), which requirements shall be in lieu of
5 any reporting, record keeping, retention and compli-
6 ance requirements as set forth in subpart E of part
7 54 of title 47, Code of Federal Regulations.

8 (5) The emergency period may be extended
9 within a State or any portion thereof if the Governor
10 of the State provides written, public notice to the
11 Commission stipulating that an extension is nec-
12 essary in furtherance of the recovery related to
13 COVID–19. The Commission shall, within 24 hours
14 after receiving such notice, post the notice on the
15 Commission’s public website.

16 (6) The Commission shall reimburse providers
17 of broadband internet access service from funds
18 made available in subsection (f) in the following
19 amounts:

20 (A) The broadband internet access service
21 provider shall receive \$50.00 per month, or an
22 amount equal to the monthly charge for service
23 and equipment if such charge is less than
24 \$50.00 per month, for each eligible household

1 that requests the emergency lifeline broadband
2 benefit and receives the Tier I service.

3 (B) The broadband internet access service
4 provider shall receive \$30.00 per month, or an
5 amount equal to the monthly charge for service
6 and equipment if such charge is less than
7 \$30.00 per month, for each eligible household
8 that requests the emergency lifeline broadband
9 benefit and receives Tier II service.

10 (7) To receive a reimbursement under para-
11 graph (6), a broadband internet access service pro-
12 vider shall certify to the Commission—

13 (A) the number of eligible households that
14 requested the emergency lifeline broadband ben-
15 efit and received Tier I service—

16 (i) monthly for the duration of the
17 emergency period; or

18 (ii) for each month of the emergency
19 period, collectively, after the expiration of
20 the emergency period under paragraph (5);

21 (B) the number of eligible households that
22 requested the emergency lifeline broadband ben-
23 efit and received Tier II service—

24 (i) monthly for the duration of the
25 emergency period; or

1 (ii) for each month of the emergency
2 period, collectively, after the expiration of
3 the emergency period under paragraph (5);

4 (C) that the reimbursement sought for pro-
5 viding Tier I service or Tier II service to an eli-
6 gible household did not exceed the provider's
7 rate for that offering, or similar offerings, for
8 households that are not eligible households sub-
9 scribing to the same or substantially similar
10 service;

11 (D) that eligible households for which the
12 provider is seeking reimbursement for providing
13 Tier I or Tier II service using the emergency
14 lifeline broadband benefit—

15 (i) were not charged for the Tier I
16 service or Tier II service; and

17 (ii) were not disqualified from receiv-
18 ing the emergency lifeline broadband serv-
19 ice based on past or present arrearages;
20 and

21 (E) that the eligibility of eligible house-
22 holds is verified in accordance with the require-
23 ments adopted by the Commission pursuant to
24 paragraph (3).

1 (c) ELIGIBLE PROVIDERS.—The Commission may
2 provide a reimbursement to a broadband internet access
3 service provider under this section without requiring such
4 provider to be designated as an eligible telecommuni-
5 cations carrier under section 214(e) of the Communica-
6 tions Act of 1934 (47 U.S.C. 214(e)) and notwithstanding
7 section 254(e) of the Communications Act of 1934 (47
8 U.S.C. 254(e)).

9 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
10 tion shall affect the collection, distribution, or administra-
11 tion of the Lifeline Assistance Program governed by the
12 rules set forth in subpart E of part 54 of title 47, Code
13 of Federal Regulations.

14 (e) EXEMPTIONS.—

15 (1) NOTICE AND COMMENT RULEMAKING RE-
16 QUIREMENTS.—Section 553 of title 5, United States
17 Code, shall not apply to a regulation promulgated
18 under subsection (a) or a rulemaking to promulgate
19 such a regulation.

20 (2) PAPERWORK REDUCTION ACT REQUIRE-
21 MENTS.—A collection of information conducted or
22 sponsored under the regulations required by sub-
23 section (a), or under section 254 of the Communica-
24 tions Act of 1934 (47 U.S.C. 254) in connection
25 with universal service support provided under such

1 regulations, shall not constitute a collection of infor-
2 mation for the purposes of subchapter I of chapter
3 35 of title 44, United States Code (commonly re-
4 ferred to as the Paperwork Reduction Act).

5 (f) EMERGENCY BROADBAND CONNECTIVITY
6 FUND.—

7 (1) ESTABLISHMENT.—There is established in
8 the Treasury of the United States a fund to be
9 known as the Emergency Broadband Connectivity
10 Fund.

11 (2) AUTHORIZATION OF APPROPRIATIONS.—
12 There is authorized to be appropriated to the Emer-
13 gency Broadband Connectivity Fund, out of any
14 money in the Treasury not otherwise appropriated,
15 \$1,000,000,000 for fiscal year 2020, to remain
16 available through fiscal year 2021.

17 (3) USE OF FUNDS.—Amounts in the Emer-
18 gency Broadband Connectivity Fund shall be avail-
19 able to the Commission to provide reimbursements
20 for Tier I service or Tier II service provided to eligi-
21 ble households under the regulations required pursu-
22 ant to subsection (a).

23 (4) RELATIONSHIP TO UNIVERSAL SERVICE
24 CONTRIBUTIONS.—Reimbursements provided under
25 the regulations required by subsection (a) shall be

1 provided from amounts made available under para-
2 graph (3) and not from contributions under section
3 254(d) of the Communications Act of 1934 (47
4 U.S.C. 254(d)).

5 (g) DEFINITIONS.—In this section:

6 (1) BROADBAND INTERNET ACCESS SERVICE.—

7 The term “broadband internet access service” has
8 the meaning given such term in section 8.1(b) of
9 title 47, Code of Federal Regulations (or any suc-
10 cessor regulation).

11 (2) COMMISSION.—The term “Commission”
12 means the Federal Communications Commission.

13 (3) ELIGIBLE HOUSEHOLD.—The term “eligible
14 household” means a household that meets the re-
15 quirements described in subsection (b)(1).

16 (4) EMERGENCY PERIOD.—The term “emer-
17 gency period” means the duration of a public health
18 emergency declared pursuant to section 319 of the
19 Public Health Service Act (42 U.S.C. 247d) as a re-
20 sult of COVID–19, including any renewal thereof.

21 (5) TIER I SERVICE.—The term “Tier I serv-
22 ice” means broadband internet access service that,
23 at a minimum, provides a download speed of 100
24 megabits per second, an upload speed of 10 mega-
25 bits per second, and latency that is sufficiently low

1 to allow real-time, interactive applications, with no
2 data caps or additional fees for the provision of such
3 service, except taxes and other governmental fees.

4 (6) TIER II SERVICE.—The term “Tier II serv-
5 ice” means broadband internet access service that,
6 at a minimum, provides a download speed of 25
7 megabits per second, an upload speed of 3 megabits
8 per second, and latency that is sufficiently low to
9 allow real-time, interactive applications, with no data
10 caps or additional fees for the provision of such serv-
11 ice, except taxes and other governmental fees.

12 **TITLE IV—CONTINUED** 13 **CONNECTIVITY**

14 **SEC. 401. CONTINUED CONNECTIVITY DURING EMERGENCY** 15 **PERIODS RELATING TO COVID-19.**

16 Title VII of the Communications Act of 1934 (47
17 U.S.C. 601 et seq.) is amended by adding at the end the
18 following:

19 **“SEC. 723. CONTINUED CONNECTIVITY DURING EMER-** 20 **GENCY PERIODS RELATING TO COVID-19.**

21 “(a) IN GENERAL.—During an emergency period de-
22 scribed in subsection (b), it shall be unlawful—

23 “(1) for a provider of advanced telecommuni-
24 cations service or voice service to—

1 “(A) terminate, reduce, or change such
2 service provided to any individual customer or
3 small business because of the inability of the in-
4 dividual customer or small business to pay for
5 such service if the individual customer or small
6 business certifies to such provider that such in-
7 ability to pay is a result of disruptions caused
8 by the public health emergency to which such
9 emergency period relates; or

10 “(B) impose late fees on any individual
11 customer or small business because of the in-
12 ability of the individual customer or small busi-
13 ness to pay for such service if the individual
14 customer or small business certifies to such pro-
15 vider that such inability to pay is a result of
16 disruptions caused by the public health emer-
17 gency to which such emergency period relates;

18 “(2) for a provider of advanced telecommuni-
19 cations service to, during such emergency period—

20 “(A) employ a limit on the amount of data
21 allotted to an individual customer or small busi-
22 ness during such emergency period, except that
23 such provider may engage in reasonable net-
24 work management; or

1 “(B) charge an individual customer or
2 small business an additional fee for exceeding
3 the limit on the data allotted to an individual
4 customer or small business; or

5 “(3) for a provider of advanced telecommuni-
6 cations service that had functioning Wi-Fi hotspots
7 available to subscribers in public places on the day
8 before the beginning of such emergency period to
9 fail to make service provided by such Wi-Fi hotspots
10 available to the public at no cost during such emer-
11 gency period.

12 “(b) WAIVER.—Upon a petition by a provider ad-
13 vanced telecommunications service or voice service, the
14 provisions in subsection (a) may be suspended or waived
15 by the Commission at any time, in whole or in part, for
16 good cause shown.

17 “(c) EMERGENCY PERIODS DESCRIBED.—An emer-
18 gency period described in this subsection is any portion
19 beginning on or after the date of the enactment of this
20 section of the duration of a public health emergency de-
21 clared pursuant to section 319 of the Public Health Serv-
22 ice Act (42 U.S.C. 247d) as a result of COVID–19, includ-
23 ing any renewal thereof.

24 “(d) DEFINITIONS.—In this section:

1 “(1) ADVANCED TELECOMMUNICATIONS SERV-
2 ICE.—The term ‘advanced telecommunications serv-
3 ice’ means a service that provides advanced tele-
4 communications capability (as defined in section 706
5 of the Telecommunications Act of 1996 (47 U.S.C.
6 1302)).

7 “(2) BROADBAND INTERNET ACCESS SERV-
8 ICE.—The term ‘broadband internet access service’
9 has the meaning given such term in section 8.1(b)
10 of title 47, Code of Federal Regulations (or any suc-
11 cessor regulation).

12 “(3) INDIVIDUAL CUSTOMER.—The term ‘indi-
13 vidual customer’ means an individual who contracts
14 with a mass-market retail provider of advanced tele-
15 communications service or voice service to provide
16 service to such individual.

17 “(4) REASONABLE NETWORK MANAGEMENT.—
18 The term ‘reasonable network management’—

19 “(A) means the use of a practice that—

20 “(i) has a primarily technical network
21 management justification; and

22 “(ii) is primarily used for and tailored
23 to achieving a legitimate network manage-
24 ment purpose, taking into account the par-

1 ticular network architecture and tech-
2 nology of the service; and

3 “(B) does not include other business prac-
4 tices.

5 “(5) SMALL BUSINESS.—The term ‘small busi-
6 ness’ has the meaning given such term under section
7 601(3) of title 5, United States Code.

8 “(6) VOICE SERVICE.—The term ‘voice service’
9 has the meaning given such term under section
10 227(e)(8) of the Communications Act of 1934 (47
11 U.S.C. 227(e)(8)).

12 “(7) WI-FI.—The term ‘Wi-Fi’ means a wire-
13 less networking protocol based on Institute of Elec-
14 trical and Electronics Engineers standard 802.11
15 (or any successor standard).

16 “(8) WI-FI HOTSPOT.—The term ‘Wi-Fi
17 hotspot’ means a device that is capable of—

18 “(A) receiving mobile broadband internet
19 access service; and

20 “(B) sharing such service with another de-
21 vice through the use of Wi-Fi.”.

1 **TITLE V—DON'T BREAK UP THE**
2 **T-BAND**

3 **SEC. 501. REPEAL OF REQUIREMENT TO REALLOCATE AND**
4 **AUCTION T-BAND SPECTRUM.**

5 (a) REPEAL.—Section 6103 of the Middle Class Tax
6 Relief and Job Creation Act of 2012 (47 U.S.C. 1413)
7 is repealed.

8 (b) CLERICAL AMENDMENT.—The table of contents
9 in section 1(b) of such Act is amended by striking the
10 item relating to section 6103.

11 **SEC. 502. CLARIFYING ACCEPTABLE 9-1-1 OBLIGATIONS OR**
12 **EXPENDITURES.**

13 Section 6 of the Wireless Communications and Public
14 Safety Act of 1999 (47 U.S.C. 615a–1) is amended—

15 (1) in subsection (f)—

16 (A) in paragraph (1), by striking “as spec-
17 ified in the provision of State or local law
18 adopting the fee or charge” and inserting “con-
19 sistent with the purposes and functions des-
20 ignated in the final rules issued under para-
21 graph (3) as purposes and functions for which
22 the obligation or expenditure of such a fee or
23 charge is acceptable”;

24 (B) in paragraph (2), by striking “any
25 purpose other than the purpose for which any

1 such fees or charges are specified” and insert-
2 ing “any purpose or function other than the
3 purposes and functions designated in the final
4 rules issued under paragraph (3) as purposes
5 and functions for which the obligation or ex-
6 penditure of any such fees or charges is accept-
7 able”; and

8 (C) by adding at the end the following:

9 “(3) ACCEPTABLE OBLIGATIONS OR EXPENDI-
10 TURES.—

11 “(A) RULES REQUIRED.—In order to pre-
12 vent diversion of 9–1–1 fees or charges, the
13 Commission shall, not later than 180 days after
14 the date of the enactment of this paragraph,
15 issue final rules designating purposes and func-
16 tions for which the obligation or expenditure of
17 9–1–1 fees or charges, by any State or taxing
18 jurisdiction authorized to impose such a fee or
19 charge, is acceptable.

20 “(B) PURPOSES AND FUNCTIONS.—The
21 purposes and functions designated under sub-
22 paragraph (A) shall be limited to the support
23 and implementation of 9–1–1 services provided
24 by or in the State or taxing jurisdiction impos-
25 ing the fee or charge and operational expenses

1 of public safety answering points within such
2 State or taxing jurisdiction. In designating such
3 purposes and functions, the Commission shall
4 consider the purposes and functions that States
5 and taxing jurisdictions specify as the intended
6 purposes and functions for the 9–1–1 fees or
7 charges of such States and taxing jurisdictions,
8 and determine whether such purposes and func-
9 tions directly support providing 9–1–1 services.

10 “(C) CONSULTATION REQUIRED.—The
11 Commission shall consult with public safety or-
12 ganizations and States and taxing jurisdictions
13 as part of any proceeding under this paragraph.

14 “(D) DEFINITIONS.—In this paragraph:

15 “(i) 9–1–1 FEE OR CHARGE.—The
16 term ‘9–1–1 fee or charge’ means a fee or
17 charge applicable to commercial mobile
18 services or IP-enabled voice services spe-
19 cifically designated by a State or taxing ju-
20 risdiction for the support or implementa-
21 tion of 9–1–1 services.

22 “(ii) 9–1–1 SERVICES.—The term ‘9–
23 1–1 services’ has the meaning given such
24 term in section 158(e) of the National
25 Telecommunications and Information Ad-

1 ministration Organization Act (47 U.S.C.
2 942(e)).

3 “(iii) STATE OR TAXING JURISDIC-
4 TION.—The term ‘State or taxing jurisdic-
5 tion’ means a State, political subdivision
6 thereof, Indian Tribe, or village or regional
7 corporation serving a region established
8 pursuant to the Alaska Native Claims Set-
9 tlement Act (43 U.S.C. 1601 et seq.).

10 “(4) PARTICIPATION.—If a State or taxing ju-
11 risdiction (as defined in paragraph (3)(D)) receives
12 a grant under section 158 of the National Tele-
13 communications and Information Administration Or-
14 ganization Act (47 U.S.C. 942) after the date of the
15 enactment of this paragraph, such State or taxing
16 jurisdiction shall, as a condition of receiving such
17 grant, provide the information requested by the
18 Commission to prepare the report required by para-
19 graph (2).

20 “(5) PETITION REGARDING ADDITIONAL PUR-
21 POSES AND FUNCTIONS.—

22 “(A) IN GENERAL.—A State or taxing ju-
23 risdiction (as defined in paragraph (3)(D)) may
24 submit to the Commission a petition for a de-
25 termination that an obligation or expenditure of

1 a 9–1–1 fee or charge (as defined in such para-
2 graph) by such State or taxing jurisdiction for
3 a purpose or function other than a purpose or
4 function designated under paragraph (3)(A)
5 should be treated as such a purpose or function.
6 If the Commission finds that the State or tax-
7 ing jurisdiction has provided sufficient docu-
8 mentation to make the demonstration described
9 in subparagraph (B), the Commission shall
10 grant such petition.

11 “(B) DEMONSTRATION DESCRIBED.—The
12 demonstration described in this subparagraph is
13 a demonstration that the purpose or function—

14 “(i) supports public safety answering
15 point functions or operations; or

16 “(ii) has a direct impact on the ability
17 of a public safety answering point to—

18 “(I) receive or respond to 9–1–1
19 calls; or

20 “(II) dispatch emergency re-
21 sponders.”; and

22 (2) by adding at the end the following:

23 “(j) SEVERABILITY CLAUSE.—If any provision of this
24 section or the application thereof to any person or cir-
25 cumstance is held invalid, the remainder of this section

1 and the application of such provision to other persons or
2 circumstances shall not be affected thereby.”.

3 **SEC. 503. PROHIBITION ON 9–1–1 FEE OR CHARGE DIVER-**
4 **SION.**

5 (a) IN GENERAL.—If the Commission obtains evi-
6 dence that suggests the diversion by a State or taxing ju-
7 risdiction of 9–1–1 fees or charges, the Commission shall
8 submit such information, including any information re-
9 garding the impact of any underfunding of 9–1–1 services
10 in the State or taxing jurisdiction, to the interagency
11 strike force established under subsection (c).

12 (b) REPORT TO CONGRESS.—Beginning with the first
13 report under section 6(f)(2) of the Wireless Communica-
14 tions and Public Safety Act of 1999 (47 U.S.C. 615a–
15 1(f)(2)) that is required to be submitted after the date
16 that is 1 year after the date of the enactment of this Act,
17 the Commission shall include in each report required
18 under such section all evidence that suggests the diversion
19 by a State or taxing jurisdiction of 9–1–1 fees or charges,
20 including any information regarding the impact of any
21 underfunding of 9–1–1 services in the State or taxing ju-
22 risdiction.

23 (c) INTERAGENCY STRIKE FORCE TO END 9–1–1
24 FEE OR CHARGE DIVERSION.—

1 (1) ESTABLISHMENT.—Not later than 180 days
2 after the date of the enactment of this Act, the
3 Commission shall establish an interagency strike
4 force to study how the Federal Government can
5 most expeditiously end diversion by a State or taxing
6 jurisdiction of 9–1–1 fees or charges. Such inter-
7 agency strike force shall be known as the “Ending
8 9–1–1 Fee Diversion Now Strike Force” (in this
9 section referred to as the “Strike Force”).

10 (2) DUTIES.—In carrying out the study under
11 paragraph (1), the Strike Force shall—

12 (A) determine the effectiveness of any Fed-
13 eral laws, including regulations, policies, and
14 practices, or budgetary or jurisdictional con-
15 straints regarding how the Federal Government
16 can most expeditiously end diversion by a State
17 or taxing jurisdiction of 9–1–1 fees or charges;

18 (B) consider whether criminal penalties
19 would further prevent diversion by a State or
20 taxing jurisdiction of 9–1–1 fees or charges;
21 and

22 (C) determine the impacts of diversion by
23 a State or taxing jurisdiction of 9–1–1 fees or
24 charges.

1 (3) MEMBERS.—The Strike Force shall be com-
2 posed of such representatives of Federal depart-
3 ments and agencies as the Commission considers ap-
4 propriate, in addition to—

5 (A) State attorneys general;

6 (B) States or taxing jurisdictions found
7 not to be engaging in diversion of 9–1–1 fees
8 or charges;

9 (C) States or taxing jurisdictions trying to
10 stop the diversion of 9–1–1 fees or charges;

11 (D) State 9–1–1 administrators;

12 (E) public safety organizations;

13 (F) groups representing the public and
14 consumers; and

15 (G) groups representing public safety an-
16 swering point professionals.

17 (4) REPORT TO CONGRESS.—Not later than
18 270 days after the date of the enactment of this Act,
19 the Strike Force shall publish on the website of the
20 Commission and submit to the Committee on En-
21 ergy and Commerce of the House of Representatives
22 and the Committee on Commerce, Science, and
23 Transportation of the Senate a report on the find-
24 ings of the study under this subsection, including—

1 (A) any recommendations regarding how to
2 most expeditiously end the diversion by a State
3 or taxing jurisdiction of 9–1–1 fees or charges,
4 including actions that can be taken by Federal
5 departments and agencies and appropriate
6 changes to law or regulations; and

7 (B) a description of what progress, if any,
8 relevant Federal departments and agencies have
9 made in implementing the recommendations
10 under subparagraph (A).

11 (d) FAILURE TO COMPLY.—Notwithstanding any
12 other provision of law, any State or taxing jurisdiction
13 identified by the Commission in the report required under
14 section 6(f)(2) of the Wireless Communications and Public
15 Safety Act of 1999 (47 U.S.C. 615a–1(f)(2)) as engaging
16 in diversion of 9–1–1 fees or charges shall be ineligible
17 to participate or send a representative to serve on any
18 committee, panel, or council established under section
19 6205(a) of the Middle Class Tax Relief and Job Creation
20 Act of 2012 (47 U.S.C. 1425(a)) or any advisory com-
21 mittee established by the Commission.

22 **SEC. 504. RULE OF CONSTRUCTION.**

23 Nothing in this title, the Wireless Communications
24 and Public Safety Act of 1999 (Public Law 106–81), or
25 the Communications Act of 1934 (47 U.S.C. 151 et seq.)

1 shall be construed to prevent a State or taxing jurisdiction
2 from requiring an annual audit of the books and records
3 of a provider of 9–1–1 services concerning the collection
4 and remittance of a 9–1–1 fee or charge.

5 **SEC. 505. DEFINITIONS.**

6 In this title:

7 (1) 9–1–1 FEE OR CHARGE.—The term “9–1–
8 1 fee or charge” has the meaning given such term
9 in subparagraph (D) of paragraph (3) of section 6(f)
10 of the Wireless Communications and Public Safety
11 Act of 1999, as added by this title.

12 (2) 9–1–1 SERVICES.—The term “9–1–1 serv-
13 ices” has the meaning given such term in section
14 158(e) of the National Telecommunications and In-
15 formation Administration Organization Act (47
16 U.S.C. 942(e)).

17 (3) COMMISSION.—The term “Commission”
18 means the Federal Communications Commission.

19 (4) DIVERSION.—The term “diversion” means,
20 with respect to a 9–1–1 fee or charge, the obligation
21 or expenditure of such fee or charge for a purpose
22 or function other than the purposes and functions
23 designated in the final rules issued under paragraph
24 (3) of section 6(f) of the Wireless Communications
25 and Public Safety Act of 1999, as added by this

1 title, as purposes and functions for which the obliga-
2 tion or expenditure of such a fee or charge is accept-
3 able.

4 (5) STATE OR TAXING JURISDICTION.—The
5 term “State or taxing jurisdiction” has the meaning
6 given such term in subparagraph (D) of paragraph
7 (3) of section 6(f) of the Wireless Communications
8 and Public Safety Act of 1999, as added by this
9 title.

10 **DIVISION V—GROW ACT**

11 **SEC. 101. SHORT TITLE.**

12 This division may be cited as the “Giving Retirement
13 Options to Workers Act of 2020” or the “GROW Act”.

14 **SEC. 102. COMPOSITE PLANS.**

15 (a) AMENDMENT TO THE EMPLOYEE RETIREMENT
16 INCOME SECURITY ACT OF 1974.—

17 (1) IN GENERAL.—Title I of the Employee Re-
18 tirement Income Security Act of 1974 (29 U.S.C.
19 1001 et seq.) is amended by adding at the end the
20 following:

21 **“PART 8—COMPOSITE PLANS AND LEGACY** 22 **PLANS**

23 **“SEC. 801. COMPOSITE PLAN DEFINED.**

24 “(a) IN GENERAL.—For purposes of this Act, the
25 term ‘composite plan’ means a pension plan—

1 “(1) which is a multiemployer plan that is nei-
2 ther a defined benefit plan nor a defined contribu-
3 tion plan;

4 “(2) the terms of which provide that the plan
5 is a composite plan for purposes of this title with re-
6 spect to which not more than one multiemployer de-
7 fined benefit plan is treated as a legacy plan within
8 the meaning of section 805, unless there is more
9 than one legacy plan following a merger of composite
10 plans under section 806;

11 “(3) which provides systematically for the pay-
12 ment of benefits—

13 “(A) objectively calculated pursuant to a
14 formula enumerated in the plan document with
15 respect to plan participants after retirement,
16 for life; and

17 “(B) in the form of life annuities, except
18 for benefits which under section 203(e) may be
19 immediately distributed without the consent of
20 the participant;

21 “(4) for which the plan contributions for the
22 first plan year are at least 120 percent of the nor-
23 mal cost for the plan year;

24 “(5) which requires—

1 “(A) an annual valuation of the liability of
2 the plan as of a date within the plan year to
3 which the valuation refers or within one month
4 prior to the beginning of such year;

5 “(B) an annual actuarial determination of
6 the plan’s current funded ratio and projected
7 funded ratio under section 802(a);

8 “(C) corrective action through a realign-
9 ment program pursuant to section 803 when-
10 ever the plan’s projected funded ratio is below
11 120 percent for the plan year; and

12 “(D) an annual notification to each partici-
13 pant describing the participant’s benefits under
14 the plan and explaining that such benefits may
15 be subject to reduction under a realignment
16 program pursuant to section 803 based on the
17 plan’s funded status in future plan years; and

18 “(6) the board of trustees of which includes at
19 least one retiree or beneficiary in pay status during
20 each plan year following the first plan year in which
21 at least 5 percent of the participants in the plan are
22 retirees or beneficiaries in pay status.

23 “(b) TRANSITION FROM A MULTIEMPLOYER DE-
24 FINED BENEFIT PLAN.—

1 “(1) IN GENERAL.—The plan sponsor of a de-
2 fined benefit plan that is a multiemployer plan may,
3 subject to paragraph (2), amend the plan to incor-
4 porate the features of a composite plan as a compo-
5 nent of the multiemployer plan separate from the
6 defined benefit plan component, except in the case of
7 a defined benefit plan for which the plan actuary has
8 certified under section 305(b)(3) that the plan is or
9 will be in critical status for the plan year in which
10 such amendment would become effective or for any
11 of the succeeding 5 plan years.

12 “(2) REQUIREMENTS.—Any amendment pursu-
13 ant to paragraph (1) to incorporate the features of
14 a composite plan as a component of a multiemployer
15 plan shall—

16 “(A) apply with respect to all collective
17 bargaining agreements providing for contribu-
18 tions to the multiemployer plan on or after the
19 effective date of the amendment;

20 “(B) apply with respect to all participants
21 in the multiemployer plan for whom contribu-
22 tions are made to the multiemployer plan on or
23 after the effective date of the amendment;

24 “(C) specify that the effective date of the
25 amendment is—

1 “(i) the first day of a specified plan
2 year following the date of the adoption of
3 the amendment, except that the plan spon-
4 sor may alternatively provide for a sepa-
5 rate effective date with respect to each col-
6 lective bargaining agreement under which
7 contributions to the multiemployer plan
8 are required, which shall occur on the first
9 day of the first plan year beginning after
10 the termination, or if earlier, the re-open-
11 ing, of each such agreement, or such ear-
12 lier date as the parties to the agreement
13 and the plan sponsor of the multiemployer
14 plan shall agree to; and

15 “(ii) not later than the first day of the
16 fifth plan year beginning on or after the
17 date of the adoption of the amendment;

18 “(D) specify that, as of the amendment’s
19 effective date, no further benefits shall accrue
20 under the defined benefit component of the
21 multiemployer plan; and

22 “(E) specify that, as of the amendment’s
23 effective date, the plan sponsor of the multiem-
24 ployer plan shall be the plan sponsor of both

1 the composite plan component and the defined
2 benefit plan component of the plan.

3 “(3) SPECIAL RULES.—If a multiemployer plan
4 is amended pursuant to paragraph (1)—

5 “(A) the requirements of this title and title
6 IV shall be applied to the composite plan com-
7 ponent and the defined benefit plan component
8 of the multiemployer plan as if each such com-
9 ponent were maintained as a separate plan; and

10 “(B) the assets of the composite plan com-
11 ponent and the defined benefit plan component
12 of the plan shall be held in a single trust form-
13 ing part of the plan under which the trust in-
14 strument expressly provides—

15 “(i) for separate accounts (and appro-
16 priate records) to be maintained to reflect
17 the interest which each of the plan compo-
18 nents has in the trust, including separate
19 accounting for additions to the trust for
20 the benefit of each plan component, dis-
21 bursements made from each plan compo-
22 nent’s account in the trust, investment ex-
23 perience of the trust allocable to that ac-
24 count, and administrative expenses (wheth-
25 er direct expenses or shared expenses allo-

1 cated proportionally), and permits, but
2 does not require, the pooling of some or all
3 of the assets of the two plan components
4 for investment purposes; and

5 “(ii) that the assets of each of the two
6 plan components shall be held, invested,
7 reinvested, managed, administered and dis-
8 tributed for the exclusive benefit of the
9 participants and beneficiaries of each such
10 plan component, and in no event shall the
11 assets of one of the plan components be
12 available to pay benefits due under the
13 other plan component.

14 “(4) NOT A TERMINATION EVENT.—Notwith-
15 standing section 4041A, an amendment pursuant to
16 paragraph (1) to incorporate the features of a com-
17 posite plan as a component of a multiemployer plan
18 does not constitute termination of the multiemployer
19 plan.

20 “(5) NOTICE TO THE SECRETARY.—

21 “(A) NOTICE.—The plan sponsor of a
22 composite plan shall provide notice to the Sec-
23 retary of the intent to establish the composite
24 plan (or, in the case of a composite plan incor-
25 porated as a component of a multiemployer

1 plan as described in paragraph (1), the intent
2 to amend the multiemployer plan to incorporate
3 such composite plan) at least 30 days prior to
4 the effective date of such establishment or
5 amendment.

6 “(B) CERTIFICATION.—In the case of a
7 composite plan incorporated as a component of
8 a multiemployer plan as described in paragraph
9 (1), such notice shall include a certification by
10 the plan actuary under section 305(b)(3) that
11 the effective date of the amendment occurs in
12 a plan year for which the multiemployer plan is
13 not in critical status for that plan year and any
14 of the succeeding 5 plan years.

15 “(6) REFERENCES TO COMPOSITE PLAN COM-
16 PONENT.—As used in this part, the term ‘composite
17 plan’ includes a composite plan component added to
18 a defined benefit plan pursuant to paragraph (1).

19 “(7) RULE OF CONSTRUCTION.—Paragraph
20 (2)(A) shall not be construed as preventing the plan
21 sponsor of a multiemployer plan from adopting an
22 amendment pursuant to paragraph (1) because some
23 collective bargaining agreements are amended to
24 cease any covered employer’s obligation to contribute
25 to the multiemployer plan before or after the plan

1 amendment is effective. Paragraph (2)(B) shall not
2 be construed as preventing the plan sponsor of a
3 multiemployer plan from adopting an amendment
4 pursuant to paragraph (1) because some partici-
5 pants cease to have contributions made to the multi-
6 employer plan on their behalf before or after the
7 plan amendment is effective.

8 “(c) COORDINATION WITH FUNDING RULES.—Ex-
9 cept as otherwise provided in this title, sections 302, 304,
10 and 305 shall not apply to a composite plan.

11 “(d) TREATMENT OF A COMPOSITE PLAN.—For pur-
12 poses of this Act (other than sections 302 and 4245), a
13 composite plan shall be treated as if it were a defined ben-
14 efit plan unless a different treatment is provided for under
15 applicable law.

16 **“SEC. 802. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.**

17 “(a) CERTIFICATION OF FUNDED RATIOS.—

18 “(1) IN GENERAL.—Not later than the one-
19 hundred twentieth day of each plan year of a com-
20 posite plan, the plan actuary of the composite plan
21 shall certify to the Secretary, the Secretary of the
22 Treasury, and the plan sponsor the plan’s current
23 funded ratio and projected funded ratio for the plan
24 year.

1 “(2) DETERMINATION OF CURRENT FUNDED
2 RATIO AND PROJECTED FUNDED RATIO.—For pur-
3 poses of this section:

4 “(A) CURRENT FUNDED RATIO.—The cur-
5 rent funded ratio is the ratio (expressed as a
6 percentage) of—

7 “(i) the value of the plan’s assets as
8 of the first day of the plan year; to

9 “(ii) the plan actuary’s best estimate
10 of the present value of the plan liabilities
11 as of the first day of the plan year.

12 “(B) PROJECTED FUNDED RATIO.—The
13 projected funded ratio is the current funded
14 ratio projected to the first day of the fifteenth
15 plan year following the plan year for which the
16 determination is being made.

17 “(3) CONSIDERATION OF CONTRIBUTION RATE
18 INCREASES.—For purposes of projections under this
19 subsection, the plan sponsor may anticipate con-
20 tribution rate increases beyond the term of the cur-
21 rent collective bargaining agreement and any agreed-
22 to supplements, up to a maximum of 2.5 percent per
23 year, compounded annually, unless it would be un-
24 reasonable under the circumstances to assume that
25 contributions would increase by that amount.

1 “(b) ACTUARIAL ASSUMPTIONS AND METHODS.—

2 For purposes of this part:

3 “(1) IN GENERAL.—All costs, liabilities, rates
4 of interest and other factors under the plan shall be
5 determined for a plan year on the basis of actuarial
6 assumptions and methods—

7 “(A) each of which is reasonable (taking
8 into account the experience of the plan and rea-
9 sonable expectations);

10 “(B) which, in combination, offer the actu-
11 ary’s best estimate of anticipated experience
12 under the plan; and

13 “(C) with respect to which any change
14 from the actuarial assumptions and methods
15 used in the previous plan year shall be certified
16 by the plan actuary and the actuarial rationale
17 for such change provided in the annual report
18 required by section 103.

19 “(2) FAIR MARKET VALUE OF ASSETS.—The
20 value of the plan’s assets shall be taken into account
21 on the basis of their fair market value.

22 “(3) DETERMINATION OF NORMAL COST AND
23 PLAN LIABILITIES.—A plan’s normal cost and liabil-
24 ities shall be based on the most recent actuarial

1 valuation required under section 801(a)(5)(A) and
2 the unit credit funding method.

3 “(4) TIME WHEN CERTAIN CONTRIBUTIONS
4 DEEMED MADE.—Any contributions for a plan year
5 made by an employer after the last day of such plan
6 year, but not later than two and one-half months
7 after such day, shall be deemed to have been made
8 on such last day. For purposes of this paragraph,
9 such two and one-half month period may be ex-
10 tended for not more than six months under regula-
11 tions prescribed by the Secretary of the Treasury.

12 “(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—
13 Except where otherwise provided in this part, the
14 provisions of section 305(b)(3)(B) shall apply to any
15 determination or projection under this part.

16 **“SEC. 803. REALIGNMENT PROGRAM.**

17 “(a) REALIGNMENT PROGRAM.—

18 “(1) ADOPTION.—In any case in which the plan
19 actuary certifies under section 802(a) that the plan’s
20 projected funded ratio is below 120 percent for the
21 plan year, the plan sponsor shall adopt a realign-
22 ment program under paragraph (2) not later than
23 210 days after the due date of the certification re-
24 quired under such section 802(a). The plan sponsor
25 shall adopt an updated realignment program for

1 each succeeding plan year for which a certification
2 described in the preceding sentence is made.

3 “(2) CONTENT OF REALIGNMENT PROGRAM.—

4 “(A) IN GENERAL.—A realignment pro-
5 gram adopted under this paragraph is a written
6 program which consists of all reasonable meas-
7 ures, including options or a range of options to
8 be undertaken by the plan sponsor or proposed
9 to the bargaining parties, formulated, based on
10 reasonably anticipated experience and reason-
11 able actuarial assumptions, to enable the plan
12 to achieve a projected funded ratio of at least
13 120 percent for the following plan year.

14 “(B) INITIAL PROGRAM ELEMENTS.—Rea-
15 sonable measures under a realignment program
16 described in subparagraph (A) may include any
17 of the following:

18 “(i) Proposed contribution increases.

19 “(ii) A reduction in the rate of future
20 benefit accruals, so long as the resulting
21 rate is not less than 1 percent of the con-
22 tributions on which benefits are based as
23 of the start of the plan year (or the equiva-
24 lent standard accrual rate as described in
25 section 305(e)(6)).

1 “(iii) A modification or elimination of
2 adjustable benefits of participants that are
3 not in pay status before the date of the no-
4 tice required under subsection (b)(1).

5 “(iv) Any other lawfully available
6 measures not specifically described in this
7 subparagraph or subparagraph (C) or (D)
8 that the plan sponsor determines are rea-
9 sonable.

10 “(C) ADDITIONAL PROGRAM ELEMENTS.—
11 If the plan sponsor has determined that all rea-
12 sonable measures available under subparagraph
13 (B) will not enable the plan to achieve a pro-
14 jected funded ratio of at least 120 percent for
15 the following plan year, such reasonable meas-
16 ures may also include—

17 “(i) a reduction of accrued benefits
18 that are not in pay status by the date of
19 the notice required under subsection
20 (b)(1); or

21 “(ii) a reduction of any benefits of
22 participants that are in pay status before
23 the date of the notice required under sub-
24 section (b)(1) other than core benefits as
25 defined in paragraph (4).

1 “(D) ADDITIONAL REDUCTIONS.—In the
2 case of a composite plan for which the plan
3 sponsor has determined that all reasonable
4 measures available under subparagraphs (B)
5 and (C) will not enable the plan to achieve a
6 projected funded ratio of at least 120 percent
7 for the following plan year, such reasonable
8 measures may also include—

9 “(i) a further reduction in the rate of
10 future benefit accruals without regard to
11 the limitation applicable under subpara-
12 graph (B)(ii); or

13 “(ii) a reduction of core benefits;
14 provided that such reductions shall be equitably
15 distributed across the participant and bene-
16 ficiary population, taking into account factors,
17 with respect to participants and beneficiaries
18 and their benefits, that may include one or
19 more of the factors listed in subclauses (I)
20 through (X) of section 305(e)(9)(D)(vi), to the
21 extent necessary to enable the plan to achieve
22 a projected funded ratio of at least 120 percent
23 for the following plan year, or at the election of
24 the plan sponsor, a projected funded ratio of at
25 least 100 percent for the following plan year

1 and a current funded ratio of at least 90 per-
2 cent.

3 “(3) ADJUSTABLE BENEFIT DEFINED.—For
4 purposes of this part, the term ‘adjustable benefit’
5 means—

6 “(A) benefits, rights, and features under
7 the plan, including post-retirement death bene-
8 fits, 60-month guarantees, disability benefits
9 not yet in pay status, and similar benefits;

10 “(B) any early retirement benefit or retire-
11 ment-type subsidy (within the meaning of sec-
12 tion 204(g)(2)(A)) and any benefit payment op-
13 tion (other than the qualified joint and survivor
14 annuity); and

15 “(C) benefit increases that were adopted
16 (or, if later, took effect) less than 60 months
17 before the first day such realignment program
18 took effect.

19 “(4) CORE BENEFIT DEFINED.—For purposes
20 of this part, the term ‘core benefit’ means a partici-
21 pant’s accrued benefit payable in the normal form of
22 an annuity commencing at normal retirement age,
23 determined without regard to—

24 “(A) any early retirement benefits, retire-
25 ment-type subsidies, or other benefits, rights, or

1 features that may be associated with that ben-
2 efit; and

3 “(B) any cost-of-living adjustments or ben-
4 efit increases effective after the date of retire-
5 ment.

6 “(5) COORDINATION WITH CONTRIBUTION IN-
7 CREASES.—

8 “(A) IN GENERAL.—A realignment pro-
9 gram may provide that some or all of the ben-
10 efit modifications described in the program will
11 only take effect if the bargaining parties fail to
12 agree to specified levels of increases in contribu-
13 tions to the plan, effective as of specified dates.

14 “(B) INDEPENDENT BENEFIT MODIFICA-
15 TIONS.—If a realignment program adopts any
16 changes to the benefit formula that are inde-
17 pendent of potential contribution increases,
18 such changes shall take effect not later than
19 180 days after the first day of the first plan
20 year that begins following the adoption of the
21 realignment program.

22 “(C) CONDITIONAL BENEFIT MODIFICA-
23 TIONS.—If a realignment program adopts any
24 changes to the benefit formula that take effect
25 only if the bargaining parties fail to agree to

1 contribution increases, such changes shall take
2 effect not later than the first day of the first
3 plan year beginning after the third anniversary
4 of the date of adoption of the realignment pro-
5 gram.

6 “(D) REVOCATION OF CERTAIN BENEFIT
7 MODIFICATIONS.—Benefit modifications de-
8 scribed in subparagraph (C) may be revoked, in
9 whole or in part, and retroactively or prospec-
10 tively, when contributions to the plan are in-
11 creased, as specified in the realignment pro-
12 gram, including any amendments thereto. The
13 preceding sentence shall not apply unless the
14 contribution increases are to be effective not
15 later than the fifth anniversary of the first day
16 of the first plan year that begins after the
17 adoption of the realignment program.

18 “(b) NOTICE.—

19 “(1) IN GENERAL.—In any case in which it is
20 certified under section 802(a) that the projected
21 funded ratio is less than 120 percent, the plan spon-
22 sor shall, not later than 30 days after the date of
23 the certification, provide notification of the current
24 and projected funded ratios to the participants and

1 beneficiaries, the bargaining parties, and the Sec-
2 retary. Such notice shall include—

3 “(A) an explanation that contribution rate
4 increases or benefit reductions may be nec-
5 essary;

6 “(B) a description of the types of benefits
7 that might be reduced; and

8 “(C) an estimate of the contribution in-
9 creases and benefit reductions that may be nec-
10 essary to achieve a projected funded ratio of
11 120 percent.

12 “(2) NOTICE OF BENEFIT MODIFICATIONS.—

13 “(A) IN GENERAL.—No modifications may
14 be made that reduce the rate of future benefit
15 accrual or that reduce core benefits or adjust-
16 able benefits unless notice of such reduction has
17 been given at least 180 days before the general
18 effective date of such reduction for all partici-
19 pants and beneficiaries to—

20 “(i) plan participants and bene-
21 ficiaries;

22 “(ii) each employer who has an obliga-
23 tion to contribute to the composite plan;
24 and

1 “(iii) each employee organization
2 which, for purposes of collective bar-
3 gaining, represents plan participants em-
4 ployed by such employers.

5 “(B) CONTENT OF NOTICE.—The notice
6 under subparagraph (A) shall contain—

7 “(i) sufficient information to enable
8 participants and beneficiaries to under-
9 stand the effect of any reduction on their
10 benefits, including an illustration of any
11 affected benefit or subsidy, on an annual
12 or monthly basis that a participant or ben-
13 eficiary would otherwise have been eligible
14 for as of the general effective date de-
15 scribed in subparagraph (A); and

16 “(ii) information as to the rights and
17 remedies of plan participants and bene-
18 ficiaries as well as how to contact the De-
19 partment of Labor for further information
20 and assistance, where appropriate.

21 “(C) FORM AND MANNER.—Any notice
22 under subparagraph (A)—

23 “(i) shall be provided in a form and
24 manner prescribed in regulations of the
25 Secretary of Labor;

1 “(ii) shall be written in a manner so
2 as to be understood by the average plan
3 participant.

4 “(3) MODEL NOTICES.—The Secretary shall—

5 “(A) prescribe model notices that the plan
6 sponsor of a composite plan may use to satisfy
7 the notice requirements under this subsection;
8 and

9 “(B) by regulation enumerate any details
10 related to the elements listed in paragraph (1)
11 that any notice under this subsection must in-
12 clude.

13 “(4) DELIVERY METHOD.—Any notice under
14 this part shall be provided in writing and may also
15 be provided in electronic form to the extent that the
16 form is reasonably accessible to persons to whom the
17 notice is provided.

18 **“SEC. 804. LIMITATION ON INCREASING BENEFITS.**

19 “(a) LEVEL OF CURRENT FUNDED RATIOS.—Except
20 as provided in subsections (c), (d), and (e), no plan
21 amendment increasing benefits or establishing new bene-
22 fits under a composite plan may be adopted for a plan
23 year unless—

1 “(1) the plan’s current funded ratio is at least
2 110 percent (without regard to the benefit increase
3 or new benefits);

4 “(2) taking the benefit increase or new benefits
5 into account, the current funded ratio is at least 100
6 percent and the projected funded ratio for the cur-
7 rent plan year is at least 120 percent;

8 “(3) in any case in which, after taking the ben-
9 efit increase or new benefits into account, the cur-
10 rent funded ratio is less than 140 percent and the
11 projected funded ratio is less than 140 percent, the
12 benefit increase or new benefits are projected by the
13 plan actuary to increase the present value of the
14 plan’s liabilities for the plan year by not more than
15 3 percent; and

16 “(4) expected contributions for the current plan
17 year are at least 120 percent of normal cost for the
18 plan year, determined using the unit credit funding
19 method and treating the benefit increase or new ben-
20 efits as in effect for the entire plan year.

21 “(b) ADDITIONAL REQUIREMENTS WHERE CORE
22 BENEFITS REDUCED.—If a plan has been amended to re-
23 duce core benefits pursuant to a realignment program
24 under section 803(a)(2)(D), such plan may not be subse-

1 quently amended to increase core benefits unless the
2 amendment—

3 “(1) increases the level of future benefit pay-
4 ments only; and

5 “(2) provides for an equitable distribution of
6 benefit increases across the participant and bene-
7 ficiary population, taking into account the extent to
8 which the benefits of participants were previously re-
9 duced pursuant to such realignment program.

10 “(c) EXCEPTION TO COMPLY WITH APPLICABLE
11 LAW.—Subsection (a) shall not apply in connection with
12 a plan amendment if the amendment is required as a con-
13 dition of qualification under part I of subchapter D of
14 chapter 1 of the Internal Revenue Code of 1986 or to com-
15 ply with other applicable law.

16 “(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE
17 LIMIT APPLIES.—Subsection (a) shall not apply in con-
18 nection with a plan amendment if and to the extent that
19 contributions to the composite plan would not be deduct-
20 ible for the plan year under section 404(a)(1)(E) of the
21 Internal Revenue Code of 1986 if the plan amendment is
22 not adopted.

23 “(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICA-
24 TIONS.—Subsection (a) shall not apply in connection with

1 a plan amendment under section 803(a)(5)(C), regarding
2 conditional benefit modifications.

3 “(f) TREATMENT OF PLAN AMENDMENTS.—For pur-
4 poses of this section—

5 “(1) if two or more plan amendments increas-
6 ing benefits or establishing new benefits are adopted
7 in a plan year, such amendments shall be treated as
8 a single amendment adopted on the last day of the
9 plan year;

10 “(2) all benefit increases and new benefits
11 adopted in a single amendment are treated as a sin-
12 gle benefit increase, irrespective of whether the in-
13 creases and new benefits take effect in more than
14 one plan year; and

15 “(3) increases in contributions or decreases in
16 plan liabilities which are scheduled to take effect in
17 future plan years may be taken into account in con-
18 nection with a plan amendment if they have been
19 agreed to in writing or otherwise formalized by the
20 date the plan amendment is adopted.

21 **“SEC. 805. COMPOSITE PLAN RESTRICTIONS TO PRESERVE**
22 **LEGACY PLAN FUNDING.**

23 “(a) TREATMENT AS A LEGACY PLAN.—

24 “(1) IN GENERAL.—For purposes of this part
25 and parts 2 and 3, a defined benefit plan shall be

1 treated as a legacy plan with respect to the com-
2 posite plan under which the employees who were eli-
3 gible to accrue a benefit under the defined benefit
4 plan become eligible to accrue a benefit under such
5 composite plan.

6 “(2) COMPONENT PLANS.—In any case in
7 which a defined benefit plan is amended to add a
8 composite plan component pursuant to section
9 801(b), paragraph (1) shall be applied by sub-
10 stituting ‘defined benefit component’ for ‘defined
11 benefit plan’ and ‘composite plan component’ for
12 ‘composite plan’.

13 “(3) ELIGIBLE TO ACCRUE A BENEFIT.—For
14 purposes of paragraph (1), an employee is consid-
15 ered eligible to accrue a benefit under a composite
16 plan as of the first day in which the employee com-
17 pletes an hour of service under a collective bar-
18 gaining agreement that provides for contributions to
19 and accruals under the composite plan in lieu of ac-
20 cruals under the legacy plan.

21 “(4) COLLECTIVE BARGAINING AGREEMENT.—
22 As used in this part, the term ‘collective bargaining
23 agreement’ includes any agreement under which an
24 employer has an obligation to contribute to a plan.

1 “(5) OTHER TERMS.—Any term used in this
2 part which is not defined in this part and which is
3 also used in section 305 shall have the same mean-
4 ing provided such term in such section.

5 “(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE
6 PLAN OF AGREEMENTS AND CONTRIBUTIONS.—

7 “(1) IN GENERAL.—The plan sponsor of a com-
8 posite plan shall not accept or recognize a collective
9 bargaining agreement (or any modification to such
10 agreement), and no contributions may be accepted
11 and no benefits may be accrued or otherwise earned
12 under the agreement—

13 “(A) in any case in which the plan actuary
14 of any defined benefit plan that would be treat-
15 ed as a legacy plan with respect to such com-
16 posite plan has certified under section
17 305(b)(3) that such defined benefit plan is or
18 will be in critical status for the plan year in
19 which such agreement would take effect or for
20 any of the succeeding 5 plan years; and

21 “(B) unless the agreement requires each
22 employer who is a party to such agreement, in-
23 cluding employers whose employees are not par-
24 ticipants in the legacy plan, to provide contribu-
25 tions to the legacy plan with respect to such

1 composite plan in a manner that satisfies the
2 transition contribution requirements of sub-
3 section (d).

4 “(2) NOTICE.—Not later than 30 days after a
5 determination by a plan sponsor of a composite plan
6 that an agreement fails to satisfy the requirements
7 described in paragraph (1), the plan sponsor shall
8 provide notification of such failure and the reasons
9 for such determination—

10 “(A) to the parties to the agreement;

11 “(B) to active participants of the com-
12 posite plan who have ceased to accrue or other-
13 wise earn benefits with respect to service with
14 an employer pursuant to paragraph (1); and

15 “(C) to the Secretary, the Secretary of the
16 Treasury, and the Pension Benefit Guaranty
17 Corporation.

18 “(3) LIMITATION ON RETROACTIVE EFFECT.—
19 This subsection shall not apply to benefits accrued
20 before the date on which notice is provided under
21 paragraph (2).

22 “(c) RESTRICTION ON ACCRUAL OF BENEFITS
23 UNDER A COMPOSITE PLAN.—

24 “(1) IN GENERAL.—In any case in which an
25 employer, under a collective bargaining agreement

1 entered into after the date of enactment of the Giv-
2 ing Retirement Options to Workers Act of 2020,
3 ceases to have an obligation to contribute to a multi-
4 employer defined benefit plan, no employees em-
5 ployed by the employer may accrue or otherwise earn
6 benefits under any composite plan, with respect to
7 service with that employer, for a 60-month period
8 beginning on the date on which the employer entered
9 into such collective bargaining agreement.

10 “(2) NOTICE OF CESSATION OF OBLIGATION.—
11 Within 30 days of determining that an employer has
12 ceased to have an obligation to contribute to a leg-
13 acy plan with respect to employees employed by an
14 employer that is or will be contributing to a com-
15 posite plan with respect to service of such employees,
16 the plan sponsor of the legacy plan shall notify the
17 plan sponsor of the composite plan of that cessation.

18 “(3) NOTICE OF CESSATION OF ACCRUALS.—
19 Not later than 30 days after determining that an
20 employer has ceased to have an obligation to con-
21 tribute to a legacy plan, the plan sponsor of the
22 composite plan shall notify the bargaining parties,
23 the active participants affected by the cessation of
24 accruals, the Secretary, the Secretary of the Treas-
25 ury, and the Pension Benefit Guaranty Corporation

1 of the cessation of accruals, the period during which
2 such cessation is in effect, and the reasons therefor.

3 “(4) LIMITATION ON RETROACTIVE EFFECT.—

4 This subsection shall not apply to benefits accrued
5 before the date on which notice is provided under
6 paragraph (3).

7 “(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

8 “(1) IN GENERAL.—A collective bargaining
9 agreement satisfies the transition contribution re-
10 quirements of this subsection if the agreement—

11 “(A) authorizes payment of contributions
12 to a legacy plan at a rate or rates equal to or
13 greater than the transition contribution rate es-
14 tablished by the legacy plan under paragraph
15 (2); and

16 “(B) does not provide for—

17 “(i) a suspension of contributions to
18 the legacy plan with respect to any period
19 of service; or

20 “(ii) any new direct or indirect exclu-
21 sion of younger or newly hired employees
22 of the employer from being taken into ac-
23 count in determining contributions owed to
24 the legacy plan.

25 “(2) TRANSITION CONTRIBUTION RATE.—

1 “(A) IN GENERAL.—The transition con-
2 tribution rate for a plan year is the contribution
3 rate that, as certified by the actuary of the leg-
4 acy plan in accordance with the principles in
5 section 305(b)(3)(B), is reasonably expected to
6 be adequate—

7 “(i) to fund the normal cost for the
8 plan year;

9 “(ii) to amortize the plan’s unfunded
10 liabilities in level annual installments over
11 25 years, beginning with the plan year in
12 which the transition contribution rate is
13 first established; and

14 “(iii) to amortize any subsequent
15 changes in the legacy plan’s unfunded li-
16 ability due to experience gains or losses
17 (including investment gains or losses, gains
18 or losses due to contributions greater or
19 less than the contributions made under the
20 prior transition contribution rate, and
21 other actuarial gains or losses), changes in
22 actuarial assumptions, changes to the leg-
23 acy plan’s benefits, or changes in funding
24 method over a period of 15 plan years be-

1 ginning with the plan year in which such
2 change in unfunded liability is incurred.

3 The transition contribution rate for any plan
4 year may not be less than the transition con-
5 tribution rate for the plan year in which such
6 rate is first established.

7 “(B) MULTIPLE RATES.—If different rates
8 of contribution are payable to the legacy plan
9 by different employers or for different classes of
10 employees, the certification shall specify a tran-
11 sition contribution rate for each such employer.

12 “(C) RATE APPLICABLE TO EMPLOYER.—

13 “(i) IN GENERAL.—Except as pro-
14 vided by clause (ii), the transition con-
15 tribution rate applicable to an employer for
16 a plan year is the rate in effect for the
17 plan year of the legacy plan that com-
18 mences on or after 180 days before the
19 earlier of—

20 “(I) the effective date of the col-
21 lective bargaining agreement pursuant
22 to which the employer contributes to
23 the legacy plan; or

24 “(II) 5 years after the last plan
25 year for which the transition contribu-

1 tion rate applicable to the employer
2 was established or updated.

3 “(ii) EXCEPTION.—The transition
4 contribution rate applicable to an employer
5 for the first plan year beginning on or
6 after the commencement of the employer’s
7 obligation to contribute to the composite
8 plan is the rate in effect for the plan year
9 of the legacy plan that commences on or
10 after 180 days before such first plan year.

11 “(D) EFFECT OF LEGACY PLAN FINANCIAL
12 CIRCUMSTANCES.—If the plan actuary of the
13 legacy plan has certified under section 305 that
14 the plan is in endangered or critical status for
15 a plan year, the transition contribution rate for
16 the following plan year is the rate determined
17 with respect to the employer under the legacy
18 plan’s funding improvement or rehabilitation
19 plan under section 305, if greater than the rate
20 otherwise determined, but in no event greater
21 than 75 percent of the sum of the contribution
22 rates applicable to the legacy plan and the com-
23 posite plan for the plan year.

24 “(E) OTHER ACTUARIAL ASSUMPTIONS
25 AND METHODS.—Except as provided in sub-

1 paragraph (A), the determination of the transi-
2 tion contribution rate for a plan year shall be
3 based on actuarial assumptions and methods
4 consistent with the minimum funding deter-
5 minations made under section 304 (or, if appli-
6 cable, section 305) with respect to the legacy
7 plan for the plan year.

8 “(F) ADJUSTMENTS IN RATE.—The plan
9 sponsor of a legacy plan from time to time may
10 adjust the transition contribution rate or rates
11 applicable to an employer under this paragraph
12 by increasing some rates and decreasing others
13 if the actuary certifies that such adjusted rates
14 in combination will produce projected contribu-
15 tion income for the plan year beginning on or
16 after the date of certification that is not less
17 than would be produced by the transition con-
18 tribution rates in effect at the time of the cer-
19 tification.

20 “(G) NOTICE OF TRANSITION CONTRIBU-
21 TION RATE.—The plan sponsor of a legacy plan
22 shall provide notice to the parties to collective
23 bargaining agreements pursuant to which con-
24 tributions are made to the legacy plan of
25 changes to the transition contribution rate re-

1 quirements at least 30 days before the begin-
2 ning of the plan year for which the rate is effec-
3 tive.

4 “(H) NOTICE TO COMPOSITE PLAN SPON-
5 SOR.—Not later than 30 days after a deter-
6 mination by the plan sponsor of a legacy plan
7 that a collective bargaining agreement provides
8 for a rate of contributions that is below the
9 transition contribution rate applicable to one or
10 more employers that are parties to the collective
11 bargaining agreement, the plan sponsor of the
12 legacy plan shall notify the plan sponsor of any
13 composite plan under which employees of such
14 employer would otherwise be eligible to accrue
15 a benefit.

16 “(3) CORRECTION PROCEDURES.—Pursuant to
17 standards prescribed by the Secretary, the plan
18 sponsor of a composite plan shall adopt rules and
19 procedures that give the parties to the collective bar-
20 gaining agreement notice of the failure of such
21 agreement to satisfy the transition contribution re-
22 quirements of this subsection, and a reasonable op-
23 portunity to correct such failure, not to exceed 180
24 days from the date of notice given under subsection
25 (b)(2).

1 “(4) SUPPLEMENTAL CONTRIBUTIONS.—A col-
2 lective bargaining agreement may provide for supple-
3 mental contributions to the legacy plan for a plan
4 year in excess of the transition contribution rate de-
5 termined under paragraph (2), regardless of whether
6 the legacy plan is in endangered or critical status for
7 such plan year.

8 “(e) NONAPPLICATION OF COMPOSITE PLAN RE-
9 STRICTIONS.—

10 “(1) IN GENERAL.—The provisions of sub-
11 sections (a), (b), and (c) shall not apply with respect
12 to a collective bargaining agreement, to the extent
13 the agreement, or a predecessor agreement, provides
14 or provided for contributions to a defined benefit
15 plan that is a legacy plan, as of the first day of the
16 first plan year following a plan year for which the
17 plan actuary certifies that the plan is fully funded,
18 has been fully funded for at least three out of the
19 immediately preceding 5 plan years, and is projected
20 to remain fully funded for at least the following 4
21 plan years.

22 “(2) DETERMINATION OF FULLY FUNDED.—A
23 plan is fully funded for purposes of paragraph (1)
24 if, as of the valuation date of the plan for a plan
25 year, the value of the plan’s assets equals or exceeds

1 the present value of the plan’s liabilities, determined
2 in accordance with the rules prescribed by the Pen-
3 sion Benefit Guaranty Corporation under sections
4 4219(c)(1)(D) and 4281 for multiemployer plans
5 terminating by mass withdrawal, as in effect for the
6 date of the determination, except the plan’s reason-
7 able assumption regarding the starting date of bene-
8 fits may be used.

9 “(3) OTHER APPLICABLE RULES.—Except as
10 provided in paragraph (2), actuarial determinations
11 and projections under this section shall be based on
12 the rules in section 305(b)(3) and section 802(b).

13 **“SEC. 806. MERGERS AND ASSET TRANSFERS OF COM-**
14 **POSITE PLANS.**

15 “(a) IN GENERAL.—Assets and liabilities of a com-
16 posite plan may only be merged with, or transferred to,
17 another plan if—

18 “(1) the other plan is a composite plan;

19 “(2) the plan or plans resulting from the merg-
20 er or transfer is a composite plan;

21 “(3) no participant’s accrued benefit or adjust-
22 able benefit is lower immediately after the trans-
23 action than it was immediately before the trans-
24 action; and

1 “(4) the value of the assets transferred in the
2 case of a transfer reasonably reflects the value of the
3 amounts contributed with respect to the participants
4 whose benefits are being transferred, adjusted for al-
5 locable distributions, investment gains and losses,
6 and administrative expenses.

7 “(b) LEGACY PLAN.—

8 “(1) IN GENERAL.—After a merger or transfer
9 involving a composite plan, the legacy plan with re-
10 spect to an employer that is obligated to contribute
11 to the resulting composite plan is the legacy plan
12 that applied to that employer immediately before the
13 merger or transfer.

14 “(2) MULTIPLE LEGACY PLANS.—If an em-
15 ployer is obligated to contribute to more than one
16 legacy plan with respect to employees eligible to ac-
17 cruce benefits under more than one composite plan
18 and there is a merger or transfer of such legacy
19 plans, the transition contribution rate applicable to
20 the legacy plan resulting from the merger or trans-
21 fer with respect to that employer shall be determined
22 in accordance with the provisions of section
23 805(d)(2)(B).”.

24 (2) PENALTIES.—

1 (A) CIVIL ENFORCEMENT OF FAILURE TO
2 COMPLY WITH REALIGNMENT PROGRAM.—Sec-
3 tion 502(a) of such Act (29 U.S.C. 1132(a)) is
4 amended—

5 (i) in paragraph (10), by striking “or”
6 at the end;

7 (ii) in paragraph (11), by striking the
8 period at the end and inserting “; or”; and

9 (iii) by adding at the end the fol-
10 lowing:

11 “(12) in the case of a composite plan required
12 to adopt a realignment program under section 803,
13 if the plan sponsor—

14 “(A) has not adopted a realignment pro-
15 gram under that section by the deadline estab-
16 lished in such section; or

17 “(B) fails to update or comply with the
18 terms of the realignment program in accordance
19 with the requirements of such section,

20 by the Secretary, by an employer that has an obliga-
21 tion to contribute with respect to the composite plan,
22 or by an employee organization that represents ac-
23 tive participants in the composite plan, for an order
24 compelling the plan sponsor to adopt a realignment
25 program, or to update or comply with the terms of

1 the realignment program, in accordance with the re-
2 quirements of such section and the realignment pro-
3 gram.”.

4 (B) CIVIL PENALTIES.—Section 502(c) of
5 such Act (29 U.S.C. 1132(c)) is amended—

6 (i) by moving paragraphs (8), (10),
7 and (12) each 2 ems to the left;

8 (ii) by redesignating paragraphs (9)
9 through (12) as paragraphs (12) through
10 (15), respectively; and

11 (iii) by inserting after paragraph (8)
12 the following:

13 “(9) The Secretary may assess against any plan
14 sponsor of a composite plan a civil penalty of not
15 more than \$1,100 per day for each violation by such
16 sponsor—

17 “(A) of the requirement under section
18 802(a) on the plan actuary to certify the plan’s
19 current or projected funded ratio by the date
20 specified in such subsection; or

21 “(B) of the requirement under section 803
22 to adopt a realignment program by the deadline
23 established in that section and to comply with
24 its terms.

1 “(10)(A) The Secretary may assess against any
2 plan sponsor of a composite plan a civil penalty of
3 not more than \$100 per day for each violation by
4 such sponsor of the requirement under section
5 803(b) to provide notice as described in such section,
6 except that no penalty may be assessed in any case
7 in which the plan sponsor exercised reasonable dili-
8 gence to meet the requirements of such section
9 and—

10 “(i) the plan sponsor did not know that the
11 violation existed; or

12 “(ii) the plan sponsor provided such notice
13 during the 30-day period beginning on the first
14 date on which the plan sponsor knew, or in ex-
15 ercising reasonable due diligence should have
16 known, that such violation existed.

17 “(B) In any case in which the plan sponsor ex-
18 ercised reasonable diligence to meet the require-
19 ments of section 803(b)—

20 “(i) the total penalty assessed under this
21 paragraph against such sponsor for a plan year
22 may not exceed \$500,000; and

23 “(ii) the Secretary may waive part or all of
24 such penalty to the extent that the payment of

1 such penalty would be excessive or otherwise in-
2 equitable relative to the violation involved.

3 “(11) The Secretary may assess against any
4 plan sponsor of a composite plan a civil penalty of
5 not more than \$100 per day for each violation by
6 such sponsor of the notice requirements under sec-
7 tions 801(b)(5) and 805(b)(2).”.

8 (3) CONFORMING AMENDMENT.—The table of
9 contents in section 1 of such Act (29 U.S.C. 1001
10 note) is amended by inserting after the item relating
11 to section 734 the following:

“PART 8—COMPOSITE PLANS AND LEGACY PLANS

“Sec. 801. Composite plan defined.
“Sec. 802. Funded ratios; actuarial assumptions.
“Sec. 803. Realignment program.
“Sec. 804. Limitation on increasing benefits.
“Sec. 805. Composite plan restrictions to preserve legacy plan funding.
“Sec. 806. Mergers and asset transfers of composite plans.”.

12 (b) AMENDMENT TO THE INTERNAL REVENUE CODE
13 OF 1986.—

14 (1) IN GENERAL.—Part III of subchapter D of
15 chapter 1 of the Internal Revenue Code of 1986 is
16 amended by adding at the end the following:

17 **“Subpart C—Composite Plans and Legacy Plans**

“Sec. 437. Composite plan defined.
“Sec. 438. Funded ratios; actuarial assumptions.
“Sec. 439. Realignment program.
“Sec. 440. Limitation on increasing benefits.
“Sec. 440A. Composite plan restrictions to preserve legacy plan funding.
“Sec. 440B. Mergers and asset transfers of composite plans.

1 **“SEC. 437. COMPOSITE PLAN DEFINED.**

2 “(a) IN GENERAL.—For purposes of this title, the
3 term ‘composite plan’ means a pension plan—

4 “(1) which is a multiemployer plan that is nei-
5 ther a defined benefit plan nor a defined contribu-
6 tion plan,

7 “(2) the terms of which provide that the plan
8 is a composite plan for purposes of this title with re-
9 spect to which not more than one multiemployer de-
10 fined benefit plan is treated as a legacy plan within
11 the meaning of section 440A, unless there is more
12 than one legacy plan following a merger of composite
13 plans under section 440B,

14 “(3) which provides systematically for the pay-
15 ment of benefits—

16 “(A) objectively calculated pursuant to a
17 formula enumerated in the plan document with
18 respect to plan participants after retirement,
19 for life, and

20 “(B) in the form of life annuities, except
21 for benefits which under section 411(a)(11)
22 may be immediately distributed without the
23 consent of the participant,

24 “(4) for which the plan contributions for the
25 first plan year are at least 120 percent of the nor-
26 mal cost for the plan year,

1 “(5) which requires—

2 “(A) an annual valuation of the liability of
3 the plan as of a date within the plan year to
4 which the valuation refers or within one month
5 prior to the beginning of such year,

6 “(B) an annual actuarial determination of
7 the plan’s current funded ratio and projected
8 funded ratio under section 438(a),

9 “(C) corrective action through a realign-
10 ment program pursuant to section 439 when-
11 ever the plan’s projected funded ratio is below
12 120 percent for the plan year, and

13 “(D) an annual notification to each partici-
14 pant describing the participant’s benefits under
15 the plan and explaining that such benefits may
16 be subject to reduction under a realignment
17 program pursuant to section 439 based on the
18 plan’s funded status in future plan years, and

19 “(6) the board of trustees of which includes at
20 least one retiree or beneficiary in pay status during
21 each plan year following the first plan year in which
22 at least 5 percent of the participants in the plan are
23 retirees or beneficiaries in pay status.

24 “(b) TRANSITION FROM A MULTIEMPLOYER DE-
25 FINED BENEFIT PLAN.—

1 “(1) IN GENERAL.—The plan sponsor of a de-
2 fined benefit plan that is a multiemployer plan may,
3 subject to paragraph (2), amend the plan to incor-
4 porate the features of a composite plan as a compo-
5 nent of the multiemployer plan separate from the
6 defined benefit plan component, except in the case of
7 a defined benefit plan for which the plan actuary has
8 certified under section 432(b)(3) that the plan is or
9 will be in critical status for the plan year in which
10 such amendment would become effective or for any
11 of the succeeding 5 plan years.

12 “(2) REQUIREMENTS.—Any amendment pursu-
13 ant to paragraph (1) to incorporate the features of
14 a composite plan as a component of a multiemployer
15 plan shall—

16 “(A) apply with respect to all collective
17 bargaining agreements providing for contribu-
18 tions to the multiemployer plan on or after the
19 effective date of the amendment,

20 “(B) apply with respect to all participants
21 in the multiemployer plan for whom contribu-
22 tions are made to the multiemployer plan on or
23 after the effective date of the amendment,

24 “(C) specify that the effective date of the
25 amendment is—

1 “(i) the first day of a specified plan
2 year following the date of the adoption of
3 the amendment, except that the plan spon-
4 sor may alternatively provide for a sepa-
5 rate effective date with respect to each col-
6 lective bargaining agreement under which
7 contributions to the multiemployer plan
8 are required, which shall occur on the first
9 day of the first plan year beginning after
10 the termination, or if earlier, the re-open-
11 ing, of each such agreement, or such ear-
12 lier date as the parties to the agreement
13 and the plan sponsor of the multiemployer
14 plan shall agree to, and

15 “(ii) not later than the first day of the
16 fifth plan year beginning on or after the
17 date of the adoption of the amendment,

18 “(D) specify that, as of the amendment’s
19 effective date, no further benefits shall accrue
20 under the defined benefit component of the
21 multiemployer plan, and

22 “(E) specify that, as of the amendment’s
23 effective date, the plan sponsor of the multiem-
24 ployer plan shall be the plan sponsor of both

1 the composite plan component and the defined
2 benefit plan component of the plan.

3 “(3) SPECIAL RULES.—If a multiemployer plan
4 is amended pursuant to paragraph (1)—

5 “(A) the requirements of this title shall be
6 applied to the composite plan component and
7 the defined benefit plan component of the mul-
8 tiemployer plan as if each such component were
9 maintained as a separate plan, and

10 “(B) the assets of the composite plan com-
11 ponent and the defined benefit plan component
12 of the plan shall be held in a single trust form-
13 ing part of the plan under which the trust in-
14 strument expressly provides—

15 “(i) for separate accounts (and appro-
16 priate records) to be maintained to reflect
17 the interest which each of the plan compo-
18 nents has in the trust, including separate
19 accounting for additions to the trust for
20 the benefit of each plan component, dis-
21 bursements made from each plan compo-
22 nent’s account in the trust, investment ex-
23 perience of the trust allocable to that ac-
24 count, and administrative expenses (wheth-
25 er direct expenses or shared expenses allo-

1 cated proportionally), and permits, but
2 does not require, the pooling of some or all
3 of the assets of the two plan components
4 for investment purposes, and

5 “(ii) that the assets of each of the two
6 plan components shall be held, invested,
7 reinvested, managed, administered and dis-
8 tributed for the exclusive benefit of the
9 participants and beneficiaries of each such
10 plan component, and in no event shall the
11 assets of one of the plan components be
12 available to pay benefits due under the
13 other plan component.

14 “(4) NOT A TERMINATION EVENT.—Notwith-
15 standing section 4041A of the Employee Retirement
16 Income Security Act of 1974, an amendment pursu-
17 ant to paragraph (1) to incorporate the features of
18 a composite plan as a component of a multiemployer
19 plan does not constitute termination of the multiem-
20 ployer plan.

21 “(5) NOTICE TO THE SECRETARY.—

22 “(A) NOTICE.—The plan sponsor of a
23 composite plan shall provide notice to the Sec-
24 retary of the intent to establish the composite
25 plan (or, in the case of a composite plan incor-

1 porated as a component of a multiemployer
2 plan as described in paragraph (1), the intent
3 to amend the multiemployer plan to incorporate
4 such composite plan) at least 30 days prior to
5 the effective date of such establishment or
6 amendment.

7 “(B) CERTIFICATION.—In the case of a
8 composite plan incorporated as a component of
9 a multiemployer plan as described in paragraph
10 (1), such notice shall include a certification by
11 the plan actuary under section 432(b)(3) that
12 the effective date of the amendment occurs in
13 a plan year for which the multiemployer plan is
14 not in critical status for that plan year and any
15 of the succeeding 5 plan years.

16 “(6) REFERENCES TO COMPOSITE PLAN COM-
17 PONENT.—As used in this subpart, the term ‘com-
18 posite plan’ includes a composite plan component
19 added to a defined benefit plan pursuant to para-
20 graph (1).

21 “(7) RULE OF CONSTRUCTION.—Paragraph
22 (2)(A) shall not be construed as preventing the plan
23 sponsor of a multiemployer plan from adopting an
24 amendment pursuant to paragraph (1) because some
25 collective bargaining agreements are amended to

1 cease any covered employer’s obligation to contribute
2 to the multiemployer plan before or after the plan
3 amendment is effective. Paragraph (2)(B) shall not
4 be construed as preventing the plan sponsor of a
5 multiemployer plan from adopting an amendment
6 pursuant to paragraph (1) because some partici-
7 pants cease to have contributions made to the multi-
8 employer plan on their behalf before or after the
9 plan amendment is effective.

10 “(c) COORDINATION WITH FUNDING RULES.—Ex-
11 cept as otherwise provided in this title, sections 412, 431,
12 and 432 shall not apply to a composite plan.

13 “(d) TREATMENT OF A COMPOSITE PLAN.—For pur-
14 poses of this title (other than sections 412 and 418E),
15 a composite plan shall be treated as if it were a defined
16 benefit plan unless a different treatment is provided for
17 under applicable law.

18 **“SEC. 438. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.**

19 “(a) CERTIFICATION OF FUNDED RATIOS.—

20 “(1) IN GENERAL.—Not later than the one-
21 hundred twentieth day of each plan year of a com-
22 posite plan, the plan actuary of the composite plan
23 shall certify to the Secretary, the Secretary of
24 Labor, and the plan sponsor the plan’s current fund-

1 ed ratio and projected funded ratio for the plan
2 year.

3 “(2) DETERMINATION OF CURRENT FUNDED
4 RATIO AND PROJECTED FUNDED RATIO.—For pur-
5 poses of this section—

6 “(A) CURRENT FUNDED RATIO.—The cur-
7 rent funded ratio is the ratio (expressed as a
8 percentage) of—

9 “(i) the value of the plan’s assets as
10 of the first day of the plan year, to

11 “(ii) the plan actuary’s best estimate
12 of the present value of the plan liabilities
13 as of the first day of the plan year.

14 “(B) PROJECTED FUNDED RATIO.—The
15 projected funded ratio is the current funded
16 ratio projected to the first day of the fifteenth
17 plan year following the plan year for which the
18 determination is being made.

19 “(3) CONSIDERATION OF CONTRIBUTION RATE
20 INCREASES.—For purposes of projections under this
21 subsection, the plan sponsor may anticipate con-
22 tribution rate increases beyond the term of the cur-
23 rent collective bargaining agreement and any agreed-
24 to supplements, up to a maximum of 2.5 percent per
25 year, compounded annually, unless it would be un-

1 reasonable under the circumstances to assume that
2 contributions would increase by that amount.

3 “(b) ACTUARIAL ASSUMPTIONS AND METHODS.—
4 For purposes of this part—

5 “(1) IN GENERAL.—All costs, liabilities, rates
6 of interest, and other factors under the plan shall be
7 determined for a plan year on the basis of actuarial
8 assumptions and methods—

9 “(A) each of which is reasonable (taking
10 into account the experience of the plan and rea-
11 sonable expectations),

12 “(B) which, in combination, offer the actu-
13 ary’s best estimate of anticipated experience
14 under the plan, and

15 “(C) with respect to which any change
16 from the actuarial assumptions and methods
17 used in the previous plan year shall be certified
18 by the plan actuary and the actuarial rationale
19 for such change provided in the annual report
20 required by section 6058.

21 “(2) FAIR MARKET VALUE OF ASSETS.—The
22 value of the plan’s assets shall be taken into account
23 on the basis of their fair market value.

24 “(3) DETERMINATION OF NORMAL COST AND
25 PLAN LIABILITIES.—A plan’s normal cost and liabil-

ities shall be based on the most recent actuarial valuation required under section 437(a)(5)(A) and the unit credit funding method.

“(4) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—Any contributions for a plan year made by an employer after the last day of such plan year, but not later than two and one-half months after such day, shall be deemed to have been made on such last day. For purposes of this paragraph, such two and one-half month period may be extended for not more than six months under regulations prescribed by the Secretary.

“(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—Except where otherwise provided in this subpart, the provisions of section 432(b)(3)(B) shall apply to any determination or projection under this subpart.

“SEC. 439. REALIGNMENT PROGRAM.

“(a) REALIGNMENT PROGRAM.—

“(1) ADOPTION.—In any case in which the plan actuary certifies under section 438(a) that the plan’s projected funded ratio is below 120 percent for the plan year, the plan sponsor shall adopt a realignment program under paragraph (2) not later than 210 days after the due date of the certification required under section 438(a). The plan sponsor shall

1 adopt an updated realignment program for each suc-
2 ceeding plan year for which a certification described
3 in the preceding sentence is made.

4 “(2) CONTENT OF REALIGNMENT PROGRAM.—

5 “(A) IN GENERAL.—A realignment pro-
6 gram adopted under this paragraph is a written
7 program which consists of all reasonable meas-
8 ures, including options or a range of options to
9 be undertaken by the plan sponsor or proposed
10 to the bargaining parties, formulated, based on
11 reasonably anticipated experience and reason-
12 able actuarial assumptions, to enable the plan
13 to achieve a projected funded ratio of at least
14 120 percent for the following plan year.

15 “(B) INITIAL PROGRAM ELEMENTS.—Rea-
16 sonable measures under a realignment program
17 described in subparagraph (A) may include any
18 of the following:

19 “(i) Proposed contribution increases.

20 “(ii) A reduction in the rate of future
21 benefit accruals, so long as the resulting
22 rate shall not be less than 1 percent of the
23 contributions on which benefits are based
24 as of the start of the plan year (or the

1 equivalent standard accrual rate as de-
2 scribed in section 432(e)(6)).

3 “(iii) A modification or elimination of
4 adjustable benefits of participants that are
5 not in pay status before the date of the no-
6 tice required under subsection (b)(1).

7 “(iv) Any other legally available meas-
8 ures not specifically described in this sub-
9 paragraph or subparagraph (C) or (D)
10 that the plan sponsor determines are rea-
11 sonable.

12 “(C) ADDITIONAL PROGRAM ELEMENTS.—
13 If the plan sponsor has determined that all rea-
14 sonable measures available under subparagraph
15 (B) will not enable the plan to achieve a pro-
16 jected funded ratio of at least 120 percent the
17 following plan year, such reasonable measures
18 may also include—

19 “(i) a reduction of accrued benefits
20 that are not in pay status by the date of
21 the notice required under subsection
22 (b)(1), or

23 “(ii) a reduction of any benefits of
24 participants that are in pay status before
25 the date of the notice required under sub-

1 section (b)(1) other than core benefits as
2 defined in paragraph (4).

3 “(D) ADDITIONAL REDUCTIONS.—In the
4 case of a composite plan for which the plan
5 sponsor has determined that all reasonable
6 measures available under subparagraphs (B)
7 and (C) will not enable the plan to achieve a
8 projected funded ratio of at least 120 percent
9 for the following plan year, such reasonable
10 measures may also include—

11 “(i) a further reduction in the rate of
12 future benefit accruals without regard to
13 the limitation applicable under subpara-
14 graph (B)(ii), or

15 “(ii) a reduction of core benefits,
16 provided that such reductions shall be equitably
17 distributed across the participant and bene-
18 ficiary population, taking into account factors,
19 with respect to participants and beneficiaries
20 and their benefits, that may include one or
21 more of the factors listed in subclauses (I)
22 through (X) of section 432(e)(9)(D)(vi), to the
23 extent necessary to enable the plan to achieve
24 a projected funded ratio of at least 120 percent
25 for the following plan year, or at the election of

1 the plan sponsor, a projected funded ratio of at
2 least 100 percent for the following plan year
3 and a current funded ratio of at least 90 per-
4 cent.

5 “(3) ADJUSTABLE BENEFIT DEFINED.—For
6 purposes of this subpart, the term ‘adjustable ben-
7 efit’ means—

8 “(A) benefits, rights, and features under
9 the plan, including post-retirement death bene-
10 fits, 60-month guarantees, disability benefits
11 not yet in pay status, and similar benefits,

12 “(B) any early retirement benefit or retire-
13 ment-type subsidy (within the meaning of sec-
14 tion 411(d)(6)(B)(i)) and any benefit payment
15 option (other than the qualified joint and sur-
16 vivor annuity), and

17 “(C) benefit increases that were adopted
18 (or, if later, took effect) less than 60 months
19 before the first day such realignment program
20 took effect.

21 “(4) CORE BENEFIT DEFINED.—For purposes
22 of this subpart, the term ‘core benefit’ means a par-
23 ticipant’s accrued benefit payable in the normal form
24 of an annuity commencing at normal retirement age,
25 determined without regard to—

1 “(A) any early retirement benefits, retire-
2 ment-type subsidies, or other benefits, rights, or
3 features that may be associated with that ben-
4 efit, and

5 “(B) any cost-of-living adjustments or ben-
6 efit increases effective after the date of retire-
7 ment.

8 “(5) COORDINATION WITH CONTRIBUTION IN-
9 CREASES.—

10 “(A) IN GENERAL.—A realignment pro-
11 gram may provide that some or all of the ben-
12 efit modifications described in the program will
13 only take effect if the bargaining parties fail to
14 agree to specified levels of increases in contribu-
15 tions to the plan, effective as of specified dates.

16 “(B) INDEPENDENT BENEFIT MODIFICA-
17 TIONS.—If a realignment program adopts any
18 changes to the benefit formula that are inde-
19 pendent of potential contribution increases,
20 such changes shall take effect not later than
21 180 days following the first day of the first
22 plan year that begins following the adoption of
23 the realignment program.

24 “(C) CONDITIONAL BENEFIT MODIFICA-
25 TIONS.—If a realignment program adopts any

1 changes to the benefit formula that take effect
2 only if the bargaining parties fail to agree to
3 contribution increases, such changes shall take
4 effect not later than the first day of the first
5 plan year beginning after the third anniversary
6 of the date of adoption of the realignment pro-
7 gram.

8 “(D) REVOCATION OF CERTAIN BENEFIT
9 MODIFICATIONS.—Benefit modifications de-
10 scribed in paragraph (3) may be revoked, in
11 whole or in part, and retroactively or prospec-
12 tively, when contributions to the plan are in-
13 creased, as specified in the realignment pro-
14 gram, including any amendments thereto. The
15 preceding sentence shall not apply unless the
16 contribution increases are to be effective not
17 later than the fifth anniversary of the first day
18 of the first plan year that begins after the
19 adoption of the realignment program.

20 “(b) NOTICE.—

21 “(1) IN GENERAL.—In any case in which it is
22 certified under section 438(a) that the projected
23 funded ratio is less than 120 percent, the plan spon-
24 sor shall, not later than 30 days after the date of
25 the certification, provide notification of the current

1 and projected funded ratios to the participants and
2 beneficiaries, the bargaining parties, and the Sec-
3 retary. Such notice shall include—

4 “(A) an explanation that contribution rate
5 increases or benefit reductions may be nec-
6 essary,

7 “(B) a description of the types of benefits
8 that might be reduced, and

9 “(C) an estimate of the contribution in-
10 creases and benefit reductions that may be nec-
11 essary to achieve a projected funded ratio of
12 120 percent.

13 “(2) NOTICE OF BENEFIT MODIFICATIONS.—

14 “(A) IN GENERAL.—No modifications may
15 be made that reduce the rate of future benefit
16 accrual or that reduce core benefits or adjust-
17 able benefits unless notice of such reduction has
18 been given at least 180 days before the general
19 effective date of such reduction for all partici-
20 pants and beneficiaries to—

21 “(i) plan participants and bene-
22 ficiaries,

23 “(ii) each employer who has an obliga-
24 tion to contribute to the composite plan,
25 and

1 “(iii) each employee organization
2 which, for purposes of collective bar-
3 gaining, represents plan participants em-
4 ployed by such employers.

5 “(B) CONTENT OF NOTICE.—The notice
6 under subparagraph (A) shall contain—

7 “(i) sufficient information to enable
8 participants and beneficiaries to under-
9 stand the effect of any reduction on their
10 benefits, including an illustration of any
11 affected benefit or subsidy, on an annual
12 or monthly basis that a participant or ben-
13 eficiary would otherwise have been eligible
14 for as of the general effective date de-
15 scribed in subparagraph (A), and

16 “(ii) information as to the rights and
17 remedies of plan participants and bene-
18 ficiaries as well as how to contact the De-
19 partment of Labor for further information
20 and assistance, where appropriate.

21 “(C) FORM AND MANNER.—Any notice
22 under subparagraph (A)—

23 “(i) shall be provided in a form and
24 manner prescribed in regulations of the
25 Secretary of Labor,

1 “(ii) shall be written in a manner so
2 as to be understood by the average plan
3 participant.

4 “(3) MODEL NOTICES.—The Secretary shall—

5 “(A) prescribe model notices that the plan
6 sponsor of a composite plan may use to satisfy
7 the notice requirements under this subsection,
8 and

9 “(B) by regulation enumerate any details
10 related to the elements listed in paragraph (1)
11 that any notice under this subsection must in-
12 clude.

13 “(4) DELIVERY METHOD.—Any notice under
14 this part shall be provided in writing and may also
15 be provided in electronic form to the extent that the
16 form is reasonably accessible to persons to whom the
17 notice is provided.

18 **“SEC. 440. LIMITATION ON INCREASING BENEFITS.**

19 “(a) LEVEL OF CURRENT FUNDED RATIOS.—Except
20 as provided in subsections (c), (d), and (e), no plan
21 amendment increasing benefits or establishing new bene-
22 fits under a composite plan may be adopted for a plan
23 year unless—

1 “(1) the plan’s current funded ratio is at least
2 110 percent (without regard to the benefit increase
3 or new benefits),

4 “(2) taking the benefit increase or new benefits
5 into account, the current funded ratio is at least 100
6 percent and the projected funded ratio for the cur-
7 rent plan year is at least 120 percent,

8 “(3) in any case in which, after taking the ben-
9 efit increase or new benefits into account, the cur-
10 rent funded ratio is less than 140 percent or the
11 projected funded ratio is less than 140 percent, the
12 benefit increase or new benefits are projected by the
13 plan actuary to increase the present value of the
14 plan’s liabilities for the plan year by not more than
15 3 percent, and

16 “(4) expected contributions for the current plan
17 year are at least 120 percent of normal cost for the
18 plan year, determined using the unit credit funding
19 method and treating the benefit increase or new ben-
20 efits as in effect for the entire plan year.

21 “(b) **ADDITIONAL REQUIREMENTS WHERE CORE**
22 **BENEFITS REDUCED.**—If a plan has been amended to re-
23 duce core benefits pursuant to a realignment program
24 under section 439(a)(2)(D), such plan may not be subse-

1 quently amended to increase core benefits unless the
2 amendment—

3 “(1) increases the level of future benefit pay-
4 ments only, and

5 “(2) provides for an equitable distribution of
6 benefit increases across the participant and bene-
7 ficiary population, taking into account the extent to
8 which the benefits of participants were previously re-
9 duced pursuant to such realignment program.

10 “(c) EXCEPTION TO COMPLY WITH APPLICABLE
11 LAW.—Subsection (a) shall not apply in connection with
12 a plan amendment if the amendment is required as a con-
13 dition of qualification under part I of subchapter D of
14 chapter 1 or to comply with other applicable law.

15 “(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE
16 LIMIT APPLIES.—Subsection (a) shall not apply in con-
17 nection with a plan amendment if and to the extent that
18 contributions to the composite plan would not be deduct-
19 ible for the plan year under section 404(a)(1)(E) if the
20 plan amendment is not adopted. The Secretary of the
21 Treasury shall issue regulations to implement this para-
22 graph.

23 “(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICA-
24 TIONS.—Subsection (a) shall not apply in connection with

1 a plan amendment under section 439(a)(5)(C), regarding
2 conditional benefit modifications.

3 “(f) TREATMENT OF PLAN AMENDMENTS.—For pur-
4 poses of this section—

5 “(1) if two or more plan amendments increas-
6 ing benefits or establishing new benefits are adopted
7 in a plan year, such amendments shall be treated as
8 a single amendment adopted on the last day of the
9 plan year,

10 “(2) all benefit increases and new benefits
11 adopted in a single amendment are treated as a sin-
12 gle benefit increase, irrespective of whether the in-
13 creases and new benefits take effect in more than
14 one plan year, and

15 “(3) increases in contributions or decreases in
16 plan liabilities which are scheduled to take effect in
17 future plan years may be taken into account in con-
18 nection with a plan amendment if they have been
19 agreed to in writing or otherwise formalized by the
20 date the plan amendment is adopted.

21 **“SEC. 440A. COMPOSITE PLAN RESTRICTIONS TO PRE-**
22 **SERVE LEGACY PLAN FUNDING.**

23 “(a) TREATMENT AS A LEGACY PLAN.—

24 “(1) IN GENERAL.—For purposes of this sub-
25 chapter, a defined benefit plan shall be treated as a

1 legacy plan with respect to the composite plan under
2 which the employees who were eligible to accrue a
3 benefit under the defined benefit plan become eligi-
4 ble to accrue a benefit under such composite plan.

5 “(2) COMPONENT PLANS.—In any case in
6 which a defined benefit plan is amended to add a
7 composite plan component pursuant to section
8 437(b), paragraph (1) shall be applied by sub-
9 stituting ‘defined benefit component’ for ‘defined
10 benefit plan’ and ‘composite plan component’ for
11 ‘composite plan’.

12 “(3) ELIGIBLE TO ACCRUE A BENEFIT.—For
13 purposes of paragraph (1), an employee is consid-
14 ered eligible to accrue a benefit under a composite
15 plan as of the first day in which the employee com-
16 pletes an hour of service under a collective bar-
17 gaining agreement that provides for contributions to
18 and accruals under the composite plan in lieu of ac-
19 cruals under the legacy plan.

20 “(4) COLLECTIVE BARGAINING AGREEMENT.—
21 As used in this subpart, the term ‘collective bar-
22 gaining agreement’ includes any agreement under
23 which an employer has an obligation to contribute to
24 a plan.

1 “(5) OTHER TERMS.—Any term used in this
2 subpart which is not defined in this part and which
3 is also used in section 432 shall have the same
4 meaning provided such term in such section.

5 “(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE
6 PLAN OF AGREEMENTS AND CONTRIBUTIONS.—

7 “(1) IN GENERAL.—The plan sponsor of a com-
8 posite plan shall not accept or recognize a collective
9 bargaining agreement (or any modification to such
10 agreement), and no contributions may be accepted
11 and no benefits may be accrued or otherwise earned
12 under the agreement—

13 “(A) in any case in which the plan actuary
14 of any defined benefit plan that would be treat-
15 ed as a legacy plan with respect to such com-
16 posite plan has certified under section
17 432(b)(3) that such defined benefit plan is or
18 will be in critical status for the plan year in
19 which such agreement would take effect or for
20 any of the succeeding 5 plan years, and

21 “(B) unless the agreement requires each
22 employer who is a party to such agreement, in-
23 cluding employers whose employees are not par-
24 ticipants in the legacy plan, to provide contribu-
25 tions to the legacy plan with respect to such

1 composite plan in a manner that satisfies the
2 transition contribution requirements of sub-
3 section (d).

4 “(2) NOTICE.—Not later than 30 days after a
5 determination by a plan sponsor of a composite plan
6 that an agreement fails to satisfy the requirements
7 described in paragraph (1), the plan sponsor shall
8 provide notification of such failure and the reasons
9 for such determination to—

10 “(A) the parties to the agreement,

11 “(B) active participants of the composite
12 plan who have ceased to accrue or otherwise
13 earn benefits with respect to service with an
14 employer pursuant to paragraph (1), and

15 “(C) the Secretary of Labor, the Secretary
16 of the Treasury, and the Pension Benefit Guar-
17 anty Corporation.

18 “(3) LIMITATION ON RETROACTIVE EFFECT.—
19 This subsection shall not apply to benefits accrued
20 before the date on which notice is provided under
21 paragraph (2).

22 “(c) RESTRICTION ON ACCRUAL OF BENEFITS
23 UNDER A COMPOSITE PLAN.—

24 “(1) IN GENERAL.—In any case in which an
25 employer, under a collective bargaining agreement

1 entered into after the date of enactment of the Giv-
2 ing Retirement Options to Workers Act of 2020,
3 ceases to have an obligation to contribute to a multi-
4 employer defined benefit plan, no employees em-
5 ployed by the employer may accrue or otherwise earn
6 benefits under any composite plan, with respect to
7 service with that employer, for a 60-month period
8 beginning on the date on which the employer entered
9 into such collective bargaining agreement.

10 “(2) NOTICE OF CESSATION OF OBLIGATION.—
11 Within 30 days of determining that an employer has
12 ceased to have an obligation to contribute to a leg-
13 acy plan with respect to employees employed by an
14 employer that is or will be contributing to a com-
15 posite plan with respect to service of such employees,
16 the plan sponsor of the legacy plan shall notify the
17 plan sponsor of the composite plan of that cessation.

18 “(3) NOTICE OF CESSATION OF ACCRUALS.—
19 Not later than 30 days after determining that an
20 employer has ceased to have an obligation to con-
21 tribute to a legacy plan, the plan sponsor of the
22 composite plan shall notify the bargaining parties,
23 the active participants affected by the cessation of
24 accruals, the Secretary, the Secretary of Labor, and
25 the Pension Benefit Guaranty Corporation of the

1 cessation of accruals, the period during which such
2 cessation is in effect, and the reasons therefor.

3 “(4) LIMITATION ON RETROACTIVE EFFECT.—

4 This subsection shall not apply to benefits accrued
5 before the date on which notice is provided under
6 paragraph (3).

7 “(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

8 “(1) IN GENERAL.—A collective bargaining
9 agreement satisfies the transition contribution re-
10 quirements of this subsection if the agreement—

11 “(A) authorizes for payment of contribu-
12 tions to a legacy plan at a rate or rates equal
13 to or greater than the transition contribution
14 rate established under paragraph (2), and

15 “(B) does not provide for—

16 “(i) a suspension of contributions to
17 the legacy plan with respect to any period
18 of service, or

19 “(ii) any new direct or indirect exclu-
20 sion of younger or newly hired employees
21 of the employer from being taken into ac-
22 count in determining contributions owed to
23 the legacy plan.

24 “(2) TRANSITION CONTRIBUTION RATE.—

1 “(A) IN GENERAL.—The transition con-
2 tribution rate for a plan year is the contribution
3 rate that, as certified by the actuary of the leg-
4 acy plan in accordance with the principles in
5 section 432(b)(3)(B), is reasonably expected to
6 be adequate—

7 “(i) to fund the normal cost for the
8 plan year,

9 “(ii) to amortize the plan’s unfunded
10 liabilities in level annual installments over
11 25 years, beginning with the plan year in
12 which the transition contribution rate is
13 first established, and

14 “(iii) to amortize any subsequent
15 changes in the legacy plan’s unfunded li-
16 ability due to experience gains or losses
17 (including investment gains or losses, gains
18 or losses due to contributions greater or
19 less than the contributions made under the
20 prior transition contribution rate, and
21 other actuarial gains or losses), changes in
22 actuarial assumptions, changes to the leg-
23 acy plan’s benefits, or changes in funding
24 method over a period of 15 plan years be-

1 ginning with the plan year in which such
2 change in unfunded liability is incurred.

3 The transition contribution rate for any plan
4 year may not be less than the transition con-
5 tribution rate for the plan year in which such
6 rate is first established.

7 “(B) MULTIPLE RATES.—If different rates
8 of contribution are payable to the legacy plan
9 by different employers or for different classes of
10 employees, the certification shall specify a tran-
11 sition contribution rate for each such employer.

12 “(C) RATE APPLICABLE TO EMPLOYER.—

13 “(i) IN GENERAL.—Except as pro-
14 vided by clause (ii), the transition con-
15 tribution rate applicable to an employer for
16 a plan year is the rate in effect for the
17 plan year of the legacy plan that com-
18 mences on or after 180 days before the
19 earlier of—

20 “(I) the effective date of the col-
21 lective bargaining agreement pursuant
22 to which the employer contributes to
23 the legacy plan, or

24 “(II) 5 years after the last plan
25 year for which the transition contribu-

1 tion rate applicable to the employer
2 was established or updated.

3 “(ii) EXCEPTION.—The transition
4 contribution rate applicable to an employer
5 for the first plan year beginning on or
6 after the commencement of the employer’s
7 obligation to contribute to the composite
8 plan is the rate in effect for the plan year
9 of the legacy plan that commences on or
10 after 180 days before such first plan year.

11 “(D) EFFECT OF LEGACY PLAN FINANCIAL
12 CIRCUMSTANCES.—If the plan actuary of the
13 legacy plan has certified under section 432 that
14 the plan is in endangered or critical status for
15 a plan year, the transition contribution rate for
16 the following plan year is the rate determined
17 with respect to the employer under the legacy
18 plan’s funding improvement or rehabilitation
19 plan under section 432, if greater than the rate
20 otherwise determined, but in no event greater
21 than 75 percent of the sum of the contribution
22 rates applicable to the legacy plan and the com-
23 posite plan for the plan year.

24 “(E) OTHER ACTUARIAL ASSUMPTIONS
25 AND METHODS.—Except as provided in sub-

1 paragraph (A), the determination of the transi-
2 tion contribution rate for a plan year shall be
3 based on actuarial assumptions and methods
4 consistent with the minimum funding deter-
5 minations made under section 431 (or, if appli-
6 cable, section 432) with respect to the legacy
7 plan for the plan year.

8 “(F) ADJUSTMENTS IN RATE.—The plan
9 sponsor of a legacy plan from time to time may
10 adjust the transition contribution rate or rates
11 applicable to an employer under this paragraph
12 by increasing some rates and decreasing others
13 if the actuary certifies that such adjusted rates
14 in combination will produce projected contribu-
15 tion income for the plan year beginning on or
16 after the date of certification that is not less
17 than would be produced by the transition con-
18 tribution rates in effect at the time of the cer-
19 tification.

20 “(G) NOTICE OF TRANSITION CONTRIBU-
21 TION RATE.—The plan sponsor of a legacy plan
22 shall provide notice to the parties to collective
23 bargaining agreements pursuant to which con-
24 tributions are made to the legacy plan of
25 changes to the transition contribution rate re-

1 quirements at least 30 days before the begin-
2 ning of the plan year for which the rate is effec-
3 tive.

4 “(H) NOTICE TO COMPOSITE PLAN SPON-
5 SOR.—Not later than 30 days after a deter-
6 mination by the plan sponsor of a legacy plan
7 that a collective bargaining agreement provides
8 for a rate of contributions that is below the
9 transition contribution rate applicable to one or
10 more employers that are parties to the collective
11 bargaining agreement, the plan sponsor of the
12 legacy plan shall notify the plan sponsor of any
13 composite plan under which employees of such
14 employer would otherwise be eligible to accrue
15 a benefit.

16 “(3) CORRECTION PROCEDURES.—Pursuant to
17 standards prescribed by the Secretary of Labor, the
18 plan sponsor of a composite plan shall adopt rules
19 and procedures that give the parties to the collective
20 bargaining agreement notice of the failure of such
21 agreement to satisfy the transition contribution re-
22 quirements of this subsection, and a reasonable op-
23 portunity to correct such failure, not to exceed 180
24 days from the date of notice given under subsection
25 (b)(2).

1 “(4) SUPPLEMENTAL CONTRIBUTIONS.—A col-
2 lective bargaining agreement may provide for supple-
3 mental contributions to the legacy plan for a plan
4 year in excess of the transition contribution rate de-
5 termined under paragraph (2), regardless of whether
6 the legacy plan is in endangered or critical status for
7 such plan year.

8 “(e) NONAPPLICATION OF COMPOSITE PLAN RE-
9 STRICTIONS.—

10 “(1) IN GENERAL.—The provisions of sub-
11 sections (a), (b), and (c) shall not apply with respect
12 to a collective bargaining agreement, to the extent
13 the agreement, or a predecessor agreement, provides
14 or provided for contributions to a defined benefit
15 plan that is a legacy plan, as of the first day of the
16 first plan year following a plan year for which the
17 plan actuary certifies that the plan is fully funded,
18 has been fully funded for at least three out of the
19 immediately preceding 5 plan years, and is projected
20 to remain fully funded for at least the following 4
21 plan years.

22 “(2) DETERMINATION OF FULLY FUNDED.—A
23 plan is fully funded for purposes of paragraph (1)
24 if, as of the valuation date of the plan for a plan
25 year, the value of the plan’s assets equals or exceeds

1 the present value of the plan’s liabilities, determined
2 in accordance with the rules prescribed by the Pen-
3 sion Benefit Guaranty Corporation under sections
4 4219(c)(1)(D) and 4281 of Employee Retirement
5 Income and Security Act for multiemployer plans
6 terminating by mass withdrawal, as in effect for the
7 date of the determination, except the plan’s reason-
8 able assumption regarding the starting date of bene-
9 fits may be used.

10 “(3) OTHER APPLICABLE RULES.—Except as
11 provided in paragraph (2), actuarial determinations
12 and projections under this section shall be based on
13 the rules in section 432(b)(3) and section 438(b).

14 **“SEC. 440B. MERGERS AND ASSET TRANSFERS OF COM-**
15 **POSITE PLANS.**

16 “(a) IN GENERAL.—Assets and liabilities of a com-
17 posite plan may only be merged with, or transferred to,
18 another plan if—

19 “(1) the other plan is a composite plan,

20 “(2) the plan or plans resulting from the merg-
21 er or transfer is a composite plan,

22 “(3) no participant’s accrued benefit or adjust-
23 able benefit is lower immediately after the trans-
24 action than it was immediately before the trans-
25 action, and

1 “(4) the value of the assets transferred in the
2 case of a transfer reasonably reflects the value of the
3 amounts contributed with respect to the participants
4 whose benefits are being transferred, adjusted for al-
5 locable distributions, investment gains and losses,
6 and administrative expenses.

7 “(b) LEGACY PLAN.—

8 “(1) IN GENERAL.—After a merger or transfer
9 involving a composite plan, the legacy plan with re-
10 spect to an employer that is obligated to contribute
11 to the resulting composite plan is the legacy plan
12 that applied to that employer immediately before the
13 merger or transfer.

14 “(2) MULTIPLE LEGACY PLANS.—If an em-
15 ployer is obligated to contribute to more than one
16 legacy plan with respect to employees eligible to ac-
17 cruce benefits under more than one composite plan
18 and there is a merger or transfer of such legacy
19 plans, the transition contribution rate applicable to
20 the legacy plan resulting from the merger or trans-
21 fer with respect to that employer shall be determined
22 in accordance with the provisions of section
23 440A(d)(2)(B).”.

24 “(2) CLERICAL AMENDMENT.—The table of sub-
25 parts for part III of subchapter D of chapter 1 of

1 the Internal Revenue Code of 1986 is amended by
2 adding at the end the following new item:

“SUBPART C. COMPOSITE PLANS AND LEGACY PLANS”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to plan years beginning after the
5 date of the enactment of this Act.

6 **SEC. 103. APPLICATION OF CERTAIN REQUIREMENTS TO**
7 **COMPOSITE PLANS.**

8 (a) AMENDMENTS TO THE EMPLOYEE RETIREMENT
9 INCOME SECURITY ACT OF 1974.—

10 (1) TREATMENT FOR PURPOSES OF FUNDING
11 NOTICES.—Section 101(f) of the Employee Retirement
12 Income Security Act of 1974 (29 U.S.C.
13 1021(f)) is amended—

14 (A) in paragraph (1) by striking “title IV
15 applies” and inserting “title IV applies or which
16 is a composite plan”; and

17 (B) by adding at the end the following:

18 “(5) APPLICATION TO COMPOSITE PLANS.—The
19 provisions of this subsection shall apply to a com-
20 posite plan only to the extent prescribed by the Sec-
21 retary in regulations that take into account the dif-
22 ferences between a composite plan and a defined
23 benefit plan that is a multiemployer plan.”.

24 (2) TREATMENT FOR PURPOSES OF ANNUAL
25 REPORT.—Section 103 of the Employee Retirement

1 Income Security Act of 1974 (29 U.S.C. 1023) is
2 amended—

3 (A) in subsection (d) by adding at the end
4 the following sentence: “The provisions of this
5 subsection shall apply to a composite plan only
6 to the extent prescribed by the Secretary in reg-
7 ulations that take into account the differences
8 between a composite plan and a defined benefit
9 plan that is a multiemployer plan.”;

10 (B) in subsection (f) by adding at the end
11 the following:

12 “(3) ADDITIONAL INFORMATION FOR COM-
13 POSITE PLANS.—With respect to any composite
14 plan—

15 “(A) the provisions of paragraph (1)(A)
16 shall apply by substituting ‘current funded ratio
17 and projected funded ratio (as such terms are
18 defined in section 802(a)(2))’ for ‘funded per-
19 centage’ each place it appears; and

20 “(B) the provisions of paragraph (2) shall
21 apply only to the extent prescribed by the Sec-
22 retary in regulations that take into account the
23 differences between a composite plan and a de-
24 fined benefit plan that is a multiemployer
25 plan.”; and

1 (C) by adding at the end the following:

2 “(h) COMPOSITE PLANS.—A multiemployer plan that
3 incorporates the features of a composite plan as provided
4 in section 801(b) shall be treated as a single plan for pur-
5 poses of the report required by this section, except that
6 separate financial statements and actuarial statements
7 shall be provided under paragraphs (3) and (4) of sub-
8 section (a) for the defined benefit plan component and for
9 the composite plan component of the multiemployer
10 plan.”.

11 (3) TREATMENT FOR PURPOSES OF PENSION
12 BENEFIT STATEMENTS.—Section 105(a) of the Em-
13 ployee Retirement Income Security Act of 1974 (29
14 U.S.C. 1025(a)) is amended by adding at the end
15 the following:

16 “(4) COMPOSITE PLANS.—For purposes of this
17 subsection, a composite plan shall be treated as a
18 defined benefit plan to the extent prescribed by the
19 Secretary in regulations that take into account the
20 differences between a composite plan and a defined
21 benefit plan that is a multiemployer plan.”.

22 (b) AMENDMENTS TO THE INTERNAL REVENUE
23 CODE OF 1986.—Section 6058 of the Internal Revenue
24 Code of 1986 is amended by redesignating subsection (f)

1 as subsection (g) and by inserting after subsection (e) the
2 following:

3 “(f) COMPOSITE PLANS.—A multiemployer plan that
4 incorporates the features of a composite plan as provided
5 in section 437(b) shall be treated as a single plan for pur-
6 poses of the return required by this section, except that
7 separate financial statements shall be provided for the de-
8 fined benefit plan component and for the composite plan
9 component of the multiemployer plan.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to plan years beginning after the
12 date of the enactment of this Act.

13 **SEC. 104. TREATMENT OF COMPOSITE PLANS UNDER TITLE**
14 **IV.**

15 (a) DEFINITION.—Section 4001(a) of the Employee
16 Retirement Income Security Act of 1974 (29 U.S.C.
17 1301(a)) is amended by striking the period at the end of
18 paragraph (21) and inserting a semicolon and by adding
19 at the end the following:

20 “(22) COMPOSITE PLAN.—The term ‘composite
21 plan’ has the meaning set forth in section 801.”.

22 (b) COMPOSITE PLANS DISREGARDED FOR CALCU-
23 LATING PREMIUMS.—Section 4006(a) of such Act (29
24 U.S.C. 1306(a)) is amended by adding at the end the fol-
25 lowing:

1 “(9) The composite plan component of a multi-
2 employer plan shall be disregarded in determining
3 the premiums due under this section from the multi-
4 employer plan.”.

5 (c) COMPOSITE PLANS NOT COVERED.—Section
6 4021(b)(1) of such Act (29 U.S.C. 1321(b)(1)) is amend-
7 ed by striking “Act” and inserting “Act, or a composite
8 plan, as defined in paragraph (43) of section 3 of this
9 Act”.

10 (d) NO WITHDRAWAL LIABILITY.—Section 4201 of
11 such Act (29 U.S.C. 1381) is amended by adding at the
12 end the following:

13 “(c) Contributions by an employer to the composite
14 plan component of a multiemployer plan shall not be taken
15 into account for any purpose under this title.”.

16 (e) NO WITHDRAWAL LIABILITY FOR CERTAIN
17 PLANS.—Section 4201 of such Act (29 U.S.C. 1381) is
18 further amended by adding at the end the following:

19 “(d) Contributions by an employer to a multiem-
20 ployer plan described in the except clause of section 3(35)
21 of this Act pursuant to a collective bargaining agreement
22 that specifically designates that such contributions shall
23 be allocated to the separate defined contribution accounts
24 of participants under the plan shall not be taken into ac-
25 count with respect to the defined benefit portion of the

1 plan for any purpose under this title (including the deter-
2 mination of the employer's highest contribution rate under
3 section 4219), even if, under the terms of the plan, partici-
4 pants have the option to transfer assets in their separate
5 defined contribution accounts to the defined benefit por-
6 tion of the plan in return for service credit under the de-
7 fined benefit portion, at rates established by the plan
8 sponsor.

9 “(e) A legacy plan created under section 805 shall
10 be deemed to have no unfunded vested benefits for pur-
11 poses of this part, for each plan year following a period
12 of 5 consecutive plan years for which—

13 “(1) the plan was fully funded within the mean-
14 ing of section 805 for at least 3 of the plan years
15 during that period, ending with a plan year for
16 which the plan is fully funded;

17 “(2) the plan had no unfunded vested benefits
18 for at least 3 of the plan years during that period,
19 ending with a plan year for which the plan is fully
20 funded; and

21 “(3) the plan is projected to be fully funded
22 and to have no unfunded vested benefits for the fol-
23 lowing four plan years.”.

24 (f) NO WITHDRAWAL LIABILITY FOR EMPLOYERS
25 CONTRIBUTING TO CERTAIN FULLY FUNDED LEGACY

1 PLANS.—Section 4211 of such Act (29 U.S.C. 1382) is
2 amended by adding at the end the following:

3 “(g) No amount of unfunded vested benefits shall be
4 allocated to an employer that has an obligation to con-
5 tribute to a legacy plan described in subsection (e) of sec-
6 tion 4201 for each plan year for which such subsection
7 applies.”.

8 (g) NO OBLIGATION TO CONTRIBUTE.—Section
9 4212 of such Act (29 U.S.C. 1392) is amended by adding
10 at the end the following:

11 “(d) NO OBLIGATION TO CONTRIBUTE.—An em-
12 ployer shall not be treated as having an obligation to con-
13 tribute to a multiemployer defined benefit plan within the
14 meaning of subsection (a) solely because—

15 “(1) in the case of a multiemployer plan that
16 includes a composite plan component, the employer
17 has an obligation to contribute to the composite plan
18 component of the plan;

19 “(2) the employer has an obligation to con-
20 tribute to a composite plan that is maintained pur-
21 suant to one or more collective bargaining agree-
22 ments under which the multiemployer defined ben-
23 efit plan is or previously was maintained; or

24 “(3) the employer contributes or has contrib-
25 uted under section 805(d) to a legacy plan associ-

1 ated with a composite plan pursuant to a collective
2 bargaining agreement but employees of that em-
3 ployer were not eligible to accrue benefits under the
4 legacy plan with respect to service with that em-
5 ployer.”.

6 (h) NO INFERENCE.—Nothing in the amendment
7 made by subsection (e) shall be construed to create an in-
8 ference with respect to the treatment under title IV of the
9 Employee Retirement Income Security Act of 1974, as in
10 effect before such amendment, of contributions by an em-
11 ployer to a multiemployer plan described in the except
12 clause of section 3(35) of such Act that are made before
13 the effective date of subsection (e) specified in subsection
14 (h)(2).

15 (i) EFFECTIVE DATE.—

16 (1) IN GENERAL.—Except as provided in sub-
17 paragraph (2), the amendments made by this section
18 shall apply to plan years beginning after the date of
19 the enactment of this Act.

20 (2) SPECIAL RULE FOR SECTION 414(k) MULTI-
21 EMPLOYER PLANS.—The amendment made by sub-
22 section (e) shall apply only to required contributions
23 payable for plan years beginning after the date of
24 the enactment of this Act.

1 **SEC. 105. CONFORMING CHANGES.**

2 (a) DEFINITIONS.—Section 3 of the Employee Re-
3 tirement Income Security Act of 1974 (29 U.S.C. 1002)
4 is amended—

5 (1) in paragraph (35), by inserting “or a com-
6 posite plan” after “other than an individual account
7 plan”; and

8 (2) by adding at the end the following:

9 “(43) The term ‘composite plan’ has the mean-
10 ing given the term in section 801(a).”.

11 (b) SPECIAL FUNDING RULE FOR CERTAIN LEGACY
12 PLANS.—

13 (1) AMENDMENT TO EMPLOYEE RETIREMENT
14 INCOME SECURITY ACT OF 1974.—Section 304(b) of
15 the Employee Retirement Income Security Act of
16 1974 (29 U.S.C. 1084(b)) is amended by adding at
17 the end the following:

18 “(9) SPECIAL FUNDING RULE FOR CERTAIN
19 LEGACY PLANS.—In the case of a multiemployer de-
20 fined benefit plan that has adopted an amendment
21 under section 801(b), in accordance with which no
22 further benefits shall accrue under the multiem-
23 ployer defined benefit plan, the plan sponsor may
24 combine the outstanding balance of all charge and
25 credit bases and amortize that combined base in
26 level annual installments (until fully amortized) over

1 a period of 25 plan years beginning with the plan
2 year following the date all benefit accruals ceased.”.

3 (2) AMENDMENT TO INTERNAL REVENUE CODE
4 OF 1986.—Section 431(b) of the Internal Revenue
5 Code of 1986 is amended by adding at the end the
6 following:

7 “(9) SPECIAL FUNDING RULE FOR CERTAIN
8 LEGACY PLANS.—In the case of a multiemployer de-
9 fined benefit plan that has adopted an amendment
10 under section 437(b), in accordance with which no
11 further benefits shall accrue under the multiem-
12 ployer defined benefit plan, the plan sponsor may
13 combine the outstanding balance of all charge and
14 credit bases and amortize that combined base in
15 level annual installments (until fully amortized) over
16 a period of 25 plan years beginning with the plan
17 year following the date on which all benefit accruals
18 ceased.”.

19 (c) BENEFITS AFTER MERGER, CONSOLIDATION, OR
20 TRANSFER OF ASSETS.—

21 (1) AMENDMENT TO EMPLOYEE RETIREMENT
22 INCOME SECURITY ACT OF 1974.—Section 208 of the
23 Employee Retirement Income Security Act of 1974
24 (29 U.S.C. 1058) is amended—

1 (A) by striking so much of the first sen-
2 tence as precedes “may not merge” and insert-
3 ing the following:

4 “(1) IN GENERAL.—Except as provided in para-
5 graph (2), a pension plan may not merge, and”; and

6 (B) by striking the second sentence and
7 adding at the end the following:

8 “(2) SPECIAL REQUIREMENTS FOR MULTIEM-
9 PLOYER PLANS.—Paragraph (1) shall not apply to
10 any transaction to the extent that participants either
11 before or after the transaction are covered under a
12 multiemployer plan to which title IV of this Act ap-
13 plies or a composite plan.”.

14 (2) AMENDMENTS TO INTERNAL REVENUE
15 CODE OF 1986.—

16 (A) QUALIFICATION REQUIREMENT.—Sec-
17 tion 401(a)(12) of the Internal Revenue Code
18 of 1986 is amended—

19 (i) by striking “(12) A trust” and in-
20 serting the following:

21 “(12) BENEFITS AFTER MERGER, CONSOLIDA-
22 TION, OR TRANSFER OF ASSETS.—

23 “(A) IN GENERAL.—Except as provided in
24 subparagraph (B), a trust”;

- 1 (ii) by striking the second sentence;
2 and
3 (iii) by adding at the end the fol-
4 lowing:

5 “(B) SPECIAL REQUIREMENTS FOR MULTI-
6 EMPLOYER PLANS.—Subparagraph (A) shall
7 not apply to any multiemployer plan with re-
8 spect to any transaction to the extent that par-
9 ticipants either before or after the transaction
10 are covered under a multiemployer plan to
11 which title IV of the Employee Retirement In-
12 come Security Act of 1974 applies or a com-
13 posite plan.”.

14 (B) ADDITIONAL QUALIFICATION REQUIRE-
15 MENT.—Paragraph (1) of section 414(l) of such
16 Code is amended—

- 17 (i) by striking “(1) IN GENERAL” and
18 all that follows through “shall not con-
19 stitute” and inserting the following:

20 “(1) BENEFIT PROTECTIONS: MERGER, CON-
21 SOLIDATION, TRANSFER.—

22 “(A) IN GENERAL.—Except as provided in
23 subparagraph (B), a trust which forms a part
24 of a plan shall not constitute”; and

1 (ii) by striking the second sentence;

2 and

3 (iii) by adding at the end the fol-
4 lowing:

5 “(B) SPECIAL REQUIREMENTS FOR MULTI-
6 EMPLOYER PLANS.—Subparagraph (A) does not
7 apply to any multiemployer plan with respect to
8 any transaction to the extent that participants
9 either before or after the transaction are cov-
10 ered under a multiemployer plan to which title
11 IV of the Employee Retirement Income Secu-
12 rity Act of 1974 applies or a composite plan.”.

13 (d) REQUIREMENTS FOR STATUS AS A QUALIFIED
14 PLAN.—

15 (1) REQUIREMENT THAT ACTUARIAL ASSUMP-
16 TIONS BE SPECIFIED.—Section 401(a)(25) of the In-
17 ternal Revenue Code of 1986 is amended by insert-
18 ing “(in the case of a composite plan, benefits objec-
19 tively calculated pursuant to a formula)” after “defi-
20 nitely determinable benefits”.

21 (2) MISSING PARTICIPANTS IN TERMINATING
22 COMPOSITE PLAN.—Section 401(a)(34) of the Inter-
23 nal Revenue Code of 1986 is amended by striking “,
24 a trust” and inserting “or a composite plan, a
25 trust”.

1 (e) DEDUCTION FOR CONTRIBUTIONS TO A QUALI-
2 FIED PLAN.—Section 404(a)(1) of the Internal Revenue
3 Code of 1986 is amended by redesignating subparagraph
4 (E) as subparagraph (F) and by inserting after subpara-
5 graph (D) the following:

6 “(E) COMPOSITE PLANS.—

7 “(i) IN GENERAL.—In the case of a
8 composite plan, subparagraph (D) shall
9 not apply and the maximum amount de-
10 ductible for a plan year shall be the excess
11 (if any) of—

12 “(I) 160 percent of the greater
13 of—

14 “(aa) the current liability of
15 the plan determined in accord-
16 ance with the principles of sec-
17 tion 431(c)(6)(D), or

18 “(bb) the present value of
19 plan liabilities as determined
20 under section 438, over

21 “(II) the fair market value of the
22 plan’s assets, projected to the end of
23 the plan year.

1 “(ii) SPECIAL RULES FOR PREDE-
2 CESSOR MULTIEMPLOYER PLAN TO COM-
3 POSITE PLAN.—

4 “(I) IN GENERAL.—Except as
5 provided in subclause (II), if an em-
6 ployer contributes to a composite plan
7 with respect to its employees, con-
8 tributions by that employer to a mul-
9 tiemployer defined benefit plan with
10 respect to some or all of the same
11 group of employees shall be deductible
12 under sections 162 and this section,
13 subject to the limits in subparagraph
14 (D).

15 “(II) TRANSITION CONTRIBU-
16 TION.—The full amount of a contribu-
17 tion to satisfy the transition contribu-
18 tion requirement (as defined in sec-
19 tion 440A(d)) and allocated to the
20 legacy defined benefit plan for the
21 plan year shall be deductible for the
22 employer’s taxable year ending with or
23 within the plan year.”.

24 (f) MINIMUM VESTING STANDARDS.—

1 (1) YEARS OF SERVICE UNDER COMPOSITE
2 PLANS.—

3 (A) EMPLOYEE RETIREMENT INCOME SE-
4 CURITY ACT OF 1974.—Section 203 of the Em-
5 ployee Retirement Income Security Act of 1974
6 (29 U.S.C. 1053) is amended by inserting after
7 subsection (f) the following:

8 “(g) SPECIAL RULES FOR COMPUTING YEARS OF
9 SERVICE UNDER COMPOSITE PLANS.—

10 “(1) IN GENERAL.—In determining a qualified
11 employee’s years of service under a composite plan
12 for purposes of this section, the employee’s years of
13 service under a legacy plan shall be treated as years
14 of service earned under the composite plan. For pur-
15 poses of such determination, a composite plan shall
16 not be treated as a defined benefit plan pursuant to
17 section 801(d).

18 “(2) QUALIFIED EMPLOYEE.—For purposes of
19 this subsection, an employee is a qualified employee
20 if the employee first completes an hour of service
21 under the composite plan (determined without re-
22 gard to the provisions of this subsection) within the
23 12-month period immediately preceding or the 24-
24 month period immediately following the date the em-

1 ployee ceased to accrue benefits under the legacy
2 plan.

3 “(3) CERTIFICATION OF YEARS OF SERVICE.—

4 For purposes of paragraph (1), the plan sponsor of
5 the composite plan shall rely on a written certifi-
6 cation by the plan sponsor of the legacy plan of the
7 years of service the qualified employee completed
8 under the defined benefit plan as of the date the em-
9 ployee satisfies the requirements of paragraph (2),
10 disregarding any years of service that had been for-
11 feited under the rules of the defined benefit plan be-
12 fore that date.

13 “(h) SPECIAL RULES FOR COMPUTING YEARS OF
14 SERVICE UNDER LEGACY PLANS.—

15 “(1) IN GENERAL.—In determining a qualified
16 employee’s years of service under a legacy plan for
17 purposes of this section, and in addition to any serv-
18 ice under applicable regulations, the employee’s
19 years of service under a composite plan shall be
20 treated as years of service earned under the legacy
21 plan. For purposes of such determination, a com-
22 posite plan shall not be treated as a defined benefit
23 plan pursuant to section 801(d).

24 “(2) QUALIFIED EMPLOYEE.—For purposes of
25 this subsection, an employee is a qualified employee

1 if the employee first completes an hour of service
2 under the composite plan (determined without re-
3 gard to the provisions of this subsection) within the
4 12-month period immediately preceding or the 24-
5 month period immediately following the date the em-
6 ployee ceased to accrue benefits under the legacy
7 plan.

8 “(3) CERTIFICATION OF YEARS OF SERVICE.—
9 For purposes of paragraph (1), the plan sponsor of
10 the legacy plan shall rely on a written certification
11 by the plan sponsor of the composite plan of the
12 years of service the qualified employee completed
13 under the composite plan after the employee satisfies
14 the requirements of paragraph (2), disregarding any
15 years of service that has been forfeited under the
16 rules of the composite plan.”.

17 (B) INTERNAL REVENUE CODE OF 1986.—
18 Section 411(a) of the Internal Revenue Code of
19 1986 is amended by adding at the end the fol-
20 lowing:

21 “(14) SPECIAL RULES FOR DETERMINING
22 YEARS OF SERVICE UNDER COMPOSITE PLANS.—

23 “(A) IN GENERAL.—In determining a
24 qualified employee’s years of service under a
25 composite plan for purposes of this subsection,

1 the employee's years of service under a legacy
2 plan shall be treated as years of service earned
3 under the composite plan. For purposes of such
4 determination, a composite plan shall not be
5 treated as a defined benefit plan pursuant to
6 section 437(d).

7 “(B) QUALIFIED EMPLOYEE.—For pur-
8 poses of this paragraph, an employee is a quali-
9 fied employee if the employee first completes an
10 hour of service under the composite plan (deter-
11 mined without regard to the provisions of this
12 paragraph) within the 12-month period imme-
13 diately preceding or the 24-month period imme-
14 diately following the date the employee ceased
15 to accrue benefits under the legacy plan.

16 “(C) CERTIFICATION OF YEARS OF SERV-
17 ICE.—For purposes of subparagraph (A), the
18 plan sponsor of the composite plan shall rely on
19 a written certification by the plan sponsor of
20 the legacy plan of the years of service the quali-
21 fied employee completed under the legacy plan
22 as of the date the employee satisfies the re-
23 quirements of subparagraph (B), disregarding
24 any years of service that had been forfeited

1 under the rules of the defined benefit plan be-
2 fore that date.

3 “(15) SPECIAL RULES FOR COMPUTING YEARS
4 OF SERVICE UNDER LEGACY PLANS.—

5 “(A) IN GENERAL.—In determining a
6 qualified employee’s years of service under a
7 legacy plan for purposes of this section, and in
8 addition to any service under applicable regula-
9 tions, the employee’s years of service under a
10 composite plan shall be treated as years of serv-
11 ice earned under the legacy plan. For purposes
12 of such determination, a composite plan shall
13 not be treated as a defined benefit plan pursu-
14 ant to section 437(d).

15 “(B) QUALIFIED EMPLOYEE.—For pur-
16 poses of this paragraph, an employee is a quali-
17 fied employee if the employee first completes an
18 hour of service under the composite plan (deter-
19 mined without regard to the provisions of this
20 paragraph) within the 12-month period imme-
21 diately preceding or the 24-month period imme-
22 diately following the date the employee ceased
23 to accrue benefits under the legacy plan.

24 “(C) CERTIFICATION OF YEARS OF SERV-
25 ICE.—For purposes of subparagraph (A), the

1 plan sponsor of the legacy plan shall rely on a
2 written certification by the plan sponsor of the
3 composite plan of the years of service the quali-
4 fied employee completed under the composite
5 plan after the employee satisfies the require-
6 ments of subparagraph (B), disregarding any
7 years of service that has been forfeited under
8 the rules of the composite plan.”.

9 (2) REDUCTION OF BENEFITS.—

10 (A) EMPLOYEE RETIREMENT INCOME SE-
11 CURITY ACT OF 1974.—Section 203(a)(3)(E)(ii)
12 of the Employee Retirement Income Security
13 Act of 1974 (29 U.S.C. 1053(a)(3)(E)(ii)) is
14 amended—

15 (i) in subclause (I) by striking
16 “4244A” and inserting “305(e), 803,”;
17 and

18 (ii) in subclause (II) by striking
19 “4245” and inserting “305(e), 4245,”.

20 (B) INTERNAL REVENUE CODE OF 1986.—
21 Section 411(a)(3)(F) of the Internal Revenue
22 Code of 1986 is amended—

23 (i) in clause (i) by striking “section
24 418D or under section 4281 of the Em-
25 ployee Retirement Income Security Act of

1 1974” and inserting “section 432(e) or
2 439 or under section 4281 of the Em-
3 ployee Retirement Income Security Act of
4 1974”; and

5 (ii) in clause (ii) by inserting “or
6 432(e)” after “section 418E”.

7 (3) ACCRUED BENEFIT REQUIREMENTS.—

8 (A) EMPLOYEE RETIREMENT INCOME SE-
9 CURITY ACT OF 1974.—Section 204(b)(1)(B)(i)
10 of the Employee Retirement Income Security
11 Act of 1974 (29 U.S.C. 1054(b)(1)(B)(i)) is
12 amended by inserting “, including an amend-
13 ment reducing or suspending benefits under
14 section 305(e), 803, 4245 or 4281,” after “any
15 amendment to the plan”.

16 (B) INTERNAL REVENUE CODE OF 1986.—
17 Section 411(b)(1)(B)(i) of the Internal Revenue
18 Code of 1986 is amended by inserting “, includ-
19 ing an amendment reducing or suspending ben-
20 efits under section 418E, 432(e) or 439, or
21 under section 4281 of the Employee Retirement
22 Income Security Act of 1974,” after “any
23 amendment to the plan”.

24 (4) ADDITIONAL ACCRUED BENEFIT REQUIRE-
25 MENTS.—

1 (A) EMPLOYEE RETIREMENT INCOME SE-
2 CURITY ACT OF 1974.—Section 204(b)(1)(H)(v)
3 of the Employee Retirement Income Security
4 Act of 1974 (29 U.S.C. 1053(b)(1)(H)(v)) is
5 amended by inserting before the period at the
6 end the following: “, or benefits are reduced or
7 suspended under section 305(e), 803, 4245, or
8 4281”.

9 (B) INTERNAL REVENUE CODE OF 1986.—
10 Section 411(b)(1)(H)(iv) of the Internal Rev-
11 enue Code of 1986 is amended—

12 (i) in the heading by striking “BEN-
13 EFIT” and inserting “BENEFIT AND THE
14 SUSPENSION AND REDUCTION OF CERTAIN
15 BENEFITS”; and

16 (ii) in the text by inserting before the
17 period at the end the following: “, or bene-
18 fits are reduced or suspended under sec-
19 tion 418E, 432(e), or 439, or under sec-
20 tion 4281 of the Employee Retirement In-
21 come Security Act of 1974”.

22 (5) ACCRUED BENEFIT NOT TO BE DECREASED
23 BY AMENDMENT.—

24 (A) EMPLOYEE RETIREMENT INCOME SE-
25 CURITY ACT OF 1974.—Section 204(g)(1) of the

1 Employee Retirement Income Security Act of
2 1974 (29 U.S.C. 1053(g)(1)) is amended by in-
3 serting after “302(d)(2)” the following: “,
4 305(e), 803, 4245,”.

5 (B) INTERNAL REVENUE CODE OF 1986.—
6 Section 411(d)(6)(A) of the Internal Revenue
7 Code of 1986 is amended by inserting after
8 “412(d)(2),” the following: “418E, 432(e), or
9 439,”.

10 (g) CERTAIN FUNDING RULES NOT APPLICABLE.—

11 (1) EMPLOYEE RETIREMENT INCOME SECURITY
12 ACT OF 1974.—Section 305 of the Employee Retire-
13 ment Income Security Act of 1974 (29 U.S.C. 1085)
14 is amended by adding at the end the following:

15 “(k) LEGACY PLANS.—Sections 302, 304, and 305
16 shall not apply to an employer that has an obligation to
17 contribute to a plan that is a legacy plan within the mean-
18 ing of section 805(a) solely because the employer has an
19 obligation to contribute to a composite plan described in
20 section 801 that is associated with that legacy plan.”.

21 (2) INTERNAL REVENUE CODE OF 1986.—Sec-
22 tion 432 of the Internal Revenue Code of 1986 is
23 amended by adding at the end the following:

24 “(k) LEGACY PLANS.—Sections 412, 431, and 432
25 shall not apply to an employer that has an obligation to

1 contribute to a plan that is a legacy plan within the mean-
2 ing of section 440A(a) solely because the employer has an
3 obligation to contribute to a composite plan described in
4 section 437 that is associated with that legacy plan.”.

5 (h) TERMINATION OF COMPOSITE PLAN.—Section
6 403(d) of the Employee Retirement Income Security Act
7 of 1974 (29 U.S.C. 1103(d) is amended—

8 (1) in paragraph (1), by striking “regulations
9 of the Secretary.” and inserting “regulations of the
10 Secretary, or as provided in paragraph (3).”; and

11 (2) by adding at the end the following:

12 “(3) Section 4044(a) of this Act shall be ap-
13 plied in the case of the termination of a composite
14 plan by—

15 “(A) limiting the benefits subject to para-
16 graph (3) thereof to benefits as defined in sec-
17 tion 802(b)(3)(B); and

18 “(B) including in the benefits subject to
19 paragraph (4) all other benefits (if any) of indi-
20 viduals under the plan that would be guaran-
21 teed under section 4022A if the plan were sub-
22 ject to title IV.”.

23 (i) GOOD FAITH COMPLIANCE PRIOR TO GUID-
24 ANCE.—Where the implementation of any provision of law
25 added or amended by this division is subject to issuance

1 of regulations by the Secretary of Labor, the Secretary
2 of the Treasury, or the Pension Benefit Guaranty Cor-
3 poration, a multiemployer plan shall not be treated as fail-
4 ing to meet the requirements of any such provision prior
5 to the issuance of final regulations or other guidance to
6 carry out such provision if such plan is operated in accord-
7 ance with a reasonable, good faith interpretation of such
8 provision.

9 **SEC. 106. EFFECTIVE DATE.**

10 Unless otherwise specified, the amendments made by
11 this division shall apply to plan years beginning after the
12 date of the enactment of this Act.

13 **DIVISION W—OTHER MATTERS**

14 **SEC. 199991. HOME ENERGY AND WATER SERVICE CON-**
15 **TINUITY.**

16 Any entity receiving financial assistance pursuant to
17 **[this Act]** shall, to the maximum extent practicable, es-
18 tablish or maintain in effect policies to ensure that no
19 home energy service or public water system service to an
20 individual or household, which is provided or regulated by
21 such entity, is disconnected or interrupted during the
22 emergency period described in section 1135(g)(1)(B) of
23 the Social Security Act. For purposes of this section, the
24 term “home energy service” means a service to provide
25 home energy, as such term is defined in section 2604 of

1 the Low-Income Home Energy Assistance Act of 1981,
2 and electric service, as that term is used in the Public
3 Utility Regulatory Policies Act of 1978, and the term
4 “public water system” has the meaning given that term
5 in section 1401 of the Safe Drinking Water Act. Nothing
6 in this section shall be construed to require forgiveness
7 of outstanding debt owed to an entity or to absolve an
8 individual of any obligation to an entity for service.

9 **SEC. 199992. LOW-INCOME HOUSEHOLD DRINKING WATER**
10 **AND WASTEWATER ASSISTANCE.**

11 (a) AUTHORIZATION OF APPROPRIATIONS.—There is
12 authorized to be appropriated \$1,500,000,000 to the Sec-
13 retary to carry out this section. Such sums shall remain
14 available until expended.

15 (b) LOW-INCOME HOUSEHOLD DRINKING WATER
16 AND WASTEWATER ASSISTANCE.—The Secretary shall
17 make grants to States and Indian Tribes to assist low-
18 income households, particularly those with the lowest in-
19 comes, that pay a high proportion of household income
20 for drinking water and wastewater services.

21 (c) USE OF LIHEAP RESOURCES.—In carrying out
22 this section, the Secretary, States, and Indian Tribes, as
23 applicable, shall use the existing processes, procedures,
24 policies, and systems in place to carry out the Low-Income
25 Home Energy Assistance Act of 1981, as the Secretary

1 determines appropriate, including by using the application
2 and approval process under such Act to the maximum ex-
3 tent practicable.

4 (d) ALLOTMENT.—

5 (1) FACTORS.—The Secretary shall allot
6 amounts appropriated pursuant to this section to a
7 State or Indian Tribe taking into account—

8 (A) the percentage of households in the
9 State, or under the jurisdiction of the Indian
10 Tribe, that are low-income, as determined by
11 the Secretary;

12 (B) the average State or Tribal drinking
13 water and wastewater service rates; and

14 (C) the extent to which the State or Indian
15 Tribe has been impacted by the public health
16 emergency.

17 (2) NOTIFICATION TO CONGRESS.—Not later
18 than 15 days after determining an amount to allot
19 to each State or Indian Tribe pursuant to paragraph
20 (1), and prior to making grants under this section,
21 the Secretary shall notify Congress of such allotment
22 amounts.

23 (e) DETERMINATION OF LOW-INCOME HOUSE-
24 HOLDS.—

1 (1) MINIMUM DEFINITION OF LOW-INCOME.—In
2 determining whether a household is considered low-
3 income for the purposes of this section, a State or
4 Indian Tribe shall—

5 (A) ensure that, at a minimum, all house-
6 holds within 150 percent of the Federal poverty
7 line are included as low-income households; and

8 (B) consider households that have not pre-
9 viously received assistance under the Low-In-
10 come Home Energy Assistance Act of 1981 in
11 the same manner as households that have pre-
12 viously received such assistance.

13 (2) HOUSEHOLD DOCUMENTATION REQUIRE-
14 MENTS.—States and Indian Tribes shall—

15 (A) to the maximum extent practicable,
16 seek to limit the income history documentation
17 requirements for determining whether a house-
18 hold is considered low-income for the purposes
19 of this section; and

20 (B) for the purposes of income eligibility,
21 accept proof of job loss or severe income loss
22 dated after February 29, 2020, such as a layoff
23 or furlough notice or verification of application
24 of unemployment benefits, as sufficient to dem-

1 onstrate lack of income for an individual or
2 household.

3 (f) APPLICATIONS.—Each State or Indian Tribe de-
4 siring to receive a grant under this section shall submit
5 an application to the Secretary, in such form as the Sec-
6 retary shall require.

7 (g) STATE AGREEMENTS WITH DRINKING WATER
8 AND WASTEWATER PROVIDERS.—To the maximum extent
9 practicable, a State that receives a grant under this sec-
10 tion shall enter into agreements with community water
11 systems, municipalities, nonprofit organizations associated
12 with providing drinking water and wastewater services to
13 rural and small communities, and Indian Tribes, to assist
14 in identifying low-income households and to carry out this
15 section.

16 (h) ADMINISTRATIVE COSTS.—A State or Indian
17 Tribe that receives a grant under this section may use up
18 to 15 percent of the granted amounts for administrative
19 costs.

20 (i) FEDERAL AGENCY COORDINATION.—In carrying
21 out this section, the Secretary shall coordinate with the
22 Administrator of the Environmental Protection Agency
23 and consult with other Federal agencies with authority
24 over the provision of drinking water and wastewater serv-
25 ices.

1 (j) AUDITS.—The Secretary shall require each State
2 and Indian Tribe receiving a grant under this section to
3 undertake periodic audits and evaluations of expenditures
4 made by such State or Indian Tribe pursuant to this sec-
5 tion.

6 (k) REPORTS TO CONGRESS.—The Secretary shall
7 submit to Congress a report on the results of activities
8 carried out pursuant to this section—

9 (1) not later than 1 year after the date of en-
10 actment of this section; and

11 (2) upon disbursement of all funds appropriated
12 pursuant to this section.

13 (l) DEFINITIONS.—In this section:

14 (1) COMMUNITY WATER SYSTEM.—The term
15 “community water system” has the meaning given
16 such term in section 1401 of the Safe Drinking
17 Water Act (42 U.S.C. 300f).

18 (2) INDIAN TRIBE.—The term “Indian Tribe”
19 means any Indian Tribe, band, group, or community
20 recognized by the Secretary of the Interior and exer-
21 cising governmental authority over a Federal Indian
22 reservation.

23 (3) MUNICIPALITY.—The term “municipality”
24 has the meaning given such term in section 502 of

1 the Federal Water Pollution Control Act (33 U.S.C.
2 1362).

3 (4) PUBLIC HEALTH EMERGENCY.—The term
4 “public health emergency” means the public health
5 emergency described in section 1135(g)(1)(B) of the
6 Social Security Act.

7 (5) SECRETARY.—The term “Secretary” means
8 the Secretary of Health and Human Services.

9 (6) STATE.—The term “State” means a State,
10 the District of Columbia, the Commonwealth of
11 Puerto Rico, the Virgin Islands of the United States,
12 Guam, American Samoa, and the Commonwealth of
13 the Northern Mariana Islands.

14 **SEC. 199993. DELAY OF STRATEGIC PETROLEUM RESERVE**
15 **SALE.**

16 (a) BIPARTISAN BUDGET ACT OF 2015.—Section
17 404 of the Bipartisan Budget Act of 2015 (42 U.S.C.
18 6239 note) is amended—

19 (1) in subsection (e), by striking “2020” and
20 inserting “2022”; and

21 (2) in subsection (g), by striking “2020” and
22 inserting “2022”.

23 (b) FURTHER CONSOLIDATED APPROPRIATIONS ACT,
24 2020.—Title III of division C of the Further Consolidated
25 Appropriations Act, 2020 (Public Law 116–94) is amend-

1 ed in the matter under the heading “Department of En-
2 ergy—Energy Programs—Strategic Petroleum Reserve”
3 by striking “*Provided, That*” and all that follows through
4 the period at the end and inserting the following: “*Pro-*
5 *vided, That*, as authorized by section 404 of the Bipar-
6 tisan Budget Act of 2015 (Public Law 114–74; 42 U.S.C.
7 6239 note), the Secretary of Energy shall draw down and
8 sell not to exceed a total of \$450,000,000 of crude oil from
9 the Strategic Petroleum Reserve in fiscal year 2020, fiscal
10 year 2021, or fiscal year 2022: *Provided further*, That the
11 proceeds from such drawdown and sale shall be deposited
12 into the ‘Energy Security and Infrastructure Moderniza-
13 tion Fund’ during the fiscal year in which the sale occurs
14 and shall be made available in such fiscal year, to remain
15 available until expended, for necessary expenses to carry
16 out the Life Extension II project for the Strategic Petro-
17 leum Reserve.”.

18 **SEC. 199994. EXPANSION OF DOL AUTHORITY TO POSTPONE**
19 **CERTAIN DEADLINES.**

20 Section 518 of the Employee Retirement Income Se-
21 curity Act of 1974 (29 U.S.C. 1148) is amended by strik-
22 ing “or a terroristic or military action (as defined in sec-
23 tion 692(c)(2) of such Code), the Secretary may” and in-
24 serting “a terroristic or military action (as defined in sec-
25 tion 692(c)(2) of such Code), or a public health emergency

1 declared by the Secretary of Health and Human Services
2 pursuant to section 319 of the Public Health Service Act,
3 the Secretary may”.

4 **SEC. 199995. PROVIDING BUREAU OF THE CENSUS ACCESS**
5 **TO INSTITUTIONS OF HIGHER EDUCATION.**

6 (a) IN GENERAL.—Notwithstanding any other provi-
7 sion of law, including section 444 of the General Edu-
8 cation Provisions Act (commonly known as the “Family
9 Educational Rights and Privacy Act of 1974”), an institu-
10 tion of higher education may, in furtherance of a full and
11 accurate decennial census of population count, provide to
12 the Bureau of the Census information requested by the
13 Bureau for purposes of enumeration for the 2020 decen-
14 nial Census.

15 (b) APPLICATION.—

16 (1) INFORMATION.—Only information requested
17 on the official 2020 decennial census of population
18 form may be provided to the Bureau of the Census
19 pursuant to this section. No institution of higher
20 education may provide any information to the Bu-
21 reau on the immigration or citizenship status of any
22 individual.

23 (2) GROUP QUARTERS.—Only students who, ac-
24 cording to guidance from the Bureau, are living in

1 group quarters may be included in the data provided
2 to the Bureau under this section.

3 (3) NOTICE REQUIRED.—Before information
4 can be provided to the Bureau, the institution of
5 higher education shall give public notice of the cat-
6 egories of information which it plans to provide and
7 shall allow 10 days after such notice has been given
8 for a parent or student to inform the institution that
9 any or all of the information designated should not
10 be released without the parent or student’s prior
11 consent. No institution of higher education shall pro-
12 vide the Bureau with the information of any indi-
13 vidual who has objected or whose legal guardian has
14 objected to the provision of such information.

15 (4) USE OF INFORMATION.—Information pro-
16 vided to the Bureau pursuant to this section may
17 only be used for the purposes of enumeration for the
18 2020 decennial census of population.

19 (c) SUNSET.—The authority provided in this section
20 shall expire on December 31, 2020.

21 (d) DEFINITIONS.—In this section:

22 (1) GROUP QUARTERS.—The term “group quar-
23 ters” means housing units owned or operated by an
24 institution of higher education.

1 (2) INSTITUTION OF HIGHER EDUCATION.—The
2 term “institution of higher education” has the
3 meaning given that term in section 102 of the High-
4 er Education Act of 1965 (20 U.S.C. 1002).

5 **SEC. 199996. BUDGETARY EFFECTS.**

6 (a) STATUTORY PAYGO SCORECARDS.—The budg-
7 etary effects of division B and each succeeding division
8 shall not be entered on either PAYGO scorecard main-
9 tained pursuant to section 4(d) of the Statutory Pay-As-
10 You-Go Act of 2010.

11 (b) SENATE PAYGO SCORECARDS.—The budgetary
12 effects of division B and each succeeding division shall not
13 be entered on any PAYGO scorecard maintained for pur-
14 poses of section 4106 of H. Con. Res. 71 (115th Con-
15 gress).

16 (c) CLASSIFICATION OF BUDGETARY EFFECTS.—
17 Notwithstanding Rule 3 of the Budget Scorekeeping
18 Guidelines set forth in the joint explanatory statement of
19 the committee of conference accompanying Conference Re-
20 port 105–217 and section 250(c)(8) of the Balanced
21 Budget and Emergency Deficit Control Act of 1985, the
22 budgetary effects of division B and each succeeding divi-
23 sion shall not be estimated—

24 (1) for purposes of section 251 of such Act; and

1 (2) for purposes of paragraph (4)(C) of section
2 3 of the Statutory Pay-As-You-Go Act of 2010 as
3 being included in an appropriation Act.



Headquarters COVID Town Hall

April 28th, 2020



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USPS-20-1215-A-008171



Opening Remarks

Megan J. Brennan

Postmaster General and Chief Executive Officer

General Election outreach to States

- Expected surge in absentee ballots
- Contact all 50 states, prioritizing 19 states with excuse required to vote with absentee ballot
- Educate states on absentee ballot envelope design and mailing requirements
- Election Mail Teams will be comprised of HQ, Area, and District staff with election mail expertise
- Efforts in progress to support increased use of absentee ballots for primaries



Legal Landscape

- Continued daily legal support to the COVID-19 Command Team and COVID-19 Work Group.
- Continued advice on the parameters and implementation of the Families First Coronavirus Response Act.
- Providing legal advice related to the staggered reopening of the country particularly as it pertains to quarantines, shelter in place orders and travel restriction orders
- Assist in the negotiations with Treasury of the CARES Act loan
- Continued advice on legislative initiatives, pricing, new products and revenue protection

Employee Response

Continue to support our employees as the nation ramps back up for business

- Employee health, safety and wellness
- Partnership with Unions and Management Associations
- Targeted fast track hiring
- Telework approach



Operational Continuity

Continue to deliver vital goods and services as we help the country transition

- Economic Impact Payment
- Medications
- Package platform utilization
- Manage to workload and employee availability



Technology Enabled

Continue to leverage technology to enable the Postal Service to achieve its mission

- Resume Equipment Deployment
- Accelerate eCommerce Initiatives
- Increase Telework Effectiveness
- Expand Identity Verification Services
- Continue IT Modernization



Business Continuity

Continue to ensure health of critical business processes to drive Postal operations

- Cash
- Supply Management
- Gift Cards



Customer Continuity

Continue to meet our customers where they are to provide creative, meaningful and effective mailing & shipping solutions

- Daily outreach for customer/consumer/industry support and solution development
- Pursue new sales opportunities for COVID based products
- Develop products, services and solutions for COVID recovery and post COVID



Continue to communicate with our employees, customers and stakeholders

- COVID-19 Blue and LiteBlue sites
- HERO Messaging
- Field Positive Feedback
- Social Media
- Media Stories



Continue to support and coordinate all of Postal response to COVID-19

- Integrated transition plan
- Coordinated & prioritized solutions
- Speed & thoroughness in decision making
- Removal of barriers & allocation of resources
- Navigating the new normal



Thank You





Headquarters COVID Town Hall

April 28th, 2020



AMERICAN
OVERSIGHT



USPS-20-1215-A-008183



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Postmaster General and Chief Executive Officer

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Thank You





<AUTODATE>

To Whom It May Concern,

This letter is to provide information to you regarding the functions being performed by Contract Postal Units, Community Post Offices, and Village Post Offices in support of the essential government services being provided by the United States Postal Service ("USPS" or "Postal Service") to the American people. These facilities are under contract with the Postal Service to provide access to postal products and services in support of the Postal Service's ongoing operations.

The Postal Service's provision of postal services throughout the United States is not affected by State and local government actions that are restricting commercial and personal activities in response to the Coronavirus Disease 2019 (COVID)-19 pandemic. The Postal Service is an entity of the federal government, and the continued provision of postal services to the American people is designated as an essential function under federal law.

The Postal Service relies on its suppliers to provide this critical government service. The Postal Service's network of contractor-operated retail facilities enables the Postal Service to provide the American people with the ability to reasonably access postal services in communities throughout the United States, in conformance with federal law. Many of these contractor-operated facilities also provide postal delivery services, by providing P.O Boxes.

Postal and shipping workers, including those in the private sector, are also considered essential critical infrastructure workers under recent guidance issued by the Department of Homeland Security. Guidance issued by the White House and CDC has also indicated that such industries have a special responsibility to maintain normal work schedules.

Therefore, the Postal Service considers that the continued operations of this network of contractor-operated facilities is vital to the Postal Service's continued performance of its essential functions.

Questions regarding this letter may be directed to the Supply Management group within the Postal Service at (insert phone number).

USPS Supply Management
475 L'Enfant Plaza SW
Washington, DC 20260

March 19, 2020

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We, the undersigned organizations, applaud the Administration and Congress for their swift actions to mitigate the impact of the unfolding Coronavirus pandemic. As our nation deals with this unprecedented public health crisis, we would like to emphasize to you and our senior government leaders that the transportation and goods movement industry stands ready and able to play a pivotal role in promoting economic growth while assisting with pandemic healthcare relief.

Commercial transportation firms will be essential in our country's ability to restore economic health, vitality and a return to everyday life. As the federal, state and local governments take steps to limit the spread of the Coronavirus, it is crucial that such actions do not inadvertently encumber the vital role of package and mail delivery services. We therefore write to encourage you, the Vice President, and the Coronavirus Task Force to reaffirm that transportation and shipping service providers, to include air, ground and ocean networks, are critical industries that should not be hindered by unnecessary restrictions impeding our ability to deliver.

Transportation service providers and shipping/postal operators have already been recognized by the Department of Homeland Security and Presidential Policy Directives as Critical Infrastructure industries. All of these firms utilize sophisticated networks of transportation modes including aviation, rail, ocean and truck to provide final-mile delivery for consumer goods, food, medical supplies and devices, among other items. Given the current disruption to the daily life of many Americans, there is even greater demand, and reliance upon, our services. Our organizations have implemented increased measures to ensure the safety of our people, our customers, and the general public.

It is imperative that precautionary actions taken by federal, state or municipal governments do not impose unnecessary burdens or logistical complications on package and mail delivery services, or on the people that provide those services, including our pilots, couriers, hub operators and truck drivers. Such unintended negative consequences will hamper our ability to reach businesses and consumers that are relying upon timely and dependable delivery. Neither restrictive public policies that impede interstate commerce (i.e. – Article I, Section 8 of the U.S. Constitution) should be enacted, nor should new local government initiatives create a regulatory patchwork that hinders operational efficiency.

Mr. President, the spread of the Coronavirus in the U.S. is testing government institutions, challenging private industry, and placing inordinate demands on our fellow citizens. As our nation mobilizes to mitigate the impact of the pandemic, we ask that you and your Coronavirus Task Force reiterate the valuable role our firms play in this regard, and discourage states and localities from implementing public policies that restrict our ability to serve the American people.

We stand ready and willing to continue this important service to our nation, and will continue to work with federal, state and local governments in a coordinated fashion to help our employees deliver for America in the safest possible manner while also keeping our employees and the customers they serve safe too.

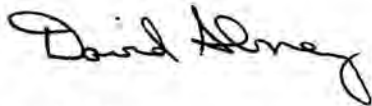
Sincerely,



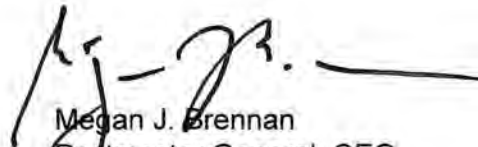
Chris Spear
President & CEO
American Trucking Associations



Frederick W. Smith
Chairman and CEO
FedEx



David Abney
Chairman and Chief Executive Officer
UPS



Megan J. Brennan
Postmaster General, CEO
United States Postal Service

March 19, 2020

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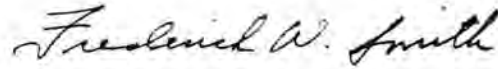
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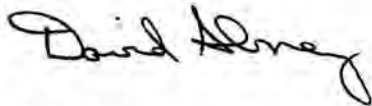
Sincerely,



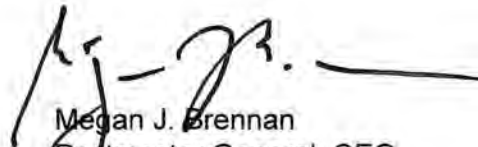
Chris Spear
President & CEO
American Trucking Associations



Frederick W. Smith
Chairman and CEO
FedEx



David Abney
Chairman and Chief Executive Officer
UPS



Megan J. Brennan
Postmaster General, CEO
United States Postal Service

March 19, 2020

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We, the undersigned organizations, applaud the Administration and Congress for their swift actions to mitigate the impact of the unfolding Coronavirus pandemic. As our nation deals with this unprecedented public health crisis, we would like to emphasize to you and our senior government leaders that the transportation and goods movement industry stands ready and able to play a pivotal role in promoting economic growth while assisting with pandemic healthcare relief.

Commercial transportation firms will be essential in our country's ability to restore economic health, vitality and a return to everyday life. As the federal, state and local governments take steps to limit the spread of the Coronavirus, it is crucial that such actions do not inadvertently encumber the vital role of package and mail delivery services. We therefore write to encourage you, the Vice President, and the Coronavirus Task Force to reaffirm that transportation and shipping service providers, to include air, ground and ocean networks, are critical industries that should not be hindered by unnecessary restrictions impeding our ability to deliver.

Transportation service providers and shipping/postal operators have already been recognized by the Department of Homeland Security and Presidential Policy Directives as Critical Infrastructure industries. All of these firms utilize sophisticated networks of transportation modes including aviation, rail, ocean and truck to provide final-mile delivery for consumer goods, food, medical supplies and devices, among other items. Given the current disruption to the daily life of many Americans, there is even greater demand, and reliance upon, our services. Our organizations have implemented increased measures to ensure the safety of our people, our customers, and the general public.

It is imperative that precautionary actions taken by federal, state or municipal governments do not impose unnecessary burdens or logistical complications on package and mail delivery services, or on the people that provide those services, including our pilots, couriers, hub operators and truck drivers. Such unintended negative consequences will hamper our ability to reach businesses and consumers that are relying upon timely and dependable delivery. Neither restrictive public policies that impede interstate commerce (i.e. – Article I, Section 8 of the U.S. Constitution) should be enacted, nor should new local government initiatives create a regulatory patchwork that hinders operational efficiency.

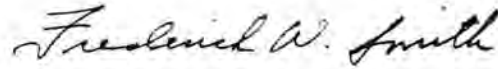
Mr. President, the spread of the Coronavirus in the U.S. is testing government institutions, challenging private industry, and placing inordinate demands on our fellow citizens. As our nation mobilizes to mitigate the impact of the pandemic, we ask that you and your Coronavirus Task Force reiterate the valuable role our firms play in this regard, and discourage states and localities from implementing public policies that restrict our ability to serve the American people.

We stand ready and willing to continue this important service to our nation, and will continue to work with federal, state and local governments in a coordinated fashion to help our employees deliver for America in the safest possible manner while also keeping our employees and the customers they serve safe too.

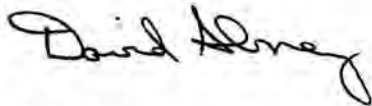
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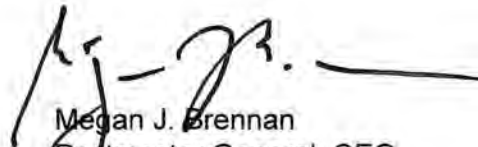
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DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

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REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
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20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
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			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
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20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

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REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
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20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
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			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
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20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	DATE SUBMITTED	SUBMITTER	TRANSACTION	ASSETS INVOLVED	FORM 8-K REPORT REQUIRED?	REPORT ON FORM 10-Q/10-K
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of \$38,461,764 million for five years (1 year base with 3-one year priced options).	\$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is \$62.34 million.	\$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	\$4.4 billion over 7 years, involving 7 suppliers	No	No

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	\$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	\$61 million over 2 years	No	No

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	\$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of \$16.8M and a maximum contract value of \$100M.	\$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	\$310 million over 7 years	No	No

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of \$310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is \$60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: \$60,617,120.00 Date of Modification Award: January 15, 2020	\$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	\$86 million over 2 years	No	No

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: \$86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. Suppliers: Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	\$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of \$30M and maximum of \$135M Date of Contract Award: January 21st, 2020	\$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	\$224	No	No

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at \$224,000,000, and the face value of the modification is \$0.	\$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	\$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	\$310 million over 7 years	No	No

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is \$310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is \$86.39 million.	\$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at \$101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. Supplier: Universal McCann 100 W 33rd Street New York, New York 10001	\$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	\$75 million	No	No

		Packaging & Fulfillment CMT	amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of \$75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	\$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Louis Berger, US Inc. 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Weston Solutions Inc. P.O. Box 536121	\$375 million	No	No

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: \$125,000,000 (one hundred twenty five million dollars and no cents) Tetra Tech Inc. 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	\$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately \$65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	\$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is \$459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	\$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: \$459,658,668.00 Date of Award: March 24, 2020	\$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	\$87 million over 2 years	No	No

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is \$64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	\$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at \$87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be \$0. Supplier: McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	\$87 million for 24 months	No	No

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at \$241 million while the second award has a potential total lifecycle dollar amount estimated at \$44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be \$0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. Timing: (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	\$285 million over 7 years	No	No

DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable _____

XXX

XX

X

Dear Representative/Senator _____,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The \$10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings

of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees

will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.
- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanded the use of telework for those employees who are able to perform their jobs remotely.
- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such

adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%

- The week of April 5th total delivered mail volume declined by 32.2%.
- **UPDATE FOR ADDITIONAL WEEKS?**

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- **UPDATE FOR ADDITIONAL WEEKS?**

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

- The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service’s financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers’ compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

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DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

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The Honorable _____

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Dear Representative/Senator _____,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The \$10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings

of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees

will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.
- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanded the use of telework for those employees who are able to perform their jobs remotely.
- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such

adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%

- The week of April 5th total delivered mail volume declined by 32.2%.
- **UPDATE FOR ADDITIONAL WEEKS?**

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- **UPDATE FOR ADDITIONAL WEEKS?**

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

- The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service’s financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers’ compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

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The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

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The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

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[Megan J. Brennan]

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Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

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will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

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- Expanded the use of telework for those employees who are able to perform their jobs remotely.
- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such

adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%

- The week of April 5th total delivered mail volume declined by 32.2%.
- **UPDATE FOR ADDITIONAL WEEKS?**

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- **UPDATE FOR ADDITIONAL WEEKS?**

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

- The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service’s financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers’ compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

[Megan J. Brennan]

ALL OTHER BOARD MEMBERS

DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable _____

XXX

XX

X

Dear Representative/Senator _____,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The \$10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

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In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

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However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

- The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service’s financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers’ compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

[Megan J. Brennan]

ALL OTHER BOARD MEMBERS

DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable _____

XXX

XX

X

Dear Representative/Senator _____,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The \$10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings

of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees

will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.
- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanded the use of telework for those employees who are able to perform their jobs remotely.
- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

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The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
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- The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service’s financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers’ compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

[Megan J. Brennan]

ALL OTHER BOARD MEMBERS

DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable _____

XXX

XX

X

Dear Representative/Senator _____,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The \$10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings

of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees

will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.
- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanded the use of telework for those employees who are able to perform their jobs remotely.
- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such

adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%

- The week of April 5th total delivered mail volume declined by 32.2%.
- **UPDATE FOR ADDITIONAL WEEKS?**

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- **UPDATE FOR ADDITIONAL WEEKS?**

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

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The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
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Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
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- The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service’s financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers’ compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

[Megan J. Brennan]

ALL OTHER BOARD MEMBERS



DRAFT – COVID-19 Stimulus Communications Plan v76

Focused Education Campaign

Objective:

As a result of BOG approval of a legislative request and 10-year financial projections and policy options, conduct a communications effort that educates postal stakeholders and the public about the need for significant funding to stabilize long-term Postal Service finances due to the immediate impact of the COVID-19 crisis and our sustained flawed business model.

Summary:

The following plan identifies communications activities already being implemented as the Congress pursues additional stimulus legislation containing postal provisions. The scope of this plan includes key messaging, and stakeholder education and earned media tactics.

Goals:

- § Develop and disseminate talking points and statement to postal stakeholders to ensure message and fact-based consistency;
- § Build knowledge and a sense of urgency among employees, postal stakeholders and policymakers of financial implications for the Postal Service resulting from the immediate COVID-19 crisis and our sustained flawed business model and the funding necessary to mitigate effects – while minimizing potential brand harm;
- § Sustain steady communications through the enactment of legislation to ensure heightened interest in the financial health of the Postal Service during a highly cluttered news media environment;
- § Heighten awareness of important role of postal employees during the COVID-19 response and subsequent economic recovery, and public support for the organization;

- § Leverage high-level of media inquiries received to date on COVID-19 issues, including major networks, cable shows and major market dailies;
- § Monitor and adapt rapidly to opportunities or challenges arising from activities or statements of postal stakeholders and policymakers, protecting non-partisan position of the Postal Service.

Spokespeople

- § USPS Executive Team: Megan Brennan, Ron Stroman, Joe Corbett and others as appropriate; Governors Duncan, Barger and Bloom.

Activities

Completed - Week of April 6th

- § PMG briefings on financial state and requirements to postal unions and house oversight committee (resulting in encouraging response from Members and staff);
- § Release of initial statement on funding necessity and engagement with influential media;
- § Proactive engagement with media to ensure positive coverage of PMG House briefing and statement (resulting in extensive accurate coverage). The following publications and outlets used the PMG statement as result of engagement: WSJ, NY Times, Washington Post, Gov Exec, Federal News Network, USA Today, NBC News, The Hill, Business Insider, Huff Post and CNN.

§ Briefing for Treasury & OMB (Corbett/Grossmann/Elston).

§ Bipartisan/Bicameral Oversight Committee Staff Briefing (Stroman/Grossmann)

Completed - Week of April 13th

§ Bipartisan/Bicameral Appropriations Committee Staff Briefing (Stroman/Grossmann) (4/13)

§ Union Leadership briefing (4/14)

§ Postal Regulatory Commission Briefing (Brennan/Stroman/Marshall) (4/14)

§ Briefing for Senator Ron Johnson (Brennan/Stroman/Marshall) (4/14)

§ Management Association Briefing (4/15)

§ Industry Association Briefing (Brennan, Marshall, Krage Strakko) (4/15)

§ Majority Leader McConnell Staff Briefing (Stroman/Grossmann/Elston) (4/15)

MEDIA ACTIVITY

§ Pitching to WSJ, NYT and WP for editorials in support of the critical mission of the Postal Service, and to coincide with the likely reveal of House provisions including relief in future -COVID-19 legislative packages, and highlighting where the Postal Service and administration have worked well together (this will require calls with PMG, possibly with BOG members);

§ Writing and Pitching Op-Eds

- WSJ (Gov Duncan) (needs to happen first to balance current coverage)
- NYT or USA Today (PMG)
- Politico or The Hill (Gov Williams)

~~§ Conservative Radio (Fox Business) Interviews — (Gov Barger)~~

~~§ Liberal/Progressive Radio (CNBC) Interviews — (Gov Bloom)~~

§ Dissemination of materials to postal stakeholders; internal audiences;

§ Soft launch of new USPS.com webpage on COVID-19 – place on all releases moving forward (with new FAQ section regarding financial impacts.);

§

§ Possible pitching of spokespeople for cable news programs (dependent upon success of stakeholder earned media activities); and

§ Possible first airing of a national television advertisement about postal commitment to deliver during COVID-19.

Weeks of April 20 and 27

BRIEFINGS TO BE CONSIDERED/SCHEDULED

§ Chief of Staff to the President (Duncan)
 e Chairman Duncan

§ Treasury Background Briefing (Kipp Kranbuhl) (Duncan)

§ Staff briefings Minority Leader Schumer, Speaker Pelosi and Minority Leader McCarthy (Stroman/Grossmann)

§ Treasury Secretary Mnuchin (Duncan/Martinez/Elston)

§ Speaker Pelosi (Brennan/Stroman/Bloom)

§ Senate Majority Leader Mitch McConnell (Duncan)

§ House Minority Leader Kevin McCarthy (Barger)
 e Governor Barger

§ Senate Minority Leader Chuck Schumer (Bloom)

§ House Majority Leader Steny Hoyer (Bloom/Williams)
 e Governor Williams and Governor Bloom

Commented [MT]-WD1: I believe Governor Bloom said that he did not have any relationship with Pelosi, and preferred not to have this assignment.

BRIEFING MEMBERS OF CONGRESS

- § GR Reps work with AVPs and DMs to identify members with favorable relationships and discuss impact of COVID-19 and legislative requests

MEDIA ACTIVITY

- ~~§ Statement release and pitching of national media regarding House bill passage;~~
- ~~§ PMG video (possibly with union leaders) about commitment to serve (social/digital/news media distribution) and position regarding necessity of funding;~~
- § BOG Chairman PMG and PMG Radio interviews – following on theme of op-ed; Satellite tours with the PMG, possibly including other Governors, if appropriate. ;
- ~~§ Proactive pitching of cable and radio news shows – with likely change in focus to reflect Senate consideration of House provisions; and~~

Ongoing

- § If needed, possible media call with PMG and BOG Chair to provide new information regarding financial distress (recent volume declines, for example), as a means of heightening awareness of needs;
- § Statements to mark milestones in legislative process ~~(Senate passage);~~
- § Media interviews as necessary to correct misperceptions;
- § Active engagement with stakeholders to ensure message discipline and accuracy;
- § In the event the stimulus hasn't been enacted by mid-May, leverage open BOG session and financial call to reiterate argumentation and update on volume declines.

Pros and Cons

- **Pros** – Focuses media and policymakers on urgent Postal Service financial state and needs; can reinforce perceived value and strong public support for the organization. Ideally, while the Postal Service is directly playing a role as an advocate for the financial stability of the organization, there will be other voices amplifying key facts and messages.
- **Cons** – There is always a great risk to the brand in focusing public attention to financial problems and of the need for what may be characterized as a bailout – although this is highly mitigated by the fact that nearly every industry is hard hit and experiencing significant problems. Nevertheless, mail and package senders may lose disproportionate confidence in the Postal Service as a result of survivability and financial failure questions, and make over reactive decisions to minimize investment in their use of the mail. There is also the risk of the Postal Service getting caught between WH and congressional policy agendas, and becoming the focus of sustained public criticism as a result.

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DRAFT – GOVERNORS Letter to Leadership re COVID-19 v1:

DATE

The Honorable _____

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Dear Representative/Senator _____,

We are writing to share with you the perspective of the Board of Governors of the United States Postal Service as we address the challenges of the Coronavirus Disease 2019 (COVID-19) pandemic, which is having profound impacts on the Postal Service even as our public service mission to the American people is more important than ever. We also want to provide you with our recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which our Board has unanimously approved. Those recommendations are set forth in the white paper which is attached to this letter.

As you know, our Board is comprised of both Republicans and Democrats, and we take great pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come.

The Board has been holding meetings and briefings at regular intervals to receive the latest information and to provide strategic direction to management on responding to the pandemic. We, along with the Postal Service management team and our dedicated employees, remain focused on achieving our mission in these difficult times, by continuing to provide the American people with prompt, reliable, and efficient postal services. We are also committed to doing whatever we can to leverage the Postal Service's unrivaled network to assist in the Government's response to this national emergency.

Since taking office, the Board has also worked extensively to craft a plan to address the Postal Service's financial condition. This process has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The \$10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action.

However, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. The Board has unanimously adopted recommendations to Congress for both immediate and longer-term relief, which is discussed more fully in the attached White Paper, and which the bipartisan Board unanimously endorses. We urge the Congress and the Administration to adopt these recommendations.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable

view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for financial relief that is more fully described in the attached White Paper is designed to ensure that the Postal Service can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter or our request for additional financial relief. We look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

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Please let us know if you have any questions regarding this letter or our request for additional financial relief. We look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

ALL OTHER [BOARD MEMBERS](#)~~GOVERNORS~~

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However, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. The Board has unanimously adopted recommendations to Congress for both immediate and longer-term relief, which is discussed more fully in a separate letter that is being sent to you from Postmaster General Brennan, and which the Board fully endorses. We urge the Congress and the Administration to adopt these recommendations.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be

assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for financial relief that is more fully described in the letter to you from the Postmaster General is designed to ensure that the Postal Service can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter or our request for additional financial relief. We look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

ALL OTHER GOVERNORS

DRAFT – GOVERNORS Letter to Leadership re COVID-19 v1:

DATE

The Honorable _____

XXX

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X

Dear Representative/Senator _____,

We are writing to share with you the perspective of the Board of Governors of the United States Postal Service as we address the challenges of the Coronavirus Disease 2019 (COVID-19) pandemic, which is having profound impacts on the Postal Service even as our public service mission to the American people is more important than ever. We also want to provide you with our recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which our Board has unanimously approved. Those recommendations are set forth in the white paper which is attached to this letter.

As you know, our Board is comprised of both Republicans and Democrats, and we take great pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come.

The Board has been holding meetings and briefings at regular intervals to receive the latest information and to provide strategic direction to management on responding to the pandemic. We, along with the Postal Service management team and our dedicated employees, remain focused on achieving our mission in these difficult times, by continuing to provide the American people with prompt, reliable, and efficient postal services. We are also committed to doing whatever we can to leverage the Postal Service's unrivaled network to assist in the Government's response to this national emergency.

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Please let us know if you have any questions regarding this letter or our request for additional financial relief. We look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

ALL OTHER BOARD MEMBERS

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Please let us know if you have any questions regarding this letter or our request for additional financial relief. We look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

ALL OTHER BOARD MEMBERS

DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v10:

DATE

The Honorable _____

XXX

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X

Dear Representative/Senator _____,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the public and to protect our employees as our nation responds to the COVID-19 pandemic.

The Postal Service Board of Governors and management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home. We operate by statute as a “basic and fundamental service” provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation’s critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services. We intend to act calmly and consistently based upon the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials as we provide our vital service.

In this regard, the specific measures we are implementing in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the men and women who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and

are continually sharing the latest information throughout our organization. Specific actions we have taken include:

- Updating our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we have entered into MOUs with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19, and have expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, are also working tirelessly to implement the leave provisions recently enacted by Congress into federal law.
- Working to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This is a matter of the highest priority for the Postal Service. We have already shipped 15 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforcing workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries.
- Updating our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanding the use of telework for those employees who are able to perform their jobs remotely.
- Issuing a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and

employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account for contingencies and local conditions, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC's website. Further, we have also donated and delivered 500,000 N-95 masks (which are different from the surgical mask that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and want to provide the most current information. Our government relations team will continue to be in frequent contact with you and your staffs to provide updates concerning our plans and thinking, as events dictate. That said, if you have questions, issues or concerns, you can leverage [Government Relations e-mail here]. Please place COVID-19 in the subject line. We have established a dedicated team to monitor that site and to respond to any inquiries expeditiously.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public and our employees, and deliver for the nation.

Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Robert M. Duncan]

[Megan J. Brennan]

DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v10:

DATE

The Honorable _____

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Dear Representative/Senator _____,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the public and to protect our employees as our nation responds to the COVID-19 pandemic.

The Postal Service Board of Governors and management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home. We operate by statute as a “basic and fundamental service” provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation’s critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

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In this regard, the specific measures we are implementing in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the men and women who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and

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Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account ~~to account~~ for contingencies and local conditions, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC's website. Further, we have also donated and delivered 500,000 N-95 masks (which are different from the surgical ask that our employees utilize) that were in excess of our needs to Further, we have committed 500,000 N95 masks to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and want to provide the most current information. Our government relations team will continue to be in frequent contact with you and your staffs and to provide updates concerning our plans and thinking, as events dictate. That said, if you do have questions, issues or concerns, you can ask that you leverage [Government Relations e-mail here]. Please place COVID-19 in the subject line. We have established a dedicated team to monitor that site and to respond to any inquiries expeditiously get you answers promptly.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public and our employees, and deliver for the nation.

Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Robert M. Duncan]

[Megan J. Brennan]

DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v10:

DATE

The Honorable _____

XXX

XX

X

Dear Representative/Senator _____,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the public and to protect our employees as our nation responds to the COVID-19 pandemic.

The Postal Service Board of Governors and management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home. We operate by statute as a “basic and fundamental service” provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation’s critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services. We intend to act calmly and consistently based upon the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials as we provide our vital service.

In this regard, the specific measures we are implementing in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the men and women who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and

are continually sharing the latest information throughout our organization. Specific actions we have taken include:

- Updating our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we have entered into MOUs with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19, and have expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, are also working tirelessly to implement the leave provisions recently enacted by Congress into federal law.
- Working to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This is a matter of the highest priority for the Postal Service. We have already shipped 15 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforcing workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries.
- Updating our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanding the use of telework for those employees who are able to perform their jobs remotely.
- Issuing a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and

employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account for contingencies and local conditions, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC's website. Further, we have also donated and delivered 500,000 N-95 masks (which are different from the surgical mask that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and want to provide the most current information. Our government relations team will continue to be in frequent contact with you and your staffs to provide updates concerning our plans and thinking, as events dictate. That said, if you have questions, issues or concerns, you can leverage [Government Relations e-mail here]. Please place COVID-19 in the subject line. We have established a dedicated team to monitor that site and to respond to any inquiries expeditiously.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public and our employees, and deliver for the nation.

Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Robert M. Duncan]

[Megan J. Brennan]

DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v8:

DATE

The Honorable _____

XXX

XX

X

Dear Representative _____,

I am writing to apprise you of actions the United States Postal Service is taking to meet the needs of the public as the nation responds to the COVID-19 pandemic. I also want to apprise you of the significant financial challenges we face that are being significantly exacerbated by the effect that the pandemic is having on the economy and on our business. Those financial challenges threaten our ability to remain liquid and to continue to provide the essential public service as a part of this nation's critical infrastructure.

While Americans contend with social distancing and quarantines, we want to assure you that the mail continues to be a safe and reliable means of communication and package delivery. As you hear from constituents, we hope the following information will be useful to you and your staff in addressing any questions or concerns.

Our board and management team, and the 630,000 men and women of the Postal Service, are highly focused on our mission of service to the nation, sustaining America's economic activity, and providing postal delivery services to the public. The Postal Service operates by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. The postal system is used to deliver, among other things, important governmental information and benefits, including Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

However, the economic downturn caused by the coronavirus is beginning to erode the volume and revenue of the United States Postal Service. Without emergency funding, we estimate that the Postal Service could run out of cash and may have to limit or cease operation by the end of this fiscal year. We urge support for the Postal Service provisions contained in draft House stimulus bill which includes \$20B of emergency funding and debt forgiveness of \$15B.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for our residential and business customers throughout this national emergency, and to ensuring that the American public can confidently depend upon our mail and shipping channel.

In this regard, we would like to share with you some measures we are implementing in response to the COVID-19 outbreak:

- § Keeping our employees safe. Our ability to deliver and function starts with the health and well-being of our employees. We are working closely with the Department of Health and Human Services, the Centers for Disease Control and Prevention (CDC), and other public health officials to ensure that we have their latest guidance. We are sharing the latest information throughout our organization, via video, e-mail, internal newsletter, stand-up talks and through our HR functions – and we will continue to do so. We are encouraging healthy behaviors and protocols including frequent hand washing, use of sanitizers, and additional cleaning of workspaces, and are encouraging any employee who feels they are sick to stay home. We have worked with our postal unions to temporarily expand leave options for our employees. To date, there have been relatively few employees who have tested positive for COVID-19.
- § Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are additionally reinforcing workplace behaviors to ensure that contact with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. To reduce health risks, we also are temporarily modifying customer signature requirements. We are also adapting procedures to ensure that we are able to serve all locations effectively and without interruption. We intend to act calmly and consistently based upon the advice of the medical and public health professionals.
- § Network integrity/continuity of operations. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect disruption or degradation in the services we provide. If, for some reason, we need to curtail operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of strong hurricanes, flooding, wildfire and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.
- § Business impacts. The Postal Service is undertaking all reasonable measures to minimize impacts to our business customers. We have experienced only minor operational limitations, almost entirely related to international flow of mail resulting from logistical constraints. With regard to our overall business, we are seeing some changes due to the fact that many more people are now working from home or spending more time in the home. For instance, we are recording higher package volumes as people order more items for delivery. While we have seen no immediate change in mail volumes in the past months, we did see significant mail volume declines last week, and anticipate that the impacts of expected economic retrenchment may have a significant impact on our mail volumes in the near future.
- § All-government Emergency response. The Postal Service continues to play an integral role in national emergency response and preparedness. Given the public facing nature of the Postal Service, our large retail network, and our role as a frequent touchpoint

between the American people and the federal government, we have been doing our part to message to our customers and the communities we serve by displaying the relevant CDC posters in our Post Office lobbies, and using the digital message boards (available in our larger Post Offices) to convey health and safety messaging in a more interactive format. We also worked with the Administration to help design and deliver a postcard from the President of the United States to every American household that includes an imbedded code that links to the CDC's website. —and yesterday Further, we have committed 500,000 N95 masks to Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and to provide the most current information. Our government relations team will continue to be in frequent contact and to provide accurate updates concerning our plans and thinking, as events dictate. If you do have questions, issues or concerns, I ask that you leverage [\[Government Relations e-mail here\]](#). Please place COVID-19 in the subject line. We have established a dedicated team to get you answers promptly.

All this said, it would be irresponsible of us if we did not also convey to you that the COVID-10 pandemic presents an existential threat to the future of the Postal Service. In that regard~~However~~, the economic downturn caused by the coronavirus is beginning to erode the volume and revenue of the United States Postal Service. Without emergency funding, we estimate that the Postal Service could run out of cash and may have to limit or cease operation by the end of this fiscal year. We urge support for the Postal Service provisions contained in draft House stimulus bill which includes \$20B of emergency funding and debt forgiveness of \$15B.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis. When the men and women of the Postal Service deliver after a natural disaster, it is often the first sign of a return to normalcy. The public takes confidence from our regular, daily role in their community and in their lives.

As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public, bind the nation together, and with your help meet the needs of America's communities, and deliver for the nation.

We want to express our sincere gratitude to you for your support for the Postal Service, and for your continued leadership and dedication as we all confront the realities of this pandemic.

[Robert M. Duncan]

[Megan J. Brennan]

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DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v9:

DATE

The Honorable _____

XXX

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Dear Representative _____,

I am writing to share with you all of the actions the United States Postal Service is taking to meet the needs of the public as the nation responds to the COVID-19 pandemic. I also want to apprise you of the significant financial challenges we face that are being significantly exacerbated by the effect that the pandemic is having on the economy and on our business. Those financial challenges threaten our ability to remain liquid and to continue to provide the essential public service as a part of this nation's critical infrastructure.

While Americans contend with social distancing and quarantines, we want to assure you that the mail continues to be a safe and reliable means of communication and package delivery. As you hear from constituents, we hope the following information will be useful to you and your staff in addressing any questions or concerns.

Our board and management team, and the 630,000 men and women of the Postal Service, are highly focused on our mission of service to the nation, sustaining America's economic activity, and providing postal delivery services to the public. The Postal Service operates by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. The postal system is used to deliver, among other things, important governmental information and benefits, including Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for our residential and business customers throughout this national emergency, and to ensuring that the American public can confidently depend upon our mail and shipping channel.

In this regard, we would like to share with you some measures we are implementing in response to the COVID-19 outbreak:

- § Keeping our employees safe. Our ability to deliver and function starts with the health and well-being of our employees. We are working closely with the Department of Health and Human Services, the Centers for Disease Control and Prevention (CDC), and other public health officials to ensure that we have their latest guidance. We are sharing the

latest information throughout our organization, via video, e-mail, internal newsletter, stand-up talks and through our HR functions – and we will continue to do so. We are encouraging healthy behaviors and protocols including frequent hand washing, use of sanitizers, and additional cleaning of workspaces, and are encouraging any employee who feels they are sick to stay home. We have worked with our postal unions to temporarily expand leave options for our employees. To date, there have been relatively few employees who have tested positive for COVID-19.

- § Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are additionally reinforcing workplace behaviors to ensure that contact with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. To reduce health risks, we also are temporarily modifying customer signature requirements. We are also adapting procedures to ensure that we are able to serve all locations effectively and without interruption. We intend to act calmly and consistently based upon the advice of the medical and public health professionals.
- § Network integrity/continuity of operations. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect disruption or degradation in the services we provide. If, for some reason, we need to curtail operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of strong hurricanes, flooding, wildfire and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.
- § Business impacts. The Postal Service is undertaking all reasonable measures to minimize impacts to our business customers. We have experienced only minor operational limitations, almost entirely related to international flow of mail resulting from logistical constraints. With regard to our overall business, we are seeing some changes due to the fact that many more people are now working from home or spending more time in the home. For instance, we are recording higher package volumes as people order more items for delivery. While we have seen no immediate change in mail volumes in the past months, we did see significant mail volume declines last week, and anticipate that the impacts of expected economic retrenchment may have a significant impact on our mail volumes in the near future.
- § All-government emergency response. The Postal Service continues to play an integral role in national emergency response and preparedness. Given the public facing nature of the Postal Service, our large retail network, and our role as a frequent touchpoint between the American people and the federal government, we have been doing our part to message to our customers and the communities we serve by displaying the relevant CDC posters in our Post Office lobbies, and using the digital message boards (available in our larger Post Offices) to convey health and safety messaging in a more interactive format. We also worked with the Administration to help design and deliver a postcard from the President of the United States to every American household that includes am

imbedded code that links to the CDC's website. Further, we have committed 500,000 N95 masks to Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and to provide the most current information. Our government relations team will continue to be in frequent contact and to provide accurate updates concerning our plans and thinking, as events dictate. If you do have questions, issues or concerns, I ask that you leverage [\[Government Relations e-mail here\]](#). Please place COVID-19 in the subject line. We have established a dedicated team to get you answers promptly.

All this said, it would be irresponsible of us if we did not also convey to you that the COVID-10 pandemic presents an existential threat to the future of the Postal Service. In that regard, the economic downturn caused by the coronavirus is beginning to erode the volume and revenue of the United States Postal Service. Without emergency funding, we estimate that the Postal Service could run out of cash and may have to limit or cease operation by the end of this fiscal year. We urge support for the Postal Service provisions contained in draft House stimulus bill which includes \$20B of emergency funding and debt forgiveness of \$15B.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis. When the men and women of the Postal Service deliver after a natural disaster, it is often the first sign of a return to normalcy. The public takes confidence from our regular, daily role in their community and in their lives.

As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public, bind the nation together, and with your help meet the needs of America's communities, and deliver for the nation.

We want to express our sincere gratitude to you for your support for the Postal Service, and for your continued leadership and dedication as we all confront the realities of this pandemic.

[Robert M. Duncan]

[Megan J. Brennan]

DRAFT – PMG Letter to Leadership re COVID-19 v10:

DATE

The Honorable _____

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XX

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Dear Representative/Senator _____,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this letter explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a “basic and fundamental service” provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.
- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.
- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanded the use of telework for those employees who are able to perform their jobs remotely.

- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

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While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

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- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.

- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
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There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
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- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond
 - The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and

our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal

Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;

- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress

eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by our bipartisan Board of Governors in a unanimous fashion.

Please let me know if you have any questions regarding this letter, and on behalf of the entire Board of Governors and the Postal Service we look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

[Megan J. Brennan]

DRAFT – WHITE PAPER PMG Letter to Leadership re COVID-19 v10:

DATE _____

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The Honorable _____

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Dear Representative/Senator _____,

**FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND
CORRESPONDING REQUEST FOR RELIEF,**

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~~I am writing~~This White Paper is drafted to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this letter explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.
- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.
- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanded the use of telework for those employees who are able to perform their jobs remotely.

- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

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- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond
 - The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of

this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;

- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our

unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by ~~the our~~ bipartisan Board of Governors in a unanimous fashion.

Please let ~~us me~~ know if you have any questions regarding this letter. ~~and on behalf of t~~The entire Board of Governors and the entire Postal Service ~~we looks~~ forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

~~[Megan J. Brennan]~~_____

DRAFT – PMG Letter to Governors/Mayors re COVID-19 v1:

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To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses in all communities throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services. We intend to act calmly and consistently based upon the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials as we provide our vital service.

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Keeping the public safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. We are reinforcing workplace behaviors to ensure that contact amongst our employees and with members of the public reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries.

Network integrity/continuity of operations. The Postal Service is conducting organization-wide efforts to respond to evolving operating conditions, and to anticipate and prepare for customer and community needs throughout the country. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation’s mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account for contingencies and local impacts, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or community, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events.

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Keeping the public safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. We are reinforcing workplace behaviors to ensure that contact amongst our employees and with members of the public reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, by eliminating the customer signature requirement for certain deliveries.

Network integrity/continuity of operations. The Postal Service is conducting organization-wide efforts to respond to evolving operating conditions, and to anticipate and prepare for customer and community needs throughout the country. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation’s mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account to account for contingencies and local impacts, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or community, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events.

All-government emergency response. The Postal Service is also playing an integral role in the Federal Government’s national emergency response, and wants to assist all levels of government in any way we can in response to the pandemic. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA). The Postal Service has unique capabilities in supporting an all-government response, given our public-facing retail and delivery network that serves all residents in communities throughout the nation. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC’s website. We have also donated and delivered 500,000 N-95 masks (which are different from the surgical ask that our employees utilize) that were in

excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. As we adapt to the challenges posed by COVID-19, the Postal Service is committed to serving the needs of each community in our nation.

Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Megan J. Brennan]

DRAFT – PMG May 2020 Open Session Script v3 (1,713 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. Thank you for joining us.

I'd like to begin by adding my thanks – and my admiration and respect – for the men and women of the Postal Service.

The Postal Service is very proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages.

This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services, and we are honored to continue to serve that role today.

This mission has never been more important, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

It is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

In that regard, throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do each and every day to deliver for America.

We have seen hundreds of notes, posters, yard signs, and sidewalk chalk drawings thanking our employees for their work.

We are deeply grateful to the public for these many uplifting messages of support – it means a lot to all of us in the Postal Service.

[PAUSE]

That said, I am saddened to also inform you that many of our employees have been exposed to COVID, and many have become ill as a result. While most have and will recover, a number have succumbed to the virus.

It is incredibly difficult for us in the Postal Service to lose friends and colleagues in this way. I would like to express my deepest condolences and sympathies to the families, friends and coworkers of those who have fallen.

It says a lot about our employees – and all those throughout the country working in essential services roles – that they do the heroic work of keeping the nation functioning. We take some comfort in knowing that because we keep delivering, the public is better able to shelter-in-place and to reduce the spread of COVID-19.

[PAUSE]

However, as we continue to perform our vital mission, the national decline in economic activity has led to a rapid drop in mail volumes and a

significant loss in needed revenues, which threatens our ongoing ability to provide our essential federal service.

The immediate concern facing policymakers is how to maintain these essential postal services amid the dramatic and unanticipated mail volume declines that are a result of the COVID-19 pandemic, to ensure continued service to the American people in the near term.

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Oversight and Government Reform Committee, and separately to the Chairman of our Senate Oversight Committee.

For scheduling reasons, members of my team likewise provided similar briefings to staff of the minority leader of our Senate Oversight Committee and to other interested Congressional stakeholder.

In our briefings, based upon the data that was available to us at the time, we provided Congress with our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term, and we described the devastating impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause extreme near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

It is inescapable that we are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital in the economic recovery.

For that reason, we presented to Congress our request for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months; a modernization grant to help us update our infrastructure so that we can survive this situation and confront future ones over the longer term, and which can serve as a catalyst as America's economy emerges from the pandemic; and unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic, and that is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is critical, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current COVID-19 crisis, it is a situation which we will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing.

Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term viability.

At the appropriate time, we will seek additional reform measures to fix our business model and to make us sustainable long-term.

The financial relief provided from these additional reforms, along with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.

In the interim, as the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service, enabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.

(PAUSE)

I would like to close, as I opened, by again extending my gratitude for the heroism and commitment of the men and women of the Postal Service, who continue to serve the American public during this pandemic.

It is an honor and a privilege to work alongside all of my postal colleagues and to share in our mission of service to the nation, which binds us all together.

Thank you.

And with that, I'll turn it back over to Chairman Duncan.

DRAFT – PMG May 2020 Open Session Script v5 (1,601 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. Thank you for joining us.

I'd like to begin by adding my thanks – and my admiration and respect – for the men and women of the Postal Service.

Postal employees embody the spirit of public service as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

The 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages throughout this country.

This items we handle include supplies that sustain us, prescription medications, benefit checks and other critical materials such as medical information, financial statements, absentee ballots and Census surveys.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services--a mission proudly accepted each and every day.

This mission has never been more important, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

It is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

A recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

This is a credit to the men and women of the Postal Service who go to work every day to serve their communities.

Throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do to deliver for America.

We have seen hundreds of notes, posters, yard signs, and sidewalk chalk drawings thanking our employees for their work.

We are deeply grateful to the public for these many uplifting messages of support – it means a lot to all of us in the Postal Service.

[PAUSE]

That said, I am saddened to also inform you that a number of our employees have become ill with the virus and some have succumbed to it.

I would like to express my deepest condolences and sympathies to the families, friends and coworkers of those who have died.

Hopefully, they can take some comfort in knowing that because we keep delivering, the public is better able to shelter-in-place and to reduce the spread of COVID-19.

It says a lot about our employees – and all those throughout the country working in essential services roles – that they do the heroic work of keeping the nation functioning.

[PAUSE]

However, as we continue to perform our vital mission, the national decline in economic activity has led to a rapid drop in mail volumes and a significant loss in needed revenues which we anticipate will deepen, and which threatens our ongoing ability to provide our essential federal service.

The immediate concern is how to maintain these essential postal services amid the dramatic and unanticipated mail volume declines that are and will result from the COVID-19 pandemic, to ensure continued service to the American people in the near term.

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Oversight and Government Reform Committee, and separately to the Chairman and Ranking Member of our Senate Oversight Committee.

In our briefings, based upon the data that was available to us at the time, we provided Congress with our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term, and we described the devastating impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause extreme near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

It is inescapable that we are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital in the economic recovery.

Our request of Congress is for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

We also request a modernization grant to help us update our infrastructure so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy emerges from the pandemic.

Finally, we seek unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic, and that is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is critical, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current COVID-19 crisis, it is a situation which policy makers will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us that we are prohibited

from reducing, and yet we also lack the autonomy to diversify our products or to control pricing for products that generate the majority of our revenue

To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model, which, along with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.

In the interim, as the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service, enabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.

[PAUSE]

As many of you know, Governor David C. Williams announced his resignation from the Board of Governors, effective April 30, 2020.

I worked with Governor Williams during his time on the Board, and in his prior capacity as the Inspector General for the Postal Service, and I always appreciated his passion, his perspective, and his creativity.

I thank him for his service and wish him the best.

Also, I would like to send my heartfelt congratulation to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

Louis will bring the tremendous business acumen and insights that he has acquired over a very successful 35-year business career.

I know that he is excited about the opportunity, extremely focused, and very committed to the long-term success of the Postal Service

I can assure you that I will do everything I can to support Louis and ensure a seamless transition, and I am confident that he will be very successful in the role.

(PAUSE)

I would like to close, as I opened, by again extending my gratitude to the men and women of the Postal Service for the vital service they continue to provide to the American public during this pandemic, and I thank you for all of the support you have provided me during my postal career.

It is a privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.

And with that, I'll turn it back over to Chairman Duncan.

DRAFT – PMG May 2020 Open Session Script v5 (1,601 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. Thank you for joining us.

I'd like to begin by adding my thanks – and my admiration and respect – for the men and women of the Postal Service.

The Postal Service is very proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages.

This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services, and we are honored to continue to serve that role today.

This mission has never been more important, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

It is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

In that regard, throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do each and every day to deliver for America.

We have seen hundreds of notes, posters, yard signs, and sidewalk chalk drawings thanking our employees for their work.

We are deeply grateful to the public for these many uplifting messages of support – it means a lot to all of us in the Postal Service.

[PAUSE]

That said, I am saddened to also inform you that many of our employees have been exposed to COVID, and many have become ill as a result. While most have and will recover, a number have succumbed to the virus.

It is incredibly difficult for us in the Postal Service to lose friends and colleagues in this way. I would like to express my deepest condolences and sympathies to the families, friends and coworkers of those who have fallen.

It says a lot about our employees – and all those throughout the country working in essential services roles – that they do the heroic work of keeping the nation functioning. We take some comfort in knowing that because we keep delivering, the public is better able to shelter-in-place and to reduce the spread of COVID-19.

[PAUSE]

However, as we continue to perform our vital mission, the national decline in economic activity has led to a rapid drop in mail volumes and a

significant loss in needed revenues, which threatens our ongoing ability to provide our essential federal service.

The immediate concern facing policymakers is how to maintain these essential postal services amid the dramatic and unanticipated mail volume declines that are a result of the COVID-19 pandemic, to ensure continued service to the American people in the near term.

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Oversight and Government Reform Committee, and separately to the Chairman of our Senate Oversight Committee.

For scheduling reasons, members of my team likewise provided similar briefings to staff of the minority leader of our Senate Oversight Committee and to other interested Congressional stakeholder.

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We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause extreme near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

It is inescapable that we are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital in the economic recovery.

For that reason, we presented to Congress our request for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months; a modernization grant to help us update our infrastructure so that we can survive this situation and confront future ones over the longer term, and which can serve as a catalyst as America's economy emerges from the pandemic; and unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic, and that is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is critical, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current COVID-19 crisis, it is a situation which we will ultimately need to confront.

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At the appropriate time, we will seek additional reform measures to fix our business model and to make us sustainable long-term.

The financial relief provided from these additional reforms, along with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.

In the interim, as the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service, enabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.

(PAUSE)

As many of you know, Governor David C. Williams announced his resignation from the Board of Governors, effective April 30, 2020.

I worked very closely with Governor Williams during his time on the Board, and in his prior capacity as the Inspector General for the Postal Service, and I always appreciated his passion, his perspective, and his creativity.

One thing that was always clear to me was that Governor Williams always wanted what we best for the Postal Service, the mailing industry, and most importantly, the American people.

I thank him for his service.

In addition, I would like to send my heartfelt congratulation to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

I have spoken to him several times already, and can tell you that Louis DeJoy brings tremendous enthusiasm, energy, and business acumen to the role.

I am a very confident that he will be a tremendous success, and I can assure you that I will do everything I can to ensure a seamless transition.

(PAUSE)

I would like to close, as I opened, by again extending my gratitude for the heroism and commitment of the men and women of the Postal Service, who continue to serve the American public during this pandemic.

It is an honor and a privilege to work alongside all of my postal colleagues and to share in our mission of service to the nation, which binds us all together.

Thank you.

And with that, I'll turn it back over to Chairman Duncan.

DRAFT – PMG May 2020 Open Session Script v5 (1,601 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. Thank you for joining us.

I'd like to begin by adding my thanks – and my admiration and respect – for the men and women of the Postal Service.

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We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is critical, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current COVID-19 crisis, it is a situation which we will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing.

Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term viability.

At the appropriate time, we will seek additional reform measures to fix our business model and to make us sustainable long-term.

The financial relief provided from these additional reforms, along with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.

In the interim, as the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service, enabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.

(PAUSE)

As many of you know, Governor David C. Williams announced his resignation from the Board of Governors, effective April 30, 2020.

I worked very closely with Governor Williams during his time on the Board, and in his prior capacity as the Inspector General for the Postal Service, and I always appreciated his passion, his perspective, and his creativity.

One thing that was always clear to me was that Governor Williams always wanted what we best for the Postal Service, the mailing industry, and most importantly, the American people.

I thank him for his service.

In addition, I would like to send my heartfelt congratulation to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

I have spoken to him several times already, and can tell you that Louis DeJoy brings tremendous enthusiasm, energy, and business acumen to the role.

I am a very confident that he will be a tremendous success, and I can assure you that I will do everything I can to ensure a seamless transition.

(PAUSE)

I would like to close, as I opened, by again extending my gratitude for the heroism and commitment of the men and women of the Postal Service, who continue to serve the American public during this pandemic.

It is an honor and a privilege to work alongside all of my postal colleagues and to share in our mission of service to the nation, which binds us all together.

Thank you.

And with that, I'll turn it back over to Chairman Duncan.

Thank you, Chairman Duncan

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

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Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

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DRAFT – PMG May 2020 Open Session Script v6 (1,291 words):

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In our briefings, based upon the data that was available to us at the time, we provided Congress with our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term.

We described the significant impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this

year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital role in the economic recovery.

Our request of Congress is for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

We also request a modernization grant to help us update our infrastructure so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

That is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current crisis, it is a situation which policy makers will ultimately need to confront.

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These combined actions by Congress will provide the Postal Service with positive cash flow over the next ten years.

As the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service and enable us to continue to fulfill our indispensable mission and to play an effective role in the nation's economic recovery.

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DRAFT – PMG May 2020 Open Session Script v6 (1,245 words):

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In our briefings, based upon the data that was available to us at the time, we described the significant impacts that we believe the pandemic will have on our business.

The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

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We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

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DRAFT – PMG May 2020 Open Session Script v6 (1,601 words):

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As Chairman Duncan mentioned, throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do to deliver for America.

We are deeply grateful to the public for these many uplifting messages of support --It makes clear to us that the Postal Service matters to the American people.

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Several weeks ago, I provided a briefing to members and staff of the House Committee on Oversight and Government Reform, and separately to the Chairman and Ranking Member of the Senate Committee on Homeland Security and Governmental Affairs, on our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term.

In our briefings, based upon the data that was available to us at the time, we described the significant impacts that we believe the pandemic will have on our business.

The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We also provided Congress with our immediate legislative request, to help the Postal Service deal with the direct impacts of the pandemic. The request was unanimously approved by our Board of Governors.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

We also request modernization funding so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

(PAUSE)

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

That is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current crisis, it is a situation which policy makers will need to confront in the immediate future.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us.

We are prohibited from reducing these costs, and yet we also lack the autonomy to diversify our products or to control pricing for products that generate the majority of our revenue.

To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model along with the immediate relief that we are requesting now that is directly related to the pandemic.

These combined actions by Congress, along with continued management initiatives to drive greater efficiency and increase profitable revenue, will provide the Postal Service with positive cash flow over the next ten years.

As the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service and enable us to continue to fulfill our indispensable mission and to play an effective role in the nation's economic recovery.

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I join the Chairman in thanking David Williams for his service on the Board and wish him the best.

Also, I would like to send my heartfelt congratulations to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

Louis will bring the business acumen and insights that he has acquired over a successful 35-year professional career.

I can assure you that I will do everything I can to support Louis and ensure a seamless transition.

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I thank you for all of the support you have provided me during my postal career.

And with that, I'll turn it back over to Chairman Duncan.

Thank you, Chairman Duncan

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

I would also add my thanks – and my admiration and respect – for the men and women of the Postal Service.

Postal employees embody the spirit of public service as they continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

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This mission has never been more important, and it is clearer than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

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I thank you for all of the support you have provided me during my postal career.

And with that, I'll turn it back over to Chairman Duncan.

DRAFT – PMG May 2020 Open Session Script v65 (1,601 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. ~~Thank you for joining us.~~

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

~~I'd like to begin by~~ I would also adding add my thanks – and my admiration and respect – for the men and women of the Postal Service.

Postal employees embody the spirit of public service as they **steadfastly** continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

The 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages throughout this country.

~~This items Wwe handle include convey~~deliver supplies that sustain us, prescription medications, benefit checks and other critical materials such as medical information, financial statements, absentee ballots, and Census surveys.

Commented [MTJ-WD1]: We use deliver in the previous paragraph, and I also want to use a broader term so that it encompasses all of our craft employees.

This fundamental service which our employees ~~supply~~provide ~~supply~~ is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

Commented [MT]-WD2: I am trying to use a different word, since we say provide two paragraphs up, as well as three paragraphs below.

~~In addition, the population most at risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.~~

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the nNation with prompt, secure, and affordable mail and package delivery services--a mission proudly accepted each and every day.

This mission has never been more important, ~~and as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.~~

~~It~~it is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

A recent survey by the Pew Research Center ~~released on April 9~~ shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

This is a credit to the men and women of the Postal Service who go to work every day to serve their communities.

As Chairman Duncan mentioned, ~~T~~throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do to deliver for America.

~~We have seen hundreds of notes, posters, yard signs, and sidewalk chalk drawings thanking our employees for their work.~~

We are deeply grateful to the public for these many uplifting messages of support — ~~it means a lot to all of us in the Postal Service. It makes's clear to us that,~~ the Postal Service matters to the American people.

[PAUSE]

~~That said, I am saddened to also inform you that a number of our employees have become ill with the virus and some have died, succumbed to it.~~

~~I would like to express my deepest condolences and sympathies to their families, friends, and coworkers, of those who have died.~~

Hopefully, they can take some comfort in knowing that because we keep delivering, the public is better able to shelter in place and to reduce the spread of COVID-19.

It says a lot about our employees—and all those throughout the country working in essential services roles—that they do the heroic work of keeping the nation functioning.

[PAUSE]

However, as we continue to perform our vital mission, the national decline in economic activity has led to a rapid drop in mail volumes and a significant loss in needed revenues which we anticipate will deepen, and which threatens our ongoing ability to provide our essential federal service.

The immediate concern is how to maintain these essential postal services amid the dramatic and unanticipated mail volume declines that are and will result from the COVID-19 pandemic, to ensure continued service to the American people in the near term.

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Committee on Oversight and Government Reform ~~Committee~~, and separately to the Chairman and Ranking Member of the ~~our~~ Senate Oversight Committee on Homeland Security and Governmental Affairs.

In our briefings, based upon the data that was available to us at the time, we provided Congress with our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term, ~~and~~

~~We~~ described the ~~significant devastating~~ impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause ~~significant meaningful~~ ~~extreme~~ near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

~~It is inescapable that~~ ~~We~~ are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital ~~role~~ in the economic recovery.

Our request of Congress is for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

We also request a modernization grant to help us update our infrastructure so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up, ~~emerges from the pandemic~~.

Finally, we seek unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic, ~~and~~

~~T~~hat is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is ~~critical~~necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current ~~COVID-19~~ crisis, it is a situation which policy makers will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us.

~~Costs that w~~We are prohibited from reducing these costs, and yet we also lack the autonomy to diversify our products or to control pricing for products that generate the majority of our revenue

To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model, ~~which,~~along with the immediate relief that we are requesting now that is directly related to the pandemic.

These combined actions by Congress, will provide the Postal Service with positive cash flow over the next ten years.

~~Along with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.~~

~~In the interim, As the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service, enabling us to continue to fulfill our indispensable mission and to play an effective role in the nation's economic recovery.~~

~~Enabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.~~

[PAUSE]

~~As many of you know, Governor David C. Williams announced his resignation from the Board of Governors, effective April 30, 2020. I join the Chairman in thanking David Williams for his service on the Board and wish him the best.~~

~~I worked with David Governor Williams during his time on the Board, and in his prior capacity as the Inspector General for the Postal Service, and I always appreciated his passion, his perspective, and his creativity.~~

~~I thank him for his service and wish him the best.~~

Also, I would like to send my heartfelt congratulations to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

Louis will bring the ~~tremendous~~ business acumen and insights that he has acquired over a ~~very~~ successful 35-year professional ~~business~~ career.

As Louis remarked yesterday, he has a great appreciation for the Postal Service and our dedicated employees who faithfully execute our mission, which he characterized as “the heart and soul” of this institution.

I could not agree with him more, and I know that he is excited about the opportunity, extremely focused, and very committed to the long-term success of the Postal Service

I can assure you that I will do everything I can to support Louis and ensure a seamless transition. ~~and I am confident that he will be very successful in the role.~~ I know postal employees throughout the organization will support him in his efforts to upholding and preserve the Postal Service’s cherished role in our nation....

(PAUSE)

I would like to close, as I opened, by again extending my gratitude to the men and women of the Postal Service for the vital service they continue to provide to the American public. ~~during this pandemic, and~~

It is a privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.

I thank you for all of the support you have provided me during my postal career.

~~It is a privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.~~

And with that, I'll turn it back over to Chairman Duncan.

DRAFT – PMG May 2020 Open Session Script v6 (1,601 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

I would also add my thanks – and my admiration and respect – for the men and women of the Postal Service.

Postal employees embody the spirit of public service as they continue working every day to provide our essential services to their fellow Americans as part of the nation’s critical infrastructure.

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This mission has never been more important, and it is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

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A recent survey by the Pew Research Center shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

This is a credit to the men and women of the Postal Service who go to work every day to serve their communities.

As Chairman Duncan mentioned, throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do to deliver for America.

We are deeply grateful to the public for these many uplifting messages of support –It makes clear to us that the Postal Service matters to the American people.

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Several weeks ago, I provided a briefing to members and staff of the House Committee on Oversight and Government Reform, and separately to the Chairman and Ranking Member of the Senate Committee on Homeland Security and Governmental Affairs.

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We described the significant impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this

year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital role in the economic recovery.

Our request of Congress is for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

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Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

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[PAUSE]

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POSTAL NEWS

DRAFT

FOR IMMEDIATE RELEASE
April XX, 2020

Contact: XXXXX
XXX.XXX@usps.gov
202.268.XXXX
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U.S. Postal Service to Deliver Face Coverings to Every American Household

Historic Delivery of 650 Million Face Coverings is in Partnership with the White House Coronavirus Task Force, the Department of Health and Human Services and a Consortium of Textile Manufacturers

WASHINGTON — The U.S. Postal Service today announced it will distribute 650 million reusable cotton face coverings on behalf of the Department of Health and Human Services (HHS) to every residential delivery point in America, beginning in areas which HHS has identified as experiencing high transmission rates of COVID-19 and to workers providing essential services throughout the nation during this pandemic.

This unprecedented undertaking is being done in partnership with the White House Coronavirus Task Force, ~~the Department of Health and Human Services (HHS)~~ and a consortium of textile manufacturers. Project: America Strong sub-task force within the Federal Emergency Management Agency (FEMA) Unified Command Structure, is complementing the Administration's whole-of-nation response to COVID-19

The first shipments are expected to reach U.S. households as early as April xx.

"The United States Postal Service is proud to partner with the White House Coronavirus Task Force, the Department of Health and Human Services and a consortium of textile manufacturers in delivering on this critical national initiative," said Postmaster General and CEO Megan J. Brennan. "Our organization is uniquely suited to undertake this historic mission of delivering face coverings to every American household in the fight against the COVID-19 virus. Our employees have been providing essential service to the American people throughout the frontlines of this crisis delivering vital goods and services and serving as a lifeline for millions of people as this pandemic tragedy has unfolded. Today, we stand ready to deliver, as we have for 240 years, ~~to the American public to help~~ our country combat the pandemic."

The Postal Service will utilize its unrivaled distribution network to deliver the face coverings. Letter carriers, rural carriers and others will deliver one pack of five face coverings to each residential delivery point and PO Box. The packs will arrive labeled with a generic Postal Service barcode, not a specific address, and will include HHS instructions on proper use.

HHS will determine the delivery points and timetable by counties within select geographic areas. Orleans and Jefferson parishes in Louisiana will be the first areas to receive face coverings, followed by King County, WA; Wayne County, MI, and New York.

The Postal Service provides a vital public service that is a part of this nation's critical infrastructure.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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Draft - Reactive Media Statement

The United States Postal Service is proud to partner with the White House Coronavirus Task Force, the Department of Health and Human Services (HHS), and ~~the~~ a consortium of textile manufacturers in delivering on this critical national initiative of distributing ~~xxx~~ million reusable cotton face coverings to every household in America, beginning in some of the areas experiencing ~~the~~ high~~est~~ transmission rates of COVID-19.

The packs will arrive labeled with a generic Postal Service barcode, not a specific address, and HHS instructions on proper use. They will include five reusable face cloths, which can be used up to 15 times each.

This effort will be rolled out in phases with HHS determining the order of delivery locations. Today's announcement is another example of the Postal Service's critical role in delivering for America during the COVID-19 crisis. With our unrivaled network, which includes 630,000 employees, 31,000 Post Offices and delivery 6 days a week to 160 million addresses, the Postal Service is uniquely positioned to provide nationwide support during this historic crisis.

~~Recently, the Postal Service also strongly encouraged its employees to follow additional CDC recommendations, advising people to wear cloth face coverings in public settings where other social distancing measures are difficult to maintain. We continue to follow the strategies and measures of the CDC.~~

Commented [KRC1]: This paragraph does not seem to fit with the main purpose of this statement and takes away from the effort. ¶

¶ Also, if the media sees carriers and clerks in the area not wearing face coverings, this message probably won't land well.

DRAFT – WHITE PAPER for Leadership re COVID-19 v10:

FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND CORRESPONDING REQUEST FOR RELIEF

This White Paper is drafted to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this White Paper explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a “basic and fundamental service” provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on

appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.
- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.
- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanded the use of telework for those employees who are able to perform their jobs remotely.
- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to

continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%
- The week of April 5th total delivered mail volume declined by 32.2%.
- **UPDATE FOR ADDITIONAL WEEKS?**

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- **UPDATE FOR ADDITIONAL WEEKS?**

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.

- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond
 - The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of

our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by the bipartisan Board of Governors in a unanimous fashion.

Please let us know if you have any questions regarding this White Paper. The Board of Governors and the entire Postal Service look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

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In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on

appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

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Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

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However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.

- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond
 - The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of

our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by the bipartisan Board of Governors in a unanimous fashion.

Please let us know if you have any questions regarding this White Paper. The Board of Governors and the entire Postal Service look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

DRAFT – WHITE PAPER for Leadership re COVID-19 v10:

FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND CORRESPONDING REQUEST FOR RELIEF

This White Paper is drafted to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this White Paper explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a “basic and fundamental service” provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on

appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.
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- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at

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which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.

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 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond
 - The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of

our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by the bipartisan Board of Governors in a unanimous fashion.

Please let us know if you have any questions regarding this White Paper. The Board of Governors and the entire Postal Service look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

DRAFT – WHITE PAPER for Leadership re COVID-19 v10:

FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND CORRESPONDING REQUEST FOR RELIEF

This White Paper is drafted to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this White Paper explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a “basic and fundamental service” provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on

appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.
- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.
- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanded the use of telework for those employees who are able to perform their jobs remotely.
- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to

continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%
- The week of April 5th total delivered mail volume declined by 32.2%.
- **UPDATE FOR ADDITIONAL WEEKS?**

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- **UPDATE FOR ADDITIONAL WEEKS?**

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

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- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
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 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
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 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
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 - The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

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Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

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There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- \$25B in funds to cover the estimated COVID-19 losses over the next two years;
- \$25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our \$14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately \$23B. Our request for \$25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVID-19 is estimated at almost \$55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting \$25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations **until 2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of

our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by the bipartisan Board of Governors in a unanimous fashion.

Please let us know if you have any questions regarding this White Paper. The Board of Governors and the entire Postal Service look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

DRAFT – WHITE PAPER for Leadership re COVID-19 v10:

FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND CORRESPONDING REQUEST FOR RELIEF

This White Paper is drafted to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this White Paper explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a “basic and fundamental service” provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on

appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.
- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.
- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.
- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanded the use of telework for those employees who are able to perform their jobs remotely.
- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to

continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%
- The week of April 5th total delivered mail volume declined by 32.2%.
- **UPDATE FOR ADDITIONAL WEEKS?**

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- **UPDATE FOR ADDITIONAL WEEKS?**

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down **42.5% in the most recent week**.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service’s financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.

- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
 - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes).
 - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond
 - The longer-term projection suggests a return to a “new normal” of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.

However, even with this additional \$10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately \$600M-\$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

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- Unrestricted borrowing authority up to \$25B, by consolidating our existing borrowing authority of \$15B under Title 39 of the United States Code, and \$10B under the CARES Act, based on streamlined procedures, and by eliminating the \$3B annual borrowing limitation.

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Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

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Please let us know if you have any questions regarding this White Paper. The Board of Governors and the entire Postal Service look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

Draft April 16, 2020 (3.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #1.0)
- Cash flows
- RPW (currently reconciled with RPW draft V2.0)
- Contingent liabilities
- Workers compensation (initial review complete)
- RHB, FERS and CSRS content tailored (potential impact from Board of Actuaries discount rate decision, not yet reflected in document or general ledger)
- Liquidity has gone through first review
- Related party transactions

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 16, 2020 (3.0)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.

(State or other jurisdiction of incorporation or organization)

41-0760000

(I.R.S. Employer Identification No.)

475 L'Enfant Plaza, S.W.

Washington, D.C.

(Address of principal executive offices)

20260

(ZIP Code)

(202) 268-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

Not applicable ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Not applicable

Trading Symbol(s)

Not applicable

Name of each exchange on which registered

Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>28</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>52</u>
Item 4. Controls and Procedures	<u>52</u>
PART II: OTHER INFORMATION	<u>53</u>
Item 1. Legal Proceedings	<u>53</u>
Item 1A. Risk Factors	<u>53</u>
Item 6. Exhibits	<u>53</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31.		Six Months Ended March 31.	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,861	\$ 17,492	\$ 37,212	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,863	17,495	37,217	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,615	1,470	3,230	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,129	19,557	42,208	40,783
Loss from operations	(4,266)	(2,062)	(4,991)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,292)	\$ (2,082)	\$ (5,040)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,617	1,461
Supplies, advances and prepayments	246	178
Total current assets	11,322	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,337	—
Other assets	548	481
Total assets	\$ 30,486	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,018	\$ 2,571
Retirement benefits	9,776	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,020	2,228
Deferred revenue-prepaid postage	2,116	2,225
Operating lease liabilities	1,170	—
Customer deposit accounts	1,174	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,423	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,321	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	741	649
Long-term debt	11,000	11,000
Total liabilities	107,058	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,704)	(74,664)
Total net deficiency	(76,572)	(71,532)
Total liabilities and net deficiency	\$ 30,486	\$ 25,633

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	<u>Capital Contributions of U.S. Government</u>	<u>Accumulated Deficit Since Reorganization</u>	<u>Total Net Deficiency</u>
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

<i>(in millions)</i>	<u>Capital Contributions of U.S. Government</u>	<u>Accumulated Deficit Since Reorganization</u>	<u>Total Net Deficiency</u>
Balance, September 30, \$	3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, \$	3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,292)	(4,292)
Balance, March 31, \$	3,132	\$ (79,704)	\$ (76,572)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,040)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	27	—
Increase in other assets	(67)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	107	—
(Decrease) increase in other noncurrent liabilities	(43)	33
Changes in current assets and liabilities:		
Receivables, net	(156)	(362)
Other current assets	(68)	(48)
Retirement benefits	1,350	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	293	75
Deferred revenue-prepaid postage and other deferred revenue	(123)	219
Net cash provided by operating activities	1,037	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(15)	(25)
Net cash used in financing activities	(15)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-

Quarter II, 2020 Report on Form 10-Q - United States Postal Service-7

of-use (“ROU”) asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* (“ASC 840”), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustment s		Balance on October 1, 2019	
CONDENSED BALANCE						
Operating lease right-of-use	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities,		—		3,255		3,255
Total liabilities and net	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service’s *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service’s *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service and has continued to process and deliver mail and packages during the pandemic as a part of the nation's critical infrastructure.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. H, however the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon ~~under~~ favorable terms.

The Postal Service estimates that the COVID-19 pandemic will increase its net operating loss by more than \$22.0 billion over the next eighteen months, and by over \$54.0 billion over the longer term, threatening its ability to operate. If the Postal Service is able to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service will require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity will continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with

this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020.

The Postal Service drew \$3.4 billion on a revolving credit facility with the FFB, ~~that survived the expiration of the under-a~~ Note Purchase Agreement ("NPA"). This borrowing transpired in early April 2020, ~~prior to that revolving credit facility's expiration~~. This credit facility has a maximum term of up to one year and its interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$82.9 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will be unlikely to have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which account for approximately 66% of the Postal Service's annual operating revenues, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first half of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service have recently begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

<i>(in millions)</i>	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$7,241	\$6,879	\$6,918	\$ 34,395	\$55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. **Irrespective of** **Notwithstanding the challenges resulting from the COVID-19 pandemic**, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,395	\$ 6,286	\$ 12,867	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other	1,059	1,043	1,931	1,966
Total operating revenue	\$ 17,861	\$ 17,492	\$ 37,212	\$ 37,203
* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.				

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, Marketing Mail, Shipping and Packages, International Mail and Periodicals are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	505	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,116	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,581	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020	
Revenue recognized in the period from deferred revenue:		
Forever stamps	\$	727
Mail-in-transit		555
Metered postage		313
Other prepaid postage		55
PO Box and Caller Service fees		375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 307	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,396	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
⁴ Amount includes liabilities for operating leases with the GSA.
⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations as well as payables to other agencies.
⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 41	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 60	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.
² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.
³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.
⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract **went into effect on April 25, 2020**, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse.

The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-	3.1%	12.8%	3.1%	11.9%
FERS-	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
(in millions)				
FERS normal costs	\$ 946	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits	404	360	809	720
FERS unfunded retirement benefits	265	240	530	479
Total retirement benefits	\$ 1,615	\$ 1,470	\$ 3,230	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

The Postal Service's total liability for retirement benefits was \$9.8 billion and \$8.4 billion at March 31, 2020, and September 30, 2019, respectively.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from OPM's original projections due to changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.6 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBf an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBf by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBf, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBf prefunding payments that it

defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31.		Six Months Ended March 31.	
	2020	2019	2020	2019
PSRHBF unfunded liability	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health	1,000	1,000	2,000	2,000
Total retiree health benefits	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020		Six Months Ended March 31, 2020	
Finance lease cost:				
Amortization of right-of-use	\$	7	\$	15
Interest on lease liabilities		3		6
Total finance lease cost	\$	10	\$	21
Operating lease cost		311		759
Variable lease cost		190		369
Short-term lease cost		61		103
Total lease cost	\$	572	\$	1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

(\$ in millions)		Six Months Ended March 31, 2020	
Finance Leases:			
Cash paid for amounts included in measurement of lease liabilities:			
Operating cash flows - interest on lease liability	\$	6	
Financing cash flows - principal repayments	\$	21	
Right-of-use assets obtained in exchange for lease payments	\$	—	
Weighted-average remaining lease term - finance leases		7.24 years	
Weighted-average discount rate - finance leases		6.30	%
Operating Leases:			
Operating cash flows from operating leases	\$	606	
Right-of-use assets obtained in exchange for operating lease	\$	172	
Weighted-average remaining lease term - operating leases		5.34 years	
Weighted-average discount rate - operating leases		1.70	%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(\$ in millions)		2019	2018	2017
Non-cancellable real estate leases ¹	\$	1,034	\$ 984	\$ 940
GSA facilities leases ²		29	29	32
Equipment and other short-term rentals		160	159	157
Total rental expense	\$	1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

<i>(in millions)</i>	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating expenses* in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. **These statements—risks include, but are not limited to, the effects of the novel strain of coronavirus ("COVID-19") on our business, financial condition and results of operations.** We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* ("PAEA") classifies our products into two broad categories: Market-Dominant and Competitive "products," however, we use the term "services" in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS"), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund ("PSRHB"). We must coordinate with the U.S. Office of Personnel Management ("OPM") to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. New, ~~and~~ changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed ~~shelter-in-place and other~~ movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, products that sustain us, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover.

Although the COVID-19 pandemic has caused a recent surge in the nation’s use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Furthermore, the anticipated weakness in the U.S. economy due to the pandemic has resulted in significant interest rate declines, which have caused an increase in certain of our noncontrollable operating expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the “*CARES Act*”). Notwithstanding our \$15.0 billion statutory debt limit, and \$3 billion annual limit on new borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~h~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon~~nder~~ favorable terms.

We estimate that the COVID-19 pandemic will increase our net operating loss by more than \$22.0 billion over the next eighteen months, and by over \$54.0 billion over next ten years, threatening our ability to operate. If we are able to borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$369 million, or 2.1%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$351 million, or 6.5%, with a volume growth of 16 million pieces, or 1.1%, driven largely by the January 2020 price increases applicable to certain Competitive services and e-commerce growth resulting from COVID-19; and
- *First-Class Mail* revenue increase of \$109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%. Revenue growth was the result of the January 2020 price increases applicable to certain *First-Class Mail* services.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 605 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 50 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.6 billion, or 13.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$145 million, or 9.9%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;

- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.3 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, increased \$9 million, ~~and was~~ essentially flat, compared to the same period last year. The increase in operating revenue was due to an increase in Shipping and Packages revenue of \$497 million, or 4.2%, despite a volume decline of 68 million pieces, or 2.1%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services. The increase in operating revenue was largely offset by the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, **driven by decreases in revenue and volume from political and election mail in the first quarter.** Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, **volume declined due to the COVID-19 in the second quarter, as the pandemic affected many of our commercial customers;**
- *First-Class Mail* revenue decrease of \$59 million, or 0.5%, with a volume decline of 634 million pieces, or 2.2%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.4 billion, or 3.5%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, **as the COVID-19 pandemic weighed on the U.S. economy;**
- Retirement benefits expense increase of \$274 million, or 9.3%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase **of \$122 million, or 2.5%, due to increased spending on rent and utilities, and supplies and services; and**
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards

Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.0 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBf actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31.		Six Months Ended March	
	2020	2019	2020	2019
Net loss	\$ (4,292)	\$ (2,082)	\$ (5,040)	\$ (3,619)
PSRHBf unfunded liability amortization	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	404	360	809	720
FERS unfunded liability amortization expense ⁴	265	240	530	479
Controllable loss	\$ (773)	\$ (806)	\$ (1,159)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBf retirement health benefit obligation. Payments are to be made through 2056

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period

Our controllable loss decreased \$33 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$369 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$76 million.

Our controllable loss increased \$250 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first quarter of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,395	\$ 6,286	\$ 12,867	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other ⁴	1,059	1,043	1,931	1,966
Total operating revenue	\$ 17,861	\$ 17,492	\$ 37,212	\$ 37,203
Volume:				
First-Class Mail ¹	14,172	14,235	28,490	29,124
Marketing Mail ²	17,039	17,644	37,341	39,687
Shipping and Packages ³	1,488	1,472	3,226	3,294
International	193	214	433	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	80	70	174	161
Total volume	33,993	34,798	71,794	75,100
¹ Excludes <i>First-Class Package Service - Retail</i> and <i>First-Class Package Service - Commercial</i> . ² Excludes <i>Marketing Mail Parcels</i> . ³ Includes <i>Priority Mail</i> , <i>USPS Retail Ground</i> , <i>Parcel Select Mail</i> , <i>Parcel Return Service Mail</i> , <i>Marketing Mail Parcels</i> , <i>Package Service Mail</i> , <i>First-Class Package Service - Retail</i> , <i>First-Class Package Service - Commercial</i> and <i>Priority Mail Express</i> . ⁴ Revenue includes <i>PO Box</i> services, <i>Certified Mail</i> , <i>Return Receipts</i> , <i>Insurance</i> , <i>Other Ancillary Services</i> , <i>Shipping and Mailing Supplies</i> , <i>Collect on Delivery</i> , <i>Registered Mail</i> , <i>Stamped Envelopes and Cards</i> , <i>Money Orders</i> and <i>Other services</i> . ⁵ Volume includes <i>Postal Service internal mail</i> and <i>free mail</i> provided to certain congressionally mandated groups.				

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of

our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 32% of our revenue for the three months ended March 31, 2020, which was a 1% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. Furthermore, due to the COVID-19 pandemic our *First-Class Mail* volume began to decline significantly in March 2020, and it may never fully recover. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically shown revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

However, our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert additional volume from our network by insourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%, compared to the same period last year. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased \$59 million, or 0.5%, and volume declined 634 million pieces, or 2.2%, compared to the same period last year. The most significant factor contributing to the declining trend in *First-Class Mail* volume was the continuing migration from mail to electronic communication and transaction alternatives. The increase in revenue and decline in volume for the three months ended March 31, 2020, as well as revenue declining at a slower rate than volume for the six months ended March 31, 2020, are due to the January 2020 price increase applicable to Market-Dominant services.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in March 2020, and it may never fully recover. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 605 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover. A protracted

loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,614	\$ 2,520	\$ 5,592	\$ 5,489
Parcel Services ²	1,764	1,619	3,949	3,726
First-Class Package Services ³	1,204	1,087	2,440	2,252
Package Services	206	211	413	430
Total Shipping and Packages	\$ 5,788	\$ 5,437	\$ 12,394	\$ 11,897
Shipping and Packages Volume:				
Priority Mail Services ¹	270	273	573	594
Parcel Services ²	718	699	1,626	1,643
First-Class Package Services ³	355	341	727	724
Package Services	145	159	300	333
Total Shipping and Packages	1,488	1,472	3,226	3,294
¹ Includes <i>Priority Mail</i> , a 1-3 business day delivery service; <i>Priority Mail Express</i> , an overnight delivery service available 365 days per year; and <i>USPS Retail Ground</i> , a retail-only Competitive service priced identically and functionally equivalent to <i>Priority Mail</i> for Zones 1-4. ² Includes <i>Parcel Select</i> , <i>Parcel Return</i> , and <i>Marketing Mail Parcels</i> . ³ Includes <i>First-Class Package Services - Retail</i> and <i>First-Class Package Services - Commercial</i> .				

Our Shipping and Packages category has historically shown revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday retail shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 6.5%, with a volume growth of 1.1%, compared to the same period last year. The volume increased due to growth in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.2%, despite a volume decline of 2.1%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by e-commerce growth resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 45% of the total for the three and six months ended March 31, 2020, compared to approximately 46% for the same period last year. However, Priority Mail Services accounted for approximately 18% of the total Shipping and Packages volume for both the three months ended March 31, 2020, a 1% decrease from the same period last year, and approximately 18% of the total Shipping and Packages volume for the six months ended March 31, 2020, essentially unchanged from the same period last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 3.7%, despite a volume decline of 1.1%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 1.9%, despite a volume decline of 3.5%, compared to the same period last year. Revenue grew despite the volume declines for the periods due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform more of the sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.0%, on volume growth of 2.7%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.0%, despite a volume decline of 1.0%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to e-commerce growth from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three months ended March 31, 2020, and despite the volume decline for the six months ended March 31, 2020, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels at the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 10.8%, on volume growth of 4.1%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 8.3%, on volume growth of 0.4%, compared to the same period last year. Revenue grew greater than volume largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 2.4% on a volume decline of 8.8%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 4.0% on a volume decline of 9.9%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 3.2%, despite a volume decline of 9.8%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.8%, despite a volume decline of 8.5%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 10.7% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have depressed this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue increased 1.5%, but decreased 1.8% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments, approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended

March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. **The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.**

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31.		Six Months Ended March 31.	
	2020	2019	2020	2019
FERS normal costs	\$ 946	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits	404	360	809	720
FERS unfunded retirement benefits	265	240	530	479
Total retirement benefits	\$ 1,615	\$ 1,470	\$ 3,230	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 9.9% and 9.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

Our expense for FERS normal costs is reported within *Retirement benefits* in the accompanying unaudited *Statements of Operations*. We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.7% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS. Accordingly, we have accrued \$404 million and \$809 million for the three and six months ended March 31, 2020, for the CSRS amortization expense. Likewise, we have accrued \$265 million and \$530 million for the three and six months ended March 31, 2020, for the FERS amortization expense.

Our expense for CSRS and FERS unfunded retirement benefits amortization is reported within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 11.5% and 11.7% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher OPM projected annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the original projected amounts, due to changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of

changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31.		Six Months Ended March 31.	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3 billion annual limitation on new borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided under upon favorable terms.

We estimate that the COVID-19 pandemic will increase our net operating loss by more than \$22.0 billion over the next eighteen months, and by over \$54.0 billion over the next ten years, threatening our ability to operate. If we are able to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if the Postal Service is

unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Over half of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBf prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBf normal cost and amortization on PSRHBf, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$147 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately \$2.0 billion, which is approximately \$300 million less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations for the foreseeable future.

We drew \$3.4 billion in early April 2020, on a revolving credit facility with the FFB that survived the expiration of under the NPA in early April 2020, prior to that facility's expiration. This revolving credit facility has a maximum term of up to one year and its interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHB and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of Notwithstanding our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020 and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulmaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

Irrespective of Notwithstanding our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-

Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$7.6 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.16 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task

Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent pursuant to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, ~~or if a school/child care is closed~~, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 26, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

~~H.R. 6379, the *Take Responsibility for Workers and Families Act*, introduced on March 23, 2020, would provide \$25.0 billion to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic, eliminate debt owed to the FFB and authorize us to borrow money from the U.S. Treasury in an amount not to exceed \$15.0 billion to carry out our duties and responsibilities. The bill was referred to the House Committees on Appropriations, Budget and Ways & Means.~~

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would also appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

THIRD-PARTY SERVICE ORGANIZATION'S CYBER INTRUSION INCIDENT

As previously reported, in October 2019, a third-party service organization that we use for our metered postage revenue experienced a ransomware attack. We are reliant on certain information from this third-party service provider to record such revenue. In response to this event, the third-party service provider informed us that it is conducting an investigation and found no evidence that the data provided by the service provider and that we use was impacted by the ransomware attack.

We also conducted an investigation and performed procedures to determine whether the attack impacted our reported revenue amounts, financial reporting systems or our information technology environment. We have concluded that the incident did not result in a material impact to our financial results for the six months ended March 31, 2020, or the year ended September 30, 2019.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the **three months ended March 31, 2020**, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Draft April 16, 2020 (3.0)

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with RPW draft V2.0, then adjusted in Other for post-close Mail-in-Transit entry)
- Contingent liabilities
- Workers compensation (initial review complete)
- FERS and CSRS content tailored (impact from Board of Actuaries discount rate decision on CSRS and FERS is reflected in document and financials)
- Finalizing COVID-19 impact (particularly on liquidity)
- Related party transactions

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 21, 2020 (3.3)

**UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.

(State or other jurisdiction of incorporation or organization)

41-0760000

(I.R.S. Employer Identification No.)

475 L'Enfant Plaza, S.W.

Washington, D.C.

(Address of principal executive offices)

20260

(ZIP Code)

(202) 268-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

Not applicable ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Not applicable

Trading Symbol(s)
Not applicable

Name of each exchange on which registered
Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>28</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>51</u>
Item 4. Controls and Procedures	<u>52</u>
PART II: OTHER INFORMATION	<u>53</u>
Item 1. Legal Proceedings	<u>53</u>
Item 1A. Risk Factors	<u>53</u>
Item 6. Exhibits	<u>53</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	<u>Capital Contributions of U.S. Government</u>	<u>Accumulated Deficit Since Reorganization</u>	<u>Total Net Deficiency</u>
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

<i>(in millions)</i>	<u>Capital Contributions of U.S. Government</u>	<u>Accumulated Deficit Since Reorganization</u>	<u>Total Net Deficiency</u>
Balance, September 30, \$	3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, \$	3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, \$	3,132	\$ (79,927)	\$ (76,795)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in millions)

	Six Months Ended March	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	186	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,037	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(15)	(25)
Net cash used in financing activities	(15)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-

Quarter II, 2020 Report on Form 10-Q - United States Postal Service-7

of-use (“ROU”) asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* (“ASC 840”), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustment s		Balance on October 1, 2019	
CONDENSED BALANCE						
Operating lease right-of-use	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities,		—		3,255		3,255
Total liabilities and net	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service’s *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service’s *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly **in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then**. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with

Quarter II, 2020 Report on Form 10-Q - United States Postal Service-10

this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April, 1 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$82.9 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and

its liquidity concerns, the Postal Service will be unlikely to have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, during March 2020, some of these customers increased their volume to the Postal Service's network due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

<i>(in millions)</i>	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$7,241	\$6,879	\$6,918	\$ 34,395	\$55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. **Irrespective of the challenges resulting from the COVID-19 pandemic**, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,395	\$ 6,286	\$ 12,867	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other	1,039	1,043	1,911	1,966
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.				

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, Marketing Mail, Shipping and Packages, International Mail and Periodicals are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020	
Revenue recognized in the period from deferred revenue:		
Forever stamps	\$	727
Mail-in-transit		555
Metered postage		313
Other prepaid postage		73
PO Box and Caller Service fees		375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
⁴ Amount includes liabilities for operating leases with the GSA.
⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations as well as payables to other agencies.
⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.
² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.
³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.
⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract **went into effect on April 25, 2020**, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse.

The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs (“CHF”), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan (“TSP”), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-	3.1%	12.8%	3.1%	11.9%
FERS-	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31.		Six Months Ended March 31.	
	2020	2019	2020	2019
(in millions)				
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits	495	360	899	720
FERS unfunded retirement benefits	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the

allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBFB an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBFB by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBFB, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBFB prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBFB obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBFB obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31.		Six Months Ended March 31.	
	2020	2019	2020	2019
PSRHBf unfunded liability	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health	1,000	1,000	2,000	2,000
Total retiree health benefits	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBf retirement health benefit obligation. Payments are to be made through 2056

² Expense for the accrual for the annual payment due to the PSRHBf by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as

common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020		Six Months Ended March 31, 2020	
Finance lease cost:				
Amortization of right-of-use	\$	7	\$	15
Interest on lease liabilities		3		6
Total finance lease cost	\$	10	\$	21
Operating lease cost		311		759
Variable lease cost		190		369
Short-term lease cost		61		103
Total lease cost	\$	572	\$	1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

(\$ in millions)	Six Months Ended March 31, 2020	
Finance Leases:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows - interest on lease liability	\$	6
Financing cash flows - principal repayments	\$	21
Right-of-use assets obtained in exchange for lease payments	\$	—
Weighted-average remaining lease term - finance leases		7.24 years
Weighted-average discount rate - finance leases		6.30 %
Operating Leases:		
Operating cash flows from operating leases	\$	606
Right-of-use assets obtained in exchange for operating lease	\$	172
Weighted-average remaining lease term - operating leases		5.34 years
Weighted-average discount rate - operating leases		1.70 %

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

<i>(in millions)</i>	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

<i>(in millions)</i>	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating expenses* in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in millions)				
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. **These risks include, but are not limited to, the effects of the novel strain of coronavirus ("COVID-19") on our business, financial condition and results of operations.** We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* ("PAEA") classifies our products into two broad categories: Market-Dominant and Competitive "products," however, we use the term "services" in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS"), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund ("PSRHB"). We must coordinate with the U.S. Office of Personnel Management ("OPM") to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. **While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.** Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$351 million, or 6.5%, with a volume growth of 16 million pieces, or 1.1%, driven largely by the January 2020 price increases applicable to certain Competitive services and the **temporary surge** in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%. Revenue growth was the result of the January 2020 price increases applicable to certain *First-Class Mail* services.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 605 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 50 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of \$59 million, or 0.5%, with a volume decline of 634 million pieces, or 2.2%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$497 million, or 4.2%, despite a volume decline of 68 million pieces, or 2.1%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31.		Six Months Ended March	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBf unfunded liability amortization	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBf retirement health benefit obligation. Payments are to be made through 2056

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,395	\$ 6,286	\$ 12,867	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other ⁴	1,039	1,043	1,911	1,966
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,172	14,235	28,490	29,124
Marketing Mail ²	17,039	17,644	37,341	39,687
Shipping and Packages ³	1,488	1,472	3,226	3,294
International	193	214	433	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	80	70	174	161
Total volume	33,993	34,798	71,794	75,100

¹ Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.
² Excludes *Marketing Mail Parcels*.
³ Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.
⁴ Revenue includes *PO Box* services, *Certified Mail*, *Return Receipts*, *Insurance*, *Other Ancillary Services*, *Shipping and Mailing Supplies*, *Collect on Delivery*, *Registered Mail*, *Stamped Envelopes and Cards*, *Money Orders* and *Other services*.
⁵ Volume includes *Postal Service internal mail* and *free mail* provided to certain congressionally mandated groups.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 32% of our revenue for the three months ended March 31, 2020, which was a 1% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. Furthermore, due to the COVID-19 pandemic our *First-Class Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

However, our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. **Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.**

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%, compared to the same period last year. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased \$59 million, or 0.5%, and volume declined 634 million pieces, or 2.2%, compared to the same period last year. The most significant factor contributing to the declining trend in *First-Class Mail* volume was the continuing migration from mail to electronic communication and transaction alternatives. The increase in revenue and decline in volume for the three months ended March 31, 2020, as well as revenue declining at a slower rate than volume for the six months ended March 31, 2020, are due to the January 2020 price increase applicable to Market-Dominant services.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 605 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,614	\$ 2,520	\$ 5,592	\$ 5,489
Parcel Services ²	1,764	1,619	3,949	3,726
First-Class Package Services ³	1,204	1,087	2,440	2,252
Package Services	206	211	413	430
Total Shipping and Packages	\$ 5,788	\$ 5,437	\$ 12,394	\$ 11,897
Shipping and Packages Volume:				
Priority Mail Services ¹	270	273	573	594
Parcel Services ²	718	699	1,626	1,643
First-Class Package Services ³	355	341	727	724
Package Services	145	159	300	333
Total Shipping and Packages	1,488	1,472	3,226	3,294

¹ Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground*, a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

² Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

³ Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 6.5%, with a volume growth of 1.1%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.2%, despite a volume decline of 2.1%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 45% of the total for the three and six months ended March 31, 2020, compared to approximately 46% for the same period last year. However, Priority Mail Services accounted for approximately 18% of the total

Shipping and Packages volume for both the three months ended March 31, 2020, a 1% decrease from the same period last year, and approximately 18% of the total Shipping and Packages volume for the six months ended March 31, 2020, essentially unchanged from the same period last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 3.7%, despite a volume decline of 1.1%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 1.9%, despite a volume decline of 3.5%, compared to the same period last year. Revenue grew despite the volume declines for the periods due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.0%, on volume growth of 2.7%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.0%, despite a volume decline of 1.0%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three months ended March 31, 2020, and despite the volume decline for the six months ended March 31, 2020, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 10.8%, on volume growth of 4.1%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 8.3%, on volume growth of 0.4%, compared to the same period last year. Revenue grew greater than volume largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 2.4% on a volume decline of 8.8%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 4.0% on a volume decline of 9.9%, compared to the same period last year. Revenue declined at a slower rate

than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 3.2%, despite a volume decline of 9.8%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.8%, despite a volume decline of 8.5%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked its provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 10.7% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 0.4%, and 2.8% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31.		Six Months Ended March 31.	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits	495	360	899	720
FERS unfunded retirement benefits	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions. Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31.		Six Months Ended March 31.	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and	230	192	410	408

Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Over half of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBf prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments

due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBf normal cost and amortization on PSRHBf, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$147 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately \$2.0 billion, which is approximately \$300 million less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. **However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.**

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHB and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020 and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$7.6 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the

remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 26, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would also appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the **three months ended March 31, 2020**, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Draft April 21, 2020 (3.3)

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Draft April 21, 2020 (4.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with RPW draft V2.0, then adjusted in Other for post-close Mail-in-Transit entry)
- Contingent liabilities
- Workers compensation (initial review complete)
- FERS and CSRS content tailored (impact from Board of Actuaries discount rate decision on CSRS and FERS is reflected in document and financials)
- Finalizing COVID-19 impact (particularly on liquidity)
- Related party transactions

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- **Yellow:** Item or sentence requiring update, confirmation or third-party validation
- **Green:** Date, number or other reference that requires linking to master or support workbook in Wdesk
- **Orange:** Entire section awaiting update or third-party deliverable
- **Purple:** Linked number or reference that requires confirmation of source data
- **Blue:** Section or paragraph selected for elimination or move to another section; or
- **Magenta:** Internal comment for reviewers (to be removed when resolved)

Draft April 21, 2020 (3.3)
UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2020



UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.

41-0760000

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

475 L'Enfant Plaza, S.W.

Washington, D.C.

20260

(Address of principal executive offices)

(ZIP Code)

(202) 268-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐
Smaller reporting company ☐

Accelerated filer ☐
Emerging growth company ☐

Non-accelerated filer ☐
Not applicable ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Not applicable

Trading Symbol(s)
Not applicable

Name of each exchange on which registered
Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION	<u>3</u>
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>28</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>51</u>
Item 4. Controls and Procedures	<u>51</u>
PART II: OTHER INFORMATION	<u>53</u>
Item 1. Legal Proceedings	<u>53</u>
Item 1A. Risk Factors	<u>53</u>
Item 6. Exhibits	<u>53</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE STATEMENTS OF OPERATIONS (UNAUDITED)

<i>(in millions)</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Revenue:				
Operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Other revenue	2	3	5	9
Total revenue	17,843	17,495	37,197	37,212
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	22,332	19,557	42,411	40,783
Loss from operations	(4,489)	(2,062)	(5,214)	(3,571)
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
BALANCE SHEETS**

(in millions)

	March 31, 2020	September 30, 2019
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 8,987	\$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	11,238	10,800
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	\$ 30,422	\$ 25,633
Current Liabilities:		
Compensation and benefits	\$ 3,019	\$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	71,582	66,282
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	107,217	97,165
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	(76,795)	(71,532)
Total liabilities and net deficiency	\$ 30,422	\$ 25,633

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)**

For the three and six months ended March 31, 2019

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	\$ 3,132	\$ (65,769)	\$ (62,637)
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	\$ 3,132	\$ (67,388)	\$ (64,256)
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	\$ 3,132	\$ (69,470)	\$ (66,338)

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

<i>(in millions)</i>	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	\$ 3,132	\$ (74,664)	\$ (71,532)
Net loss	—	(748)	(748)
Balance, December 31, 2019	\$ 3,132	\$ (75,412)	\$ (72,280)
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	\$ 3,132	\$ (79,927)	\$ (76,795)

See accompanying notes to the unaudited financial statements.

**UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)**

	Six Months Ended March 31,	
	2020	2019
<i>(in millions)</i>		
Cash flows from operating activities:		
Net loss	\$ (5,263)	\$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	186	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	1,037	1,184
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	(724)	(641)
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(15)	(25)
Net cash used in financing activities	(15)	(2,225)
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	\$ 9,459	\$ 8,654
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 118	\$ 121

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both interest and amortization

expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize \$4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

<i>(in millions)</i>	As reported on September 30, 2019		Adjustments		Balance on October 1, 2019	
CONDENSED BALANCE SHEETS:						
Operating lease right-of-use assets	\$	—	\$	4,364	\$	4,364
Total assets	\$	25,633	\$	4,364	\$	29,997
Operating lease liabilities	\$	—	\$	1,129	\$	1,129
Other current liabilities		1,190		(20)		1,170
Operating lease liabilities, noncurrent		—		3,255		3,255
Total liabilities and net deficiency	\$	25,633	\$	4,364	\$	29,997

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of \$3.0 billion calculated as of the end of each fiscal year, and total debt of \$15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding the \$15.0 billion statutory debt limit, and the \$3.0 billion limit on annual borrowing, the CARES Act allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than \$22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this \$10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling \$11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately \$80 billion in 2019 and has incurred cumulative net losses of \$82.9 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will be unlikely to have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition

which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, during March 2020, some of these customers increased their volume to the Postal Service's network due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

<i>(in millions)</i>	2019	2018	2017	2012 to 2016	Total
PSRHBf prefunding fixed amount ¹	\$ —	\$ —	\$ —	\$ 33,900	\$ 33,900
PSRHBf unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization ²	1,060	958	917	495	3,430
Total expenses accrued but unpaid	\$ 7,241	\$ 6,879	\$ 6,918	\$ 34,395	\$ 55,433

¹ The 2012 to 2016 period amount includes \$5.8 billion for 2016, \$5.7 billion for 2015, \$5.7 billion for 2014, \$5.6 billion for 2013 and \$11.1 billion for 2012.

² The 2012 to 2016 period amount includes \$247.6 million for 2016, \$240.9 million for 2015 and \$6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019*	2020	2019*
Operating revenue:				
First-Class Mail	\$ 6,395	\$ 6,286	\$ 12,867	\$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other	1,039	1,043	1,911	1,966
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.				

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, *Shipping and Packages*, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance

penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	\$ 1,243	\$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	2,135	2,225
Prepaid PO Box and Caller Service fees	465	461
Total deferred revenue	\$ 2,600	\$ 2,686

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

<i>(in millions)</i>	Six Months Ended March 31, 2020	
Revenue recognized in the period from deferred revenue:		
Forever stamps	\$	727
Mail-in-transit		555
Metered postage		313
Other prepaid postage		73
PO Box and Caller Service fees		375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances ¹	\$ 232	\$ 25
Operating lease right-of-use assets ²	141	—
Carrying amount of revenue forgone installment receivable ³	476	466
Related-party liabilities:		
Operating lease liabilities ⁴	\$ 141	\$ —
Other current liabilities ⁵	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities ⁶	18,638	17,187

¹ Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
² Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
³ Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
⁴ Amount includes liabilities for operating leases with the GSA.
⁵ Amounts include CSRS, FERS, PSRHB and current workers' compensation obligations as well as payables to other agencies.
⁶ Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March	
	2020	2019	2020	2019
Related-party operating revenue ¹	\$ 539	\$ 249	\$ 808	\$ 486
Related-party operating expenses ²	\$ 4,378	\$ 4,238	\$ 8,668	\$ 8,478
Related-party interest income ³	\$ 33	\$ 38	\$ 74	\$ 72
Related-party interest expense ⁴	\$ 56	\$ 56	\$ 117	\$ 113

¹ Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.
² Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.
³ Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.
⁴ Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	\$ 8,987	\$ 8,108	\$ 8,795	\$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	\$ 9,459	\$ 8,654	\$ 9,161	\$ 10,336

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately \$6 million and \$10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was \$423 million and \$424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was \$854 million and \$841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

<i>(in millions)</i>	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion ¹	\$ 151	\$ 195
Noncurrent portion ²	170	141
Total contingent liabilities	\$ 321	\$ 336
Contingent liabilities by category:		
Labor and employment matters	\$ 177	\$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	\$ 321	\$ 336

¹ Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
² Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately \$175 million to \$1.0 billion at March 31, 2020, and from approximately \$150 million to \$1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately \$41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*. A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	\$ 899	\$ 720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were \$209 million and \$157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be \$1.6 billion for the CSRS obligation and \$1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately \$9.8 billion and \$8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately \$1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately \$2.6 billion for each of the six-month periods ended March 31, 2020, and 2019. These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from \$1.4 billion to \$5.8 billion, totaling \$54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the \$33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of \$10.7 billion and \$2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is \$49.7 billion as of March 31, 2020, inclusive of the \$47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be \$900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be \$4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March	
	2020	2019	2020	2019
PSRHBF unfunded liability amortization ¹	\$ 225	\$ 275	\$ 450	\$ 550
Normal cost of retiree health benefits ²	1,000	1,000	2,000	2,000
Total retiree health benefits expense	\$ 1,225	\$ 1,275	\$ 2,450	\$ 2,550

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately \$2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately \$3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately \$20.0 billion and \$18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately \$1.3 billion and \$1.4 billion, respectively, and the noncurrent portion of the liability was approximately \$18.7 billion and \$17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations*.

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	Operating Leases	Total Leases
2020	\$ 28	\$ 624	\$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	\$ 254	\$ 4,729	\$ 4,983
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	\$ 201	\$ 4,502	\$ 4,703

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

<i>(in millions)</i>	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	\$ 7	\$ 15
Interest on lease liabilities	3	6
Total finance lease cost	\$ 10	\$ 21
Operating lease cost	311	759
Variable lease cost	190	369
Short-term lease cost	61	103
Total lease cost	\$ 572	\$ 1,252

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

<i>(\$ in millions)</i>	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	\$ 6
Financing cash flows - principal repayments	\$ 21
Right-of-use assets obtained in exchange for lease payments	\$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	\$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

<i>(in millions)</i>	2019	2018	2017
Non-cancellable real estate leases ¹	\$ 1,034	\$ 984	\$ 940
GSA facilities leases ²	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	\$ 1,223	\$ 1,172	\$ 1,129

¹ Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

² GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

<i>(in millions)</i>	Operating	Capital
2020	\$ 1,214	\$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	\$ 4,559	\$ 191
Less: Interest		46
Total capital lease obligations		\$ 145
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		\$ 79

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were \$496 million as of September 30, 2019. Total accumulated amortization related to capital leases was \$377 million at September 30, 2019. Amortization expense for capital leases was approximately \$33 million and \$37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating expenses* in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease

liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities*, respectively, within the accompanying *Balance Sheets*. The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	\$ 476	\$ 584	\$ 466	\$ 516
Long-term debt	\$ 11,000	\$ 11,936	\$ 11,000	\$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. **These risks include, but are not limited to, the effects of the novel strain of coronavirus ("COVID-19") on our business, financial condition and results of operations.** We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHB”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization (“WHO”) declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country’s critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136 (the "CARES Act"). Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limit on new borrowing, the CARES Act allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the \$10.0 billion from the U.S. Treasury as provided by the CARES Act, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased \$349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of \$351 million, or 6.5%, with a volume growth of 16 million pieces, or 1.1%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of \$109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%. Revenue growth was the result of the January 2020 price increases applicable to certain *First-Class Mail* services.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of \$94 million, or 2.5%, with a volume decline of 605 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately \$100 million and 50 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately \$2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of \$119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of \$50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately \$4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately \$2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased \$11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of \$347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of \$59 million, or 0.5%, with a volume decline of 634 million pieces, or 2.2%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of \$57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of \$497 million, or 4.2%, despite a volume decline of 68 million pieces, or 2.1%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately \$1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately \$1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of \$477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of \$122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of \$63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases*, which has since been codified in Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of \$100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of \$71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately \$5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately \$3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Net loss	\$ (4,515)	\$ (2,082)	\$ (5,263)	\$ (3,619)
PSRHBf unfunded liability amortization expense ¹	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability ²	(3)	(53)	7	2
CSRS unfunded liability amortization expense ³	495	360	899	720
FERS unfunded liability amortization expense ⁴	378	240	643	479
Controllable loss	\$ (792)	\$ (806)	\$ (1,179)	\$ (909)

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBf retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

² Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

³ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

⁴ Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased \$14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the \$349 million increase in operating revenue, offset by higher other operating expenses of \$124 million, higher compensation and benefits expenses of \$119 million, and higher FERS normal costs of \$75 million.

Our controllable loss increased \$270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of \$134 million and higher transportation expenses of \$63 million, partially offset by lower compensation and benefits expenses of \$71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Operating Revenue:				
First-Class Mail ¹	\$ 6,395	\$ 6,286	\$ 12,867	\$ 12,926
Marketing Mail ²	3,739	3,833	8,150	8,497
Shipping and Packages ³	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other ⁴	1,039	1,043	1,911	1,966
Total operating revenue	\$ 17,841	\$ 17,492	\$ 37,192	\$ 37,203
Volume:				
First-Class Mail ¹	14,172	14,235	28,490	29,124
Marketing Mail ²	17,039	17,644	37,341	39,687
Shipping and Packages ³	1,488	1,472	3,226	3,294
International	193	214	433	473
Periodicals	1,021	1,163	2,130	2,361
Other ⁵	80	70	174	161
Total volume	33,993	34,798	71,794	75,100
¹ Excludes <i>First-Class Package Service - Retail</i> and <i>First-Class Package Service - Commercial</i> . ² Excludes <i>Marketing Mail Parcels</i> . ³ Includes <i>Priority Mail</i> , <i>USPS Retail Ground</i> , <i>Parcel Select Mail</i> , <i>Parcel Return Service Mail</i> , <i>Marketing Mail Parcels</i> , <i>Package Service Mail</i> , <i>First-Class Package Service - Retail</i> , <i>First-Class Package Service - Commercial</i> and <i>Priority Mail Express</i> . ⁴ Revenue includes <i>PO Box</i> services, <i>Certified Mail</i> , Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, <i>Registered Mail</i> , Stamped Envelopes and Cards, Money Orders and Other services. ⁵ Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.				

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 32% of our revenue for the three months ended March 31, 2020, which was a 1% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. Furthermore, due to the COVID-19 pandemic our *First-Class Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

We have also focused on providing new services and innovating with *Marketing Mail*. We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

However, our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased \$109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%, compared to the same period last year. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased \$59 million, or 0.5%, and volume declined 634 million pieces, or 2.2%, compared to the same period last year. The most significant factor contributing to the declining trend in *First-Class Mail* volume was the continuing migration from mail to electronic communication and transaction alternatives. The increase in revenue and decline in volume for the three months ended March 31, 2020, as well as revenue declining at a slower rate than volume for the six months ended March 31, 2020, are due to the January 2020 price increase applicable to Market-Dominant services.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020, *Marketing Mail* revenue decreased \$94 million, or 2.5%, and volume declined 605 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020, *Marketing Mail* revenue decreased \$347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately \$100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately \$140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Shipping and Packages Revenue:				
Priority Mail Services ¹	\$ 2,614	\$ 2,520	\$ 5,592	\$ 5,489
Parcel Services ²	1,764	1,619	3,949	3,726
First-Class Package Services ³	1,204	1,087	2,440	2,252
Package Services	206	211	413	430
Total Shipping and Packages revenue	\$ 5,788	\$ 5,437	\$ 12,394	\$ 11,897
Shipping and Packages Volume:				
Priority Mail Services ¹	270	273	573	594
Parcel Services ²	718	699	1,626	1,643
First-Class Package Services ³	355	341	727	724
Package Services	145	159	300	333
Total Shipping and Packages volume	1,488	1,472	3,226	3,294

¹ Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground*, a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

² Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

³ Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 6.5%, with a volume growth of 1.1%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.2%, despite a volume decline of 2.1%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 45% of the total for the three and six months ended March 31, 2020, compared to approximately 46% for the same period last year. However, Priority Mail Services accounted for approximately 18% of the total Shipping

and Packages volume for both the three months ended March 31, 2020, a 1% decrease from the same period last year, and approximately 18% of the total Shipping and Packages volume for the six months ended March 31, 2020, essentially unchanged from the same period last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 3.7%, despite a volume decline of 1.1%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 1.9%, despite a volume decline of 3.5%, compared to the same period last year. Revenue grew despite the volume declines for the periods due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return*, as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.0%, on volume growth of 2.7%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.0%, despite a volume decline of 1.0%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three months ended March 31, 2020, and despite the volume decline for the six months ended March 31, 2020, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 10.8%, on volume growth of 4.1%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 8.3%, on volume growth of 0.4%, compared to the same period last year. Revenue grew greater than volume largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 2.4% on a volume decline of 8.8%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 4.0% on a volume decline of 9.9%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. "Outbound" services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but "inbound" services are the opposite, generating

two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 3.2%, despite a volume decline of 9.8%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.8%, despite a volume decline of 8.5%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked its provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020, *Periodicals* revenue decreased 10.7% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 0.4%, and 2.8% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network’s legacy capabilities are not completely aligned to today’s mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Compensation	\$ 9,583	\$ 9,525	\$ 19,859	\$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	\$ 11,804	\$ 11,685	\$ 24,312	\$ 24,383

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on **April 25, 2020**, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
FERS normal costs	\$ 945	\$ 870	\$ 1,891	\$ 1,757
CSRS unfunded retirement benefits amortization ¹	495	360	899	720
FERS unfunded retirement benefits amortization ²	378	240	643	479
Total retirement benefits	\$ 1,818	\$ 1,470	\$ 3,433	\$ 2,956

¹ Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

² Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be \$1.6 billion for CSRS and \$1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately \$1.8 billion for the CSRS obligation and approximately \$1.3 billion for the FERS obligation, increases of \$181 million and \$226 million, respectively.

Accordingly, we have accrued \$495 million and \$899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately \$91 million for the revised assumptions.

Likewise, we have accrued \$378 million and \$643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately \$113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be \$900 million, and therefore accrued expenses of \$225 million and \$450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be \$4.0 billion, and therefore accrued expenses of \$1.0 billion and \$2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by \$50 million, or 3.9%, and \$100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 10 - Health Benefits Plans, Retirees*.

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from

total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Impact of discount rate changes	\$ 2,628	\$ 454	\$ 2,085	\$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	\$ 2,997	\$ 771	\$ 2,795	\$ 1,658
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	\$ 2,625	\$ 401	\$ 2,092	\$ 961

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately \$1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by \$52 million and \$14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	\$ 1,083	\$ 1,100	\$ 2,504	\$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	\$ 2,008	\$ 2,000	\$ 4,405	\$ 4,342

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	\$ 701	\$ 663	\$ 1,469	\$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	\$ 2,480	\$ 2,356	\$ 5,016	\$ 4,894

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of \$9.0 billion and \$8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was \$12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our \$15.0 billion statutory debt limit, and \$3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than \$22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the \$10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this \$10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately \$80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Over half of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of \$4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on \$33.9 billion of statutorily specified PSRHBf prefunding payments from 2012 through 2016, and did not make the approximately \$495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately \$21.0 billion in payments due for PSRHBf normal cost and amortization on PSRHBf, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased \$147 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested \$741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of \$82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately \$2.0 billion, which is approximately \$300 million less than our original forecast of \$2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was \$11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was \$4.0 billion, of which \$1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our \$15.0 billion statutory debt limit, and the \$3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. **However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.**

On April 1, 2020, we drew \$3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay \$400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHB and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020 and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the

PRC website: <https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant>.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately \$7.6 billion due on September 30, 2020, we expect to pay the DOL approximately \$1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The CARES Act offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately \$1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately \$1.3 billion for the remainder of 2020, and an additional \$11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately \$71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as

Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service.*"

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act*, enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 26, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional \$10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act*, introduced on March 31, 2020, would also appropriate \$25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements, Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 13 - Fair Value Measurement*.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our \$11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the **three months ended March 31, 2020**, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements, Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the <i>Securities and Exchange Act of 1934</i> , as Adopted Pursuant to Section 302 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.1	Certification of Principal Executive Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .
32.2	Certification of Principal Financial Officer Pursuant to <i>18 U.S.C. Section 1350</i> , as Adopted Pursuant to Section 906 of the <i>Sarbanes-Oxley Act of 2002</i> .

Draft April 21, 2020 (3.3)

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice
President

Date: May 7, 2020

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF
1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF
2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Over the past month, the men and women of the United States Postal Service have done a heroic job under the most trying of circumstances. Unfortunately, during this same period, they have watched their organization become the centerpiece of a growing partisan battle between policymakers. While a public debate over the needs and role of the Postal Service can certainly be helpful, it is essential that this conversation happen in a spirit of non-partisanship and cooperation.

The Postal Service has always served a non-partisan mission. During my thirty-four year career with the United States Postal Service, the last five as the Postmaster General, it has been my distinct honor to work for an organization that is fully committed to serving all Americans. To achieve that mission, it has been vitally important for there to be no political bias or partiality on the part of the Postal Service.

The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services. This mission has never been more important than today, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

The Postal Service is proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages. This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities. In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service. This standing with Americans of all political persuasions is based in no small part on the Postal Service's nonpolitical nature and universal service mission.

However, as we continue to perform our vital mission, the Postal Service remains saddled with long-standing financial challenges stemming from a broken business model that is imposed upon us by law. We have mandated unaffordable costs that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing. Now, our

fiscal challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

We strongly believe that stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service. While we acknowledge that different stakeholders will have different ideas about how best to accomplish our shared goal, and that reasonable minds may differ, we would hope that such differing views will not get in the way of what should be a cooperative effort. For our part, we will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

Over the past month, the men and women of the United States Postal Service have done a heroic job under the most trying of circumstances. Unfortunately, during this same period, they have watched their organization become the centerpiece of a growing partisan battle between policymakers. While a public debate over the needs and role of the Postal Service can certainly be helpful, it is essential that this conversation happen in a spirit of non-bipartisanship and cooperation.

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The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services. This mission has never been more important than today, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

The Postal Service is proud of the tremendous commitment heroism shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages. This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

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challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

We ~~strongly believe~~recognize that stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service. While we ~~acknowledge~~recognize that different stakeholders will have different ideas about how best to accomplish our shared goal, and that reasonable minds may differ, we would hope that such differing views will not get in the way of what should be a cooperative effort. For our part, we will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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Now, our fiscal challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

We strongly believe that stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service. While we acknowledge that different stakeholders will have different ideas about how best to accomplish our shared goal, and that reasonable minds may differ, we would hope that such differing views will not get in the way of what should be a cooperative effort. For our part, we will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities. In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health. Yet during these times when our essential services are most needed, our long-standing and well-known financial challenges that result from the broken business model that is imposed upon us by law are being significantly exacerbated by the onset of the pandemic.

Commented [MT]-WD1: This point concerning our broken business model is a particular point that the PMG wanted to make.

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entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service, ~~and this favorable opinion is shared nearly equally by Republicans and Democrats alike.~~ This standing with Americans of all political persuasions is based in no small part on the Postal Service's nonpolitical nature and universal service mission.

~~Yet as we continue to perform our vital mission, the Postal Service remains saddled with long-standing financial challenges stemming from a broken business model that is mandatedhas been imposed on us by law. Unaffordable costs are imposed upon us that we don't have the freedom to reduce, and yet weFor example, the Postal Service also lacks the autonomy to diversify our products or to control ourits own pricing. Now, our fiscal challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.~~

~~We recognize that stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service.~~

~~The Board therefore strongly believes that interested stakeholders across the political spectrum have a collective interest in protecting and preserving the Postal Service. While we certainly recognize that different stakeholders will have different ideas about how best to accomplish our shared goal, and that reasonable minds may differ, we would hope that such differing views will not get in the way of what should be a cooperative effort.~~

~~Placing the Postal Service on a sustainable financial footing in both the near-term and the long-term is a critical issue that, given the broad support for the Postal Service, should be pursued in a spirit of cooperation and unity. For our part, the Board recently approved, through a unanimous vote, a set of recommendations for how to provide short-term financial relief to the Postal Service to address the effects of the pandemic, as well as for how to address the Postal Service's structural problems over the longer term. For our part, we will continue to work in a non-partisan manner with the policy-makers to achieve these goalsthis goal, and we urge all others with an interest in the Postal Service to do the same.~~

Commented [JM2]: The reason I had initially deleted this is because I don't think the broken business model is understood, and does require some explanation. I'm not sure this is the best way to do it, but think its important to include a couple of examples here. Is there something else we can cite?

Commented [MTJ-WD3]: I tried to address your concerns above. We will need to think about whether we are getting too much into the weeds or distracting from our central message.

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Commented [MTJ-WD4]: This last sentence is one that the PMG particularly wanted to include.

Commented [JM5]: My only issue with this sentence was that it seemed repetitive with the sentence after. Both say the effort should be pursued in a cooperative fashion. But I think we delete the subsequent sentence without an issue

Commented [MTJ-WD6]: This concept is one that Governor Martinez particularly wanted included in an earlier incantation of this document. In addition, we have shared with the Hill information about additional financial reform (including the specifics) that we would need in short order, in addition to the emergency relief, to be sustainable.

Commented [JM7R7]: I think for a public document like an op-ed, we can't talk about the plan or recommendations without providing some examples. I would expect Editors to push back on this point, and ask us to talk more about these recommendations – and then the article becomes more about the recommendations than the need for unity.

Commented [JM8]: I'm uncomfortable publicly mentioning the plan, because it will immediately raise the question of – where is it?

Commented [MTJ-WD9]: Point well taken. We can leave it out.

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However, as we continue to perform our vital mission, the Postal Service remains saddled with long-standing financial challenges stemming from a broken business model that is imposed upon us by law. We have legally mandated unaffordable costs that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing.

Now, our fiscal challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

Stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service. While different stakeholders will have different ideas about how best to accomplish our shared goal, and reasonable minds may differ, these differing views should not get in the way of what should be a cooperative effort. For our part, we will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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The Board is proud of the heroism shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the dedicated men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information ~~and benefits~~ such as ~~Census- Census~~ materials ~~and materials~~ ~~advising the public about COVID-19,~~ ~~and benefits checks for~~ social security, ~~military veterans~~ and stimulus ~~reliefchecks;~~ ~~and materials advising the public about COVID-19;~~ materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online. ~~The fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities. In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information.~~ Yet during these times when our essential services are most needed, our long-standing and well-known financial challenges are being significantly exacerbated by the onset of the pandemic.

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During my thirty four year career with the United States Postal Service, the last five as the Postmaster General, it has been my distinct honor to work for an organization that is fully committed to serving all Americans, regardless of their political or other views. We collectively believe at our core that it is vital to the achievement of our mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service.

The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

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Placing the Postal Service on a sustainable financial footing in both the near-term and the long-term is a critical issue that, given the broad support for the Postal Service, should be pursued in a spirit of bipartisan cooperation and unity. Politicizing the Postal Service only weakens the organization and reduces our ability to solve our current problems and to enable the Postal Service to continue to serve all Americans. For our part, the Board recently approved, through a unanimous vote, a set of recommendations for how to provide short-term financial relief to the Postal Service to address the effects of the pandemic, as well as how to address the Postal Service's structural problems over the longer-term. We will continue to work in bipartisan manner to achieve this goal, and we urge all others with an interest in the Postal Service to do the same.

Formatted: Highlight

During my thirty four year career with the United States Postal Service, the last five as the Postmaster General, it has been my distinct honor to work for an organization that is fully committed to serving all Americans, regardless of their political or other views. We collectively believe at our core that it is vital to the achievement of our mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service.

The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services. This mission has never been more important than today, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

The Board is proud of the heroism shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages, including important governmental information such as Census materials and materials advising the public about COVID-19, and benefits checks for social security and stimulus relief; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online. The fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities. In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information. Yet during these times when our essential services are most needed, our long-standing and well-known financial challenges that result from the broken business model that is imposed upon us by law are being significantly exacerbated by the onset of the pandemic.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with Americans of all political persuasions is based in no small part on the Postal Service's nonpolitical nature and universal service mission.

The Board therefore strongly believes that interested stakeholders across the political spectrum have a collective interest in protecting and preserving the Postal Service. While we certainly recognize that different stakeholders will have different ideas about how best to accomplish our shared goal, and that reasonable minds may differ, we would hope that such differing views will not get in the way of what should be a cooperative effort.

Placing the Postal Service on a sustainable financial footing in both the near-term and the long-term is a critical issue that, given the broad support for the Postal Service, should be pursued in a spirit of cooperation and unity. For our part, the Board recently approved, through a unanimous vote, a set of recommendations for how to provide short-term financial relief to the Postal Service to address the effects of the pandemic, as well as for how to address the Postal Service's structural problems over the longer-term. We will continue to work in a non-partisan manner with the policy-makers to achieve these goals, and we urge all others with an interest in the Postal Service to do the same.

The United States Postal Service is led by a Board of Governors comprised by law of both Republicans and Democrats. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a very bipartisan manner. Since taking office, we have all been committed to taking the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

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The Board therefore strongly believes that interested stakeholders across the political spectrum have a collective interest in protecting and preserving the Postal Service, and that therefore addressing the Postal Service's financial challenges should not be politicized or turned into yet another forum for partisan politics. While we certainly recognize that different stakeholders will have different ideas about how best to accomplish our shared goal, we would hope that divisive partisanship will not get in the way of what should be a cooperative effort.

Placing the Postal Service on a sustainable financial footing in both the near-term and the long-term is a critical issue that, given the broad support for the Postal Service, should be pursued in a spirit of bipartisan cooperation and unity. Politicizing the Postal Service only weakens the organization and reduces our ability to solve our current problems and to enable the Postal Service to continue to serve all Americans. For our part, the Board will continue to work in bipartisan manner to achieve this goal, and we urge all others with an interest in the Postal Service to do the same.

The United States Postal Service is led by a Board of Governors comprised by law of both Republicans and Democrats. Our Governors whose members are largely appointed by the President and confirmed by the Senate. ~~Our Board is comprised of both Republicans and Democrats, and the Board we takes~~ great pride in operating in a very bipartisan manner. Since taking office, we have all been committed to taking the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

The United States Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services. This mission has never been more important than today, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

~~The Postal Service is led by a Board of Governors whose members are largely appointed by the President and confirmed by the Senate. Our Board is comprised of both Republicans and Democrats, and we take great pride in operating in a very bipartisan manner. Since taking office, we have all been committed to taking the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.~~

The Board is proud of the heroism shown by our employees during this pandemic, as they by their steadfastly determination to continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the dedicated men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online. Yet during these times when our essential services are most needed, our long-standing and well-known financial challenges are being significantly exacerbated by the onset of the pandemic. ~~vital mail and packages. Several weeks ago, our employees delivered a postcard to each household with guidance from the White House Coronavirus Task Force on how to mitigate the spread of COVID-19, and in the coming weeks will deliver millions of economic impact checks and notification letters following the enactment of the CARES Act. The Postal Service is also delivering an increased number of packages as Americans purchase sustaining necessities online, including medicines. In the coming months, millions of Americans will be able to safely and securely exercise their right to vote by receiving and sending ballots through the mail.~~

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stakeholders will have different ideas about how best to accomplish our shared goal, we would hope that divisive partisanship will not get in the way of what should be a cooperative effort. These financial challenges are long-standing and well-known, but have been significantly exacerbated by the onset of the pandemic. As we recently informed Congress, the pandemic is reducing mail volume at such an accelerated pace that immediate short-term financial relief, in addition to the \$10 billion in additional borrowing authority recently authorized by the CARES Act, is necessary to ensure that the Postal Service can continue to serve the essential needs of the American people in the near term. The Board has also unanimously proposed a set of recommendations for how to provide short-term financial relief, as well as how to address the Postal Service's structural problems over the longer term.

Placing the Postal Service on a sustainable financial footing in ~~the~~ both the near-term and the long-term is a critical issue that, given the broad support for the Postal Service, should be pursued in a spirit of bipartisan cooperation and unity. Politicizing the Postal Service only weakens the organization and reduces our ability to solve our current problems and to enable the Postal Service to continue to serve all Americans. ~~Of course, the Board recognizes that different stakeholders will have different perspectives about the appropriateness of specific policy decisions, but the overall goal of preserving and protecting the Postal Service is one that should unify us all. For our part, t~~The Board will continue to work in bipartisan manner to achieve this goal, and we urges all others with an interest in the Postal Service to do the same.

Explanation of Contribution

Attributable Costs are Similar to Variable or Marginal Costs

Represent the cost that would go away if the entire product went away

Direct Labor



Cost of labor handling
a product

Indirect Cost



Supervision, vehicle,
equipment, and
facility-related costs

Product Specific



Advertising

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1

Institutional costs include:

- Common costs not caused by individual products due to the fact we handle multiple products in the same network
- Traditional fixed costs
- Network costs which arise in delivery, transportation, and retail

Delivery



Universal Service Obligations and appropriation rider language requires carriers to traverse core parts of their route daily regardless of volume

Institutional	53%
Attributable	47%

Post Office



Maintaining a network of Post Offices in every community regardless of walk-in revenue

Institutional	67%
Attributable	33%

Other



Data Collection, PRC, Office of Inspector General (OIG), Federal Employees Retirement System (FERS) Supplemental Liability, Retiree Health Benefit (RHB) Amortization

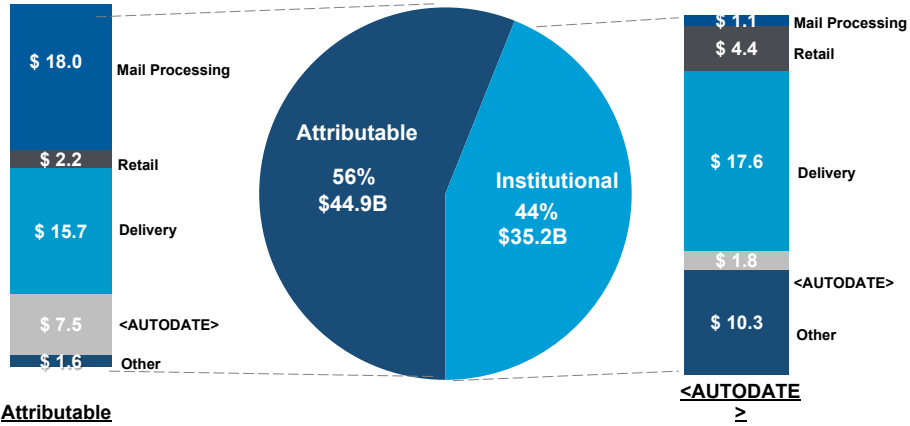
Institutional	87%
Attributable	13%

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2

Attributable/Institutional Cost Breakout

Total Costs FY2019: \$80.1B



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3

Contribution of a product is term used in lieu of
“Profitability” of a product

Contribution



Revenue minus
attributable costs

Cost Coverage



Revenue divided by
attributable costs

“Underwater” Product

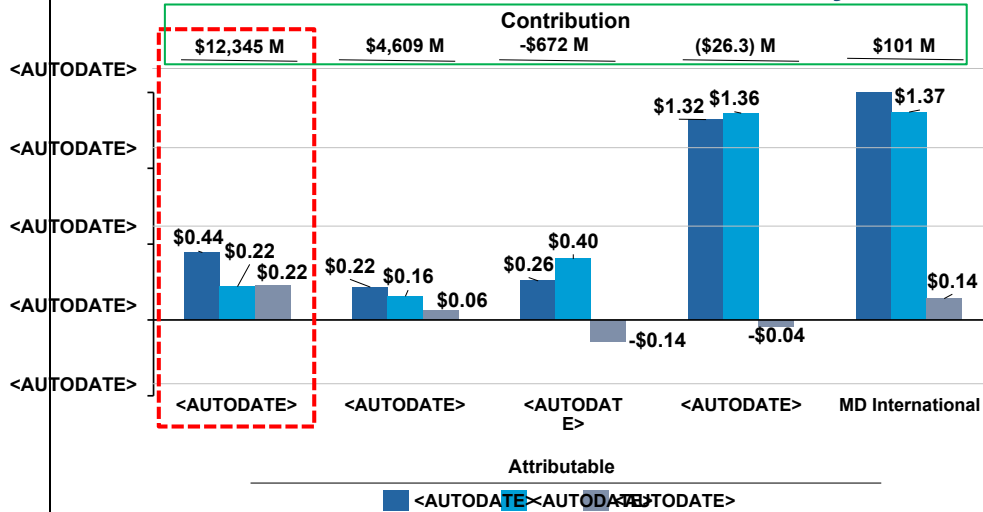


Products for which
revenue is less than
attributable costs

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4

FY2019 Per Piece Revenue, Cost, Contribution by Class



5

<AUTODATE>
TE>
Letters

FCMI
<AUTODATE>
ATE>

Marketing
Mail Flats

Ø5

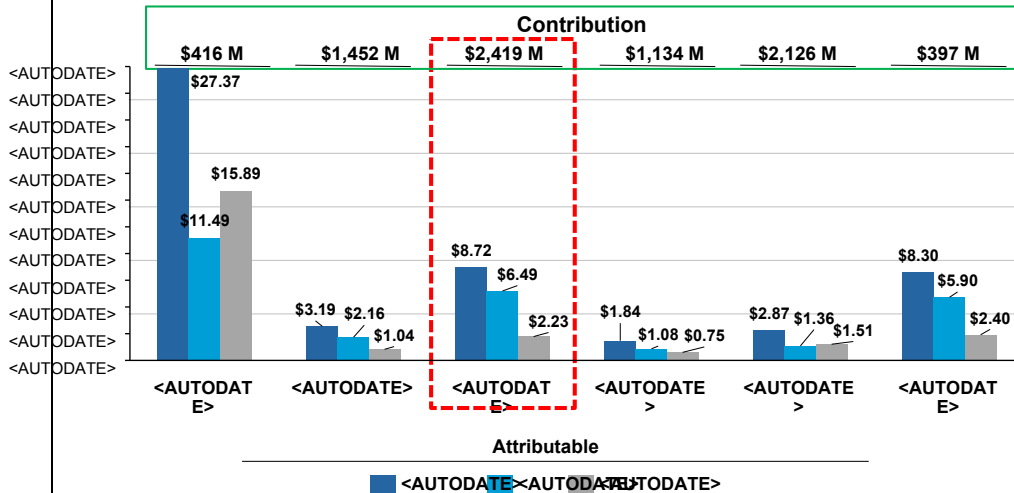
<AUTODATE>
Letters

Marketing
Mail Letters

<AUTODATE>
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<AUTODATE>
(Flats & Parcels)

FY2019 Per Piece Revenue, Cost, Contribution by Category



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6

- You may have seen articles discussing the Postal Service's financial condition, and the possibility that the Postal Service may be forced to cease operations due to a lack of liquidity in the coming months.
- There is no doubt that the COVID-19 pandemic will have significant impacts on Postal Service volumes and revenues. The exact impact is uncertain, because it is dependent on factors such as how long the pandemic lasts, the amount of damage that it does to the American economy and the businesses that use the mail, and the extent to which our customers return to the mail after the pandemic ends. However, in a worst case scenario, we could experience very significant declines in mail volume and revenue both this year and next year.
- That said, as a result of the significant financial challenges that the Postal Service has faced for a number of years due to an inflexible statutory and regulatory structure, the Postal Service has already been taking a number of steps in order to preserve as much liquidity (cash and access to cash) as possible.
- The reason we have been taking those actions is to ensure that we can continue to provide prompt, reliable, and efficient universal postal services to the American people, even if contingencies arise which further threaten our financial condition.
- This is the very reason why the Postal Service has been defaulting on certain legal obligations to prefund retiree health and pension benefits-to preserve cash to ensure we can continue to fulfill our primary mission.
- Through this and other actions, the Postal Service has been able to build and maintain a reasonable level of liquidity of approximately \$8 billion, which is benefitting us today. At the same time, because defaulting on legal obligations is not a long-term strategy for financial stability, the Postal Service has also been advocating for statutory and regulatory reforms to our business model.
- Further, on April 1st our Board of Governors authorized us to borrow an additional amount of \$3.4 billion from the Department of the Treasury that is available to us under an existing line of credit. We have borrowed the full amount and further enhanced our cash on hand.
- Congress has given the Postal Service some limited emergency borrowing authority to respond to the COVID-19 pandemic. This allows the U.S. Treasury to lend an additional \$10 billion to the Postal Service, if we can agree on appropriate terms and conditions.
- The Postal Service will also receive a temporary benefit from Congress's action to allow employers to delay paying the Social Security tax that will enable us to conserve additional cash of approximately \$1.6 billion.
- While the Postal Service appreciates the actions taken by Congress to date, the Postal Service remains concerned that we need additional relief to ensure that we can withstand even the worst case scenario that could directly result from the pandemic, given the highly uncertain nature of the effects that the pandemic will have on the economy.

- Because we entered this crisis with the level of available liquidity that we did, and because of other tools available to us, including those provided by the CARE Act, the Postal Service is in a reasonable position to weather the storm in the near-term.
- Though our financial outlook for future years is highly uncertain given the unprecedented nature of this pandemic, we are working strenuously to obtain further relief in the next COVID-19 stimulus bill to ensure that we have enough resources to weather even a worst case scenario and to position us for financial stability going forward.
- Further, as we consider these issues, it bears mentioning that we believe that policymakers understand the important role of the Postal Service to the Nation. Congress has designated the Postal Service as a “basic and fundamental service” provided by the Government to the American people, and the continued provision of postal services during times of emergency is designated both as an essential function under federal law and as part of the nation’s critical infrastructure.
- There is increased recognition in this time of crisis of the value of the Postal Service’s mission to bind the Nation together. As Americans are urged to stay home, the importance of the mail will only grow as people will need access to the postal system to vote, receive critical communications, and receive essential packages such as prescription drugs and other necessities.
- The Postal Service will continue to pursue those actions within our control to preserve liquidity, and will continue to work with policymakers to ensure that Americans have continued access to this critical government service, both during the course of this emergency and in the years ahead.

--- RESTRICTED INFORMATION ---

**U.S. Postal Service Law Department
Contingent Liabilities and Receivables
DRAFT FY 2020, Quarter II**

**ATTORNEY-CLIENT COMMUNICATION
CONTENTS MAY NOT BE REPRODUCED OR
DISSEMINATED WITHOUT PRIOR APPROVAL**

I. Contingent Liabilities: New Cases Assessed At or Above \$1 Million (incl. Cases Previously Below Reporting Threshold)

A. Probable

2. Labor Claims

Case Name	Sac Vides Subcontracting (Los Angeles ISC)
Case Number	F11M-1F-C 15322220
Date Filed	09/01/2015
Amount Sought	\$1.6 Million
Liability Assessment	Probable
Damages Assessment	• Most Likely Payout: \$1.0 Million [Previously reported as: \$0.9 Million] • Maximum Reasonable Payout: \$1.0 Million [Previously reported as: \$0.9 Million]
Change in Status	• Change in Damages Assessment or Amount Sought (Still Meets Threshold) • Revised Most Likely Payout or Maximum Reasonable Payout • Additional Facts or Revision in Text
Estimated Time to Resolution	Less Than 1 Year
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Villegas, Jessica
Law Dept Co-Counsel	Randenberg, Corey J.
Law Dept Reporting Office	Pacific
Other Representative for USPS	Steven Marney
Facts / Positions	The grievance challenges management's November 2, 2015 decision to subcontract out, to a third-party contractor, certain types of work - namely, separating, bundling, and working on empty sacks and equipment (referred to as "Sac Vides") - traditionally performed by mail handlers at the Los Angeles International Service Center ("ISC"). The grievance alleges violations including, but not limited to, those arising under Articles 2, 3, 4, 5, 7, 8, 9, 12, 13, 14, 15, 25, 17, 19, 30, 31, and 38 of the applicable collective bargaining agreement ("CBA"); Handbook EL-921; NLRA Sections 8(a)(1), 8(a)(5), and 8 (d); and principles of RI-399. On or about November 2, 2015, pursuant to Article 32 of the CBA, management entered into a contract with a third party to reassign and perform the Sac Vides work at another facility (the "Contract"). Management entered into the Contract primarily to free up much needed operational space at the ISC where the empty equipment had been stored. Management believed the enlarged operational area would increase mail processing volumes at the ISC. These considerations, management contends, satisfy provisions in Article 32 requiring concern to be given to "public interest, cost, efficiency, availability of equipment, and qualification of employees when evaluating the need to subcontract." The Contract remains in effect.

Highlighting any revisions made since

Report for FY2020 Q1:

New text and **[deletion]**

The Union asserts that management unilaterally entered into the Contract without notifying the Union. Thus, it asserts, the Contract runs afoul of Article 32 and violates the rights of the mail handler craft, including their wages, hours, and working conditions. For example, the Union contends that the Contract eliminates the opportunity for more jobs in the mail handler craft and reduces work and overtime hours for regular mail handler assistants and those employees working on light and limited duty assignments. The Union seeks the total cost of the Contract to the Postal Service as its remedy, or an amount of \$1,556,990.31 through present.

Liability for this matter is probable because it is more likely than not that an Arbitrator will find management gave no advance notice to the Union identifying the Article 32 considerations prior to execution of the Contract. Moreover, many arbitrators have considered similar subcontracts to undermining the strength of the bargaining unit and deprive members of work rightfully theirs under the terms of the contract. Thus, it will be difficult to establish that management did not violate the CBA through the Contract.

However, if the Contract is determined to be in violation of the CBA, the Postal Service believes the most likely and maximum reasonable payout would be **\$974,610.00**, or the number of hours at the overtime rate that mail handlers would have worked performing Sac Vides assignments from November 2015 to present. This figure is derived from the approximate number of total working hours the contract employees have spent performing Sac Vides work (3.5 contract employees x 40 hours per week x 4.333 [52 weeks per year / 12 months] x **51** months = **30,940** hours) multiplied by the mail handler overtime rate of \$31.50. The Postal Service does not believe the amount sought by the Union -- the approximate \$1.6 million cost of the Contract -- will be awarded because the Contract costs include items other than labor, which the Union is not entitled to recover. Thus, recovery of the total Contract cost would unjustly enrich the Union.

This case is set for arbitration on April 20, 2020.

A. Probable [cont'd]

3. Tort Claims

Case Name	Administrative Claim of Maya Nainani
Case Number	330-20-00455508
Date Filed	02/12/2020
Amount Sought	\$25.0 Million
Liability Assessment	Probable
Damages Assessment	• Most Likely Payout: \$2.5 Million • Maximum Reasonable Payout: \$5.0 Million
Change in Status	• New This Quarter
Estimated Time to Resolution	1 - 5 Years
Law Dept Counsel	Beatty, Conny Davinroy
Law Dept Reporting Office	St. Louis
Facts / Positions	I. FACTS ANDS POSITIONS On November 18, 2019, a carrier rolled through a stop sign, making a right turn and running into Maya Nainani, a pedestrian. The incident was captured on video by a neighbor's home security camera. The camera shows the carrier walking around the front of the vehicle to see what happened, and then walking away from the pedestrian without offering any assistance. We understand she did, however, call for emergency help after returning to her vehicle. II. ASSESSMENT OF LIABILITY Based on information we have at this time it does not appear we have any defense to liability for this accident. III. ASSESSMENT OF DAMAGES We do not yet have complete information to allow for an accurate assessment of the injuries alleged in this case. The SF95 was only just received, and was submitted without any of the supporting documentation. If the description of injuries is accurate, this will be a very costly case. At this point counsel advises that Nainani suffered fractures and a severe brain injury with complications. He reports that she remains in intensive care (since the DOA) with a tracheotomy and is ventilator dependent. According to counsel, medical bills already exceed \$2 million. Counsel indicated his belief that Nainani will likely be transferred to a TBI Care Center and then likely transferred to a skilled nursing facility, where she will likely remain for the rest of her life. Nainani was 72 at the time of the accident. We have requested the actual medical documentation and until it is received we are unable to provide a more accurate valuation of these claims. However, given reported economic damages of \$2 million, multiple fractures, a severe TBI, and an unlikelihood Nainani will be able to return to any enjoyment of life, we believe the claim could reach a value of up to \$5 million.

Highlighting any revisions made since

Report for FY2020 Q1:
New text and [deletion]

I. Contingent Receivables: New Cases Assessed At or Above \$1 Million (incl. Cases Previously Below Reporting Threshold)

[No Cases]

II. Cases To Be Removed -- Contingent Liabilities: Assessed At or Above \$5 Million

[No Cases]

II. Cases To Be Removed -- Contingent Liabilities: Assessed Below \$5 Million

A. Probable

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Payout Amount	Payout Date
APWU- Clerk Craft Reversion Cases	_____	\$4.6 Million	Probable	Most Likely Payout: \$2.4 Million Max Reasonable Payout: \$4.6 Million	- Additional Facts or Revision in Text - Reassessed; No Longer Meets Threshold	_____	_____
Bishoy Bibawy v. Megan J. Brennan	USDC No. 3:18-01195 (D. CT)	\$3.0 Million	Probable	Most Likely Payout: \$0.2 Million Max Reasonable Payout: \$2.6 Million - \$3.0 Million	- Additional Facts or Revision in Text - Settlement, Final and Paid	\$0.2 Million	02/24/2020
City Carrier Assistant Contractual Cap	Q16N-4Q-C 19225551	[Unknown]	Probable	Most Likely Payout: \$0.0 Million Max Reasonable Payout: \$1.0 Million	- Additional Facts or Revision in Text - Settlement, Final and Paid	\$0.0 Million	01/22/2020
Civic Center Station Custodial Staffing	F10T-4F-C 15391078	\$1.5 Million	Probable	Most Likely Payout: \$0.3 Million Max Reasonable Payout: \$1.5 Million	- Additional Facts or Revision in Text - Settlement, Final and Paid	\$0.3 Million	02/24/2020
Oakland P&DC Custodial Staffing	F10T-4F-C 15390422	\$1.8 Million	Probable	Most Likely Payout: \$1.0 Million Max Reasonable Payout: \$1.8 Million	- Additional Facts or Revision in Text - Settlement, Final and Paid	\$1.0 Million	02/24/2020
Providence P&DC - APWU MS-47 Grievance	B10T-1B-C 12083204 and B10T-1B-C 13116175	\$1.8 Million	Probable	Most Likely Payout: \$0.3 Million Max Reasonable Payout: \$1.3 Million	- Additional Facts or Revision in Text - Settlement, Final and Paid	\$0.3 Million	None or N/A

A. Probable [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Payout Amount	Payout Date
Administrative	_____	\$2.0	Probable	Most Likely Payout:	Settlement,	\$0.3	12/23/2019

Claim of Julie Hill for Ronald Johnson (deceased)		Million		\$0.5 Million <i>Max Reasonable Payout:</i> \$1.6 Million	Final and Paid	Million	
Administrative Claim of Manuel Noriega	920-19-00413841A	\$10.0 Million	Probable	<i>Most Likely Payout:</i> \$0.7 Million <i>Max Reasonable Payout:</i> \$1.2 Million	● Settlement, Final and Paid	\$0.1 Million	02/05/2020
Administrative Claim of the Estate of Mary Overbeck	_____	\$9.0 Million	Probable	<i>Most Likely Payout:</i> \$1.5 Million <i>Max Reasonable Payout:</i> \$1.8 Million	● Additional Facts or Revision in Text ● Settlement, Final and Paid	\$1.5 Million	03/23/2020
Maria Viscarra, Felipe Montanez Vargas, R.M., A.M., B.M. v. United States Postal Service, Jonathan Rigoberto Aruajo, Luis Alonso Nunez, Jose A. Rodriguez	2:17-cv-07344	\$12.5 Million	Probable	<i>Most Likely Payout:</i> \$1.0 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● Settlement, Final and Paid	\$1.0 Million	02/20/2020

II. Cases To Be Removed -- Contingent Receivables: Assessed At or Above \$5 Million

[No Cases]

II. Cases To Be Removed -- Contingent Receivables: Assessed Below \$5 Million

[No Cases]

III. Contingent Liabilities: Assessed At or Above \$5 Million

A. Probable

2. Labor Claims

Case Name	Article 32 Subcontracting Grievance (Clerk) Contracted Work to a Mail Consolidation Center (MCC)
Case Number	E10C-1E-C 14074035 - Omaha, NE P&DC
Date Filed	12/14/2013
Amount Sought	\$5.4 Million <i>[Previously reported as: \$5.1 Million]</i>
Liability Assessment	Probable
Damages Assessment	• Most Likely Payout: \$5.4 Million <i>[Previously reported as: \$5.1 Million]</i> • Maximum Reasonable Payout: \$5.4 Million <i>[Previously reported as: \$5.1 Million]</i>
Change in Status	• Revised Most Likely Payout or Maximum Reasonable Payout
Estimated Time to Resolution	Less Than 1 Year
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Odom, Brian J.
Law Dept Reporting Office	Western
Other Representative for USPS	Jinni Ramirez, Labor Relations
Facts / Positions	1. CASE/GRIEVANCE BACKGROUND AND ARGUMENTS OF PARTIES:
Highlighting any revisions made since Report for FY2020 Q1: New text and <i>[deletion]</i>	This grievance was filed by the APWU on December 14, 2013. The work in question had been contracted to a Mail Consolidation Center (MCC), operated by "New Breed." This work had been performed by "New Breed" since approximately 1997. The APWU contends that once the contract was renewed most recently in April of 2013, that a notice and due consideration pursuant to Article 32 of the National Agreement should have been provided to the Union. The APWU also contended that based on new contractual language contained in the 2011 National Agreement the APWU should have been allowed to competitively compete for the work. Additionally that if the work could have been performed cheaper by the craft, the work should have been performed in house and therefore should not have been contracted out. It has been management's position that the APWU has offered or established nothing other than a broad based claim of an Article 32 violation. For there to be an obligation to give due consideration to the factors enumerated in Article 32 as it relates to the clerk craft, and to provide notice pursuant to Article 32, it must first be established the work being performed by "New Breed" is clerk work. At no point, from 1997 to present had the APWU filed any jurisdictional claim related to the work in question associated with a new installation/facility, new work, or operational change. It was management's position that the APWU could not lay claim to work, and seize work by way of an Article 32 grievance. Additionally the APWU had not identified specific work they believed rightfully belonged to the clerk craft. The NPMHU intervened.

Management also raised a threshold issue, related to the timeliness of the grievance, in that the APWU filed the grievance in December of 2014 some eight months after the contract renewal.

1. A STATUS OF GRIEVANCE AND SETTLEMENT DISCUSSIONS:

The case was heard in arbitration on October 2, 2015. The arbitrator rendered a decision on December 3, 2015 sustaining the grievance in favor of the APWU, finding a violation of Article 32. However, the arbitrator remanded the case to the RDRC to determine craft jurisdiction of the work. A determination was made in the jurisdictional dispute by Arbitrator Lundberg on January 29, 2018. The issue regarding the proper remedy was remanded back to Arbitrator MacLean and a hearing was held on August 8, 2018. Arbitrator MacLean issued a decision dated September 30, 2018. In his decision, Arbitrator MacLean identified two distinct periods of time for purposes of a damages/remedy calculation. The first period runs from the beginning of the contract (April 1, 2013) through the date that the initial arbitration award was issued sustaining the grievance and finding a violation of Article 32 (December 3, 2015). The total remedy award for this first period of time was set at \$2,668,608.00. The second time period ran from the issuance of the January 29, 2018 decision plus six months for staffing transition (July 29, 2018) through the present. The remedy award for this second period of time was set at \$23,616 per week until the US Postal Service fully transitions the work to USPS staffing. The US Postal Service continues to work to determine whether the existing facility can be retrofitted to accommodate transition to full Postal Service control or whether an alternate facility is more feasible. That evaluation is ongoing and a completion date is not certain at this time.

On September 17, 2019, Arbitrator MacLean held a telephonic meeting with the parties where he corrected the monetary remedy of his award for initial period April 1, 2013 - December 3, 2015. The arbitrator stated that he made a mistake in adding up the number of weeks of the initial violation; therefore the amount to be paid for initial period April 1, 2013 to December 3, 2015 was corrected from \$2,668,608.00 to \$3,282,624.00.

April 1, 2013 - December 3, 2015 = \$3,282,624.00
July 29, 2018 - Full USPS Staffing = \$23,616 per week

2. ASSESSMENT OF LIABILITY: Management previously assessed the liability of this case as probable based on above mentioned ruling and if in the RI-399 process it was determined the work, or part of the work, being performed at the MCC is clerk work. If any of the work was found to be clerk work the likely remedy spans was calculated to be between \$0 and \$13,225,489. Following the September 30, 2018 ruling by Arbitrator MacLean, liability has been determined against the US Postal Service

3. ASSESSMENT OF DAMAGES: Previously, the assessment of liability was determined by calculating the number of hours worked by the contractor to perform the work and multiplying those hours by the hourly rate for 36 PS Level 6 clerk. Utilizing that calculation method, damages were assessed at \$13,225,490.10 through the end of FY2018, quarter 4.

Now that Arbitrator MacLean has issued his remedy award dated September 30, 2018, damages are assessed as follows:

Damages Period #1: April 1, 2013 - December 3, 2015 = \$3,282,624.00

Damages Period #2: July 29, 2018 until Full USPS Staffing x \$23,616 per week

July 29, 2018 -- December 28, 2018 = 26 weeks

26 weeks x \$23,616 per week = \$614,016.00

December 29, 2018 - March 29, 2019 = 13 weeks
13 weeks x \$23,616 per week = \$307,008.00

March 30, 2019 - June 28, 2019 = 13 weeks
13 weeks x \$23,616 per week = \$307,008.00

June 29, 2019 - September 27, 2019 = 13 weeks
13 weeks x \$23,616 per week = \$307,008.00

September 28, 2019 - December 27, 2019 = 13 weeks
13 weeks x \$23,616 per week = \$307,008.00

December 28, 2019 - March 27, 2020 = 13 weeks
13 weeks X \$23,616 per week = \$307,008.00

**\$3,282,624 + \$614,016.00 + 307,008.00 + \$307,008.00 + \$307,008.00 +
\$307,008 + \$307,008 = \$5,431,680**

3.a CONTINUING ACCRUAL OF DAMAGES:

Pursuant to Arbitrator MacLean's September 30, 2018 decision, potential liability continues to accrue quarterly (13 weeks) as follows: \$23,616 per week x 13 weeks = \$307,008

Case Name Improper use of: (1) PMRs in EAS Level 18 offices, Level 6 RMPOs, and Level 4 RMPOs; and (2) PSEs in EAS Level 18 offices

Case Number USPS Q10C-4Q-C 15206043

Date Filed 06/12/2015

Amount Sought [Unknown]

Liability Assessment Probable

Damages Assessment

- **Most Likely Payout:** \$49.9 Million
- **Maximum Reasonable Payout:** \$49.9 Million

Change in Status • **Additional Facts or Revision in Text**

Estimated Time to Resolution Less Than 1 Year

If Field Grievance, held in abeyance? N/A

Law Dept Counsel Weaver, Lauren E.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Rickey Dean, Labor Relations

Facts / Positions I. Facts

Highlighting any revisions made since
Report for FY2020 Q1:
New text and **[deletion]**

On September 5, 2014, Arbitrator Stephen Goldberg issued a decision on a National level dispute regarding the assignment of work in POSTPlan post offices (Q11C-4Q-C 12243899). He held that the Postal Service violated the MOU Re: Clerical Work and Article 1.5 by assigning bargaining unit work in Remotely Managed Post Offices (RMPOs) Levels 4 and 6 to Postmasters and Postmaster Reliefs (PMRs).

On September 22, 2014, the parties agreed to an MOU establishing procedures to implement the award. The MOU states, "All clerk work in Level 6 and Level 4 Remotely Managed Post Offices (RMPO) be performed by APWU bargaining unit employees" within 90 days of the MOU. Furthermore, the Postal Service was to create and fill a minimum of 1,700 full-time duty assignments in Level 6 RMPOs. Level 4 RMPOs are to be staffed with one Level 6 Postal Support Employee (PSE). Level 18 offices are to be staffed with a Postmaster and a career employee.

On June 12, 2015, the APWU initiated a Step 4 dispute claiming that, the Postal Service was violating the September 22, 2014, POSTPlan MOU. Specifically, the APWU contended that; 1) PMRs were being improperly employed in EAS Level 18 offices, Level 6 RMPOs, and Level 4 RMPOs; 2) Continued use of PSEs in those offices was a violation of the award and MOU.

This case came to a hearing before Arbitrator Stephen Goldberg on March 7, 2017. On June 7, 2017, Arbitrator Goldberg awarded make-whole monetary relief to employees who were denied clerk work as a result of the Postal Service's failure to staff Level 4 and 6 POSTPlan post offices and Level 18 post offices. The arbitrator directed that the number of hours improperly denied to clerk craft employees shall be determined in the first instance by Postal Service records which show the hours worked by PMRs. However, the Postal Service will have the opportunity to show (and burden of proving) that some of those hours were spent performing work outside the clerk craft jurisdiction, or were spent performing window work in the absence of any trained clerk craft employees to perform that work. The arbitrator ordered a similar remedy for

EAS 18 offices where work was improperly performed by a PSE instead of a career clerk.

Arbitrator Goldberg remanded the case to the parties at the National level to determine a remedy amount in light of his findings, but retained jurisdiction to resolve any matters of interpretation or application. Either party could invoke his retained jurisdiction if they were unable to agree on amounts to be paid within 90 days of the award. The APWU invoked his jurisdiction, and a hearing was scheduled for February 13, 2018. The parties engaged in negotiations regarding a remedy payout, and reached a settlement on February 9, 2018.

II Liability Assessment

In response to a request for information submitted by the APWU, the Postal Service provided the union an excel spreadsheet which included PMR work hours in EAS Level 18 offices and Level 6 and 4 RMPOs, as well as PSE work hours in Level 18 offices and Level 6 and 4 RMPOs from January 1, 2015, through October 18, 2015. This information indicated that violations were occurring. Based on these data, the likelihood that the APWU would prevail in this case was considered probable.

III. Damages Assessment

The potential damages in this case began accruing 90 days from the signing of the POSTplan MOU, on December 21, 2014. We assessed the Maximum Reasonable Payout to be \$65.8 M which represented the total number of hours PMR and PSE employees have been improperly used in RMPO Level 4 and 6 and in Level 18 offices multiplied by overtime rate of proper Level 6 career or non-career bargaining unit employee.

PMR (Hours)	PSE (Hours)	Damages (in \$M)
RMPO 4 1,925,774		\$46.4
RMPO 6 358,271	223,235	\$12.6
EAS 18 42,257	469,902	\$6.8
Total:		\$65.8

PMR Data covers PP1-FY2015 through PP10-FY2017.

PSE Data covers PP1-FY2015 through PP10-FY2017.

We originally judged the most likely payout to be one-tenth of that amount, or \$6.6 million, given our view that the available data, alone, did not prove (much less measure) specific violations. The arbitrator's award, however, placed the burden on the Postal Service to prove that hours worked by PMRs in the specific offices were excusable.

In order to comply with Arbitrator Goldberg's award, Headquarters Labor Relations gathered supporting documentation from the field to identify PMR hours that could be excluded from damages.

The documentation raised serious problems. First it indicated that only 15% of the hours could be excluded from back pay. This figure would have led to an award of at least \$55 million had a scheduled remedy hearing taken place. Second, it showed that local management had, at times, manipulated data to make it appear that craft employees were performing work in situations where the Postal Service was really improperly using a PMR. Had this information been presented to the arbitrator, he may have chosen to apply a severe penalty, such as time-and-a-half for all hours worked by PMRs (more than \$82 million).

On February 9, 2018, the parties entered into a Remedy Agreement for \$49.9 million. **On February 20, 2020, the APWU provided a list of 9,368**

individuals to be paid, totaling \$44.9M. The Postal Service is working with the Eagan Accounting Service Center to complete the payments. A timeline for payment has not been determined. In accordance with the settlement, the remaining \$5M (10%) is being held to be dispersed at a later date.

Case Name McConnell (aka Velva B.) v. Brennan

Case Number EEOC Case No. 520-2008-00053X/Agency Number 4B-140-0062-06

Date Filed 08/23/2007

Amount Sought \$1900.0 Million

Liability Assessment Probable

Damages Assessment

- **Most Likely Payout:** \$49.1 Million - \$750.0 Million
- **Maximum Reasonable Payout:** \$1900.0 Million

Change in Status • **Additional Facts or Revision in Text**

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? No

Law Dept Counsel Burton, Eve G.

Law Dept Co-Counsel Rauch, Suzanne E.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Ellis, David B

Facts / Positions I. Procedural Posture

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

a. Class Claims

The McConnell Class is comprised of "all permanent rehabilitation and limited duty employees of the Postal Service who were subjected to the Postal Service's National Reassessment Process (NRP) between May 5, 2006 and July 1, 2011." The EEOC has categorized the Class claims into five separate issues:

- (1) Whether the NRP failed to provide reasonable accommodations;
- (2) Whether the NRP wrongfully disclosed medical information;
- (3) Whether the NRP created a hostile work environment;
- (4) Whether the NRP had an adverse impact on disabled employees; and
- (5) Whether the NRP disparately treated the disabled.

After years of discovery, the parties both moved for summary judgment on the class claims and on the Class Agent, Sandra McConnell's, individual complaint of discrimination. On June 4, 2015, the assigned Equal Employment Opportunity Administrative Judge, Erin Stilp (AJ Stilp), issued an initial Report of Findings without a hearing, and then subsequently issued a Final Report of Findings and Recommendations on the Class and Individual Claims at issue in McConnell (Class and Individual Orders) on September 21, 2015. In her Class Order, AJ Stilp found that the Postal Service rehabilitation and limited-duty employees were discriminated against based on disability when they were subjected to: (1) withdrawals of their reasonable accommodations; (2) hostile work environments; and (3) disclosures of confidential medical information. And in her Individual Order, AJ Stilp found that the Class Agent had been denied a reasonable accommodation under the provisions of the Rehabilitation Act when the Postal Service withdrew her modified job assignment and that she had been subjected to disparate treatment on the basis that she had been targeted for removal from her modified job assignment and she was in fact removed in violation of the Rehabilitation Act.

The Postal Service appealed the Individual and Class Orders and the Class Agent also filed a limited cross-appeal. On September 25, 2017, the EEOC Office of Federal Operations (OFO) issued a decision largely affirming AJ Stilp's June 5, 2015 Class Order, holding that the NRP violated the Rehabilitation Act. On October 30, 2017, the Postal Service moved the OFO for reconsideration of the decision. On March 9, 2018, the OFO denied the Postal Service's motion for reconsideration and reaffirmed AJ Stilp's Order and the September 25, 2017 OFO Order on appeal.

In compliance with the terms of the March 9, 2018 Order, the Postal Service sent notice to all class members informing them either of their right to file an individual claim for relief or, if applicable, that they are being desubsumed from the Class. In response, approximately 29,000 individual claimants submitted a claim for relief with the Postal Service's National EEO Investigative Services Office (NEEOISO). NEEOISO then reviewed all submitted claims and timely issued Final Agency Decisions (FADs) to 28,931 individual claimants. NEEOISO then began processing all timely appealed FADs.

On June 26, 2018, the Class, through Class Agent's Counsel, submitted an Emergency Petition for Enforcement of the March 9, 2018 Order arguing that the Postal Service issued premature FADs. On July 12, 2018, the Class Agent filed an appeal of all FADs issued on the individual claims for relief alleging that the FADs were issued in error and in violation of the EEOC's regulations.

On November 14, 2018, the OFO issued a ruling ordering the Postal Service to vacate all FADs on disputed claims for individual relief within 30 days and to inform the EEOC of its intent to dispute any individual claims for relief within 60 days. The OFO further ordered the Postal Service to provide a copy of the administrative file with the notice of intent to dispute for each disputed claim. Finally, the OFO identified EEOC Administrative Judge Monique Roberts-Draper (AJ Roberts-Draper) as the replacement administrative judge for the McConnell case going forward and tasked AJ Roberts-Draper to start and oversee the individual claim dispute process outlined in the EEOC's Management Directive 110 (MD-110) for the McConnell individual claimants.

Pursuant to the terms of the November 14, 2018 Order, the Postal Service notified the EEOC of its intent to dispute individual claims. On February 11, 2019, Class Agent's Counsel filed a Motion for Entry of Case Management Order and Proposed Case Management Order arguing that: (1) they continue in their role as Class Counsel and have a "continuing role as the representative of all Class Members who have elected to proceed through the relief process"; (2) the Postal Service did not properly notify "all Class Members of their right to file a claim for individual relief"; (3) individual claims should be adjudicated, in batches of 50 claimants selected by Class Agent's Counsel, by special masters appointed by the AJ and paid for by Postal Service, after conducting additional discovery on each claimants' individual claim(s) for relief; and (4) Class Agent's Counsel should be permitted to submit quarterly billing statements for their ongoing attorney's fees and costs to be paid by the Postal Service. The Postal Service opposed the Motion for Entry of Case Management Order and Proposed Case Management Order submitted by Class Agent's Counsel and submitted its own Proposed Case Management Order that follows the procedures set forth in MD-110 Ch. 8, Section 12.

On February 27, 2019, AJ Roberts-Draper entered a Case Management Order denying the proposals submitted by Class Agent's Counsel, largely adopting the Postal Service's proposed Case Management Order. Pursuant to the Case Management Order, the Postal Service must submit a list of names of all class members whose claim for relief it has disputed, or intends to dispute, no later than March 12, 2019. The Order also denied the request by Phase I Class

Agent Counsel, Thomas & Solomon LLP and Kator, Parks, Harris & Weiser, P.L.L.C. to be appointed "class counsel for all class members" and also denied their request that the EEOC appoint special masters to assist in the processing individual claims during the Phase II individual relief process. The Case Management Order further denies Class Agent's Counsel's request to reopen discovery, stating: "[t]here will be no discovery propounded in this matter." If upon receiving the submissions on disputed claims, AJ Roberts-Draper believes that additional information is needed to make a determination, she will issue an order to the parties to meet and confer to determine which party has the information, whether and how it can be produced so as to honor medical confidentiality, and a reasonable schedule for production of the needed documents.

The Case Management Order orders the Postal Service to provide a statement in support of its decision to dispute a class member's claim, attaching all relevant supporting documents or evidence, within 20 calendar days of receipt of the Order, on or before March 19, 2019. The Case Management Order also provides that individual claims may be settled without approval from AJ Roberts-Draper, and "group settlements must be approved pursuant to 29 C.F.R. §1614.204(g)." If the parties' agree to withdrawal of claims, AJ Roberts-Draper must be notified within 10 days of the agreement, and upon receipt of the request for withdrawal AJ Roberts-Draper "will issue an Order dismissing the claim and instructing the Agency to issue a Final Agency Decision with appeal rights to OFO."

On February 28, 2019, Class Agent's Counsel filed a motion for reconsideration of the Case Management Order entered by the AJ. The motion argues that they are "class counsel" and represent "all class members," that AJ Roberts-Draper should reopen discovery, that the Case Management Order "may prove ineffective," and that they will need extensions of time beyond the allotted 20 days to respond to the statements of dispute. The Postal Service opposed the motion and AJ Roberts-Draper denied the motion in full on March 20, 2019.

The Postal Service issued its statements of dispute on March 19, 2019, in accordance with the Scheduling Order. Claimants have begun filing their responses, and it is anticipated that all responses will be filed and pending before the Administrative Judge by the end of July 2019.

AJ Roberts-Draper held a status conference on May 13, 2019, during which she addressed several pending motions. AJ Roberts-Draper partially denied Phase I Class Counsel's request for reproduction of NRP files and ordered them to provide a list of claimants for whom they request NRP files. She reiterated that her ruling was limited and she will not allow discovery and document requests as a part of the individual claims process. Despite AJ Roberts-Draper's ruling, numerous claimants and their representatives have submitted demands for production of documents. The Postal Service has filed objections to the demands for document production.

AJ Roberts-Draper held another status conference on August 6, 2019, during which she ordered all Final Agency Decisions on partially accepted claims be vacated. The Postal Service vacated all partially accepted claims on August 16, 2019 and submitted dispute statements to AJ Roberts-Draper on October 7, 2019.

AJ Roberts-Draper held preliminary ex parte settlement conferences with any interested counsel or claimants during the week of August 19, 2019. During the call with Postal Service counsel, AJ Roberts-Draper indicated that she would like to focus on a potential global resolution and that she would be seeking to try to resolve the case globally. She also indicated that she understood that not all claimants submitted viable claims for relief.

AJ Roberts-Draper held a status conference on November 19, 2019. No rulings were issued and no further guidance on the Phase II process or timeline was provided. The AJ confirmed that there was no plan or capacity for the Commission to decide the approximately 29,000 pending claims, and therefore both the AJ and the Commission remain focused on attempting to resolve the case globally.

AJ Roberts held a status conference on January 24, 2020. During the conference, AJ Roberts-Draper denied a pending Motion for Sanctions against the Postal Service related to partially disputed claims. The Motion for Sanctions was filed by Phase I Class Counsel and counsel for other claimants. In denying the Motion for Sanctions, the AJ admonished Phase I class counsel and other counsel for re-litigating issues and seeking sanctions when the Postal Service did what her order required. AJ Roberts-Draper set a deadline of March 24, 2020 for submission of statements of claims for anyone who had a partially accepted claim, and a deadline of March 31, 2020 for submission of any supplements or corrections to claims. During the week of March 2-6, 2020, AJ Roberts-Draper held ex parte conversations with the Postal Service, counsel for claimants, and pro se claimants, as requested.

To date, three claimants whose claims were accepted by NEEOISO have been paid back pay: Barbara Riggs, Cheryl Polk, and the Class Agent, Sandra McConnell, discussed below. Claimant Riggs was paid \$109,881.00 in back pay damages. Riggs's remaining claims for additional damages are now in the disputed claims process, and she has not been paid interest on her back pay award. Claimant Polk was paid \$12,872.18 in back pay damages and \$5,181.31 in interest, and her remaining claims for additional damages are in the disputed claims process.

b. The Class Agent's Individual Claim

On June 4, 2015, the AJ Stilp ruled on the Class Agent, Sandra McConnell's, individual claim finding that: (1) she was a qualified individual with a disability and when the Postal Service removed her modified position it unlawfully withdrew a reasonable accommodation in violation of the Rehabilitation Act; (2) she demonstrated that the entire class of injured employees, including herself, was targeted for removal; (3) it was unclear from the evidence whether McConnell's medical diagnosis was shared improperly with management officials; and (4) she failed to present any evidence that she had a fear of being forced to work for Wal-Mart related to the NRP.

AJ Stilp's June 4, 2015 Order was appealed and on September 25, 2017, the OFO issued an order largely affirming AJ Stilp's ruling on the Class Agent's individual claims. The OFO reversed AJ Stilp's ruling on the Class Agent's hostile work environment holding that the Class Agent is entitled to seek damages for having been subjected to a hostile work environment.

On July 11, 2018, NEEOISO issued a FAD on Sandra McConnell's individual claim and awarded her \$22,500.00 in compensatory damages as well as back pay damages. McConnell was paid back pay damages in the amount of \$28,367.36 and interest in the amount of \$25,703.54. On August 10, 2018, Class Agent's Counsel appealed the compensatory damages award. Ms. McConnell is currently seeking \$300,000.00 in compensatory damages for her alleged emotional distress. The Postal Service filed its Response to the appeal on October 9, 2018. To date, the OFO has not issued an order on the Class Agent's individual appeal.

c. Attorney's Fees

The OFO awarded the Class Agent attorneys' fees and costs incurred during Phase I processing of the class complaint. As part of the compliance process, the OFO ordered the Class Agent to submit a petition for attorneys' fees and costs to the Postal Service's EEO Compliance and Appeals office. The Class Agent submitted a fee petition on April 9, 2018 seeking approximately \$18 million in fees, plus \$577,000 in costs. The Postal Service engaged two expert witnesses to evaluate the fee petition and issue opinions as to the reasonableness of the requested fees and costs. These experts concluded that the petition seeks excessive hourly rates and includes unreasonable billing practices. On June 7, 2018, the Agency's EEO Compliance and Appeals office issued a FAD awarding Class Counsel \$1,532,937.36 in attorneys' fees and \$229,257.71 in costs. Payment of attorneys' fees and costs awarded by the FAD was allocated between the two law firms representing the Class Agent. A payment in the amount of \$766,478.68 was made to the law firm Kator, Parks, Weiser & Harris PLLC, and payment in the amount of \$995,727.39 was made to the law firm Thomas & Solomon LLP.

On July 6, 2018, the Class Agent appealed the FAD on attorneys' fees and costs to the OFO, and the amount of fees and costs ultimately awarded will not be known until a determination of reasonable fees and costs is made by the OFO. The Postal Service's Response to this appeal was filed on December 3, 2018. No decision has issued, and the appeal remains pending before the OFO.

V. Settlement

In September 2015, the parties conducted an in-person mediation with JAMS Mediator Michael Loeb in which Class Counsel initially demanded \$18 billion to settle all claims in the McConnell case. The Postal Service did not respond to this outrageous demand; however, Class Counsel subsequently bid against themselves and reduced their settlement demand to \$1.9 billion. The Postal Service declined to counter and Mediator Loeb continued to work to reduce Class Counsel's demand. While no further demand was made, Mediator Loeb indicated that Class Counsel was looking for a settlement in the range of \$500 million to \$1 billion, with the mid-point of \$750 million being the target for settlement by Class Counsel. Mediator Loeb also indicated that he believed Class Counsel's bottom point was near \$230 million. The Postal Service was unwilling to entertain a settlement in the stated range of \$500 million to \$1 billion and the mediation was unsuccessful. Other than the recent discussions with AJ Roberts-Draper, no further settlement discussion have taken place in the McConnell case since September 2015.

VI. Potential Monetary Value of the Claims

The Postal Service, in conjunction with its economic expert Economic Research Services (ERS), has monetized the various elements of the class claims. The Postal Service also calculated economic loss accounting for the Department of Labor, Office of Workers' Compensation Programs (OWCP) mitigation, which was previously not included. Additionally, the Postal Service examined claim rates, average damage and attorney's fee awards, and settlement rates from Law Manager, the Law Department's case management system, and EEOC data. It also conducted an in-depth analysis of the NWA subclass, which is addressed below, as well as those individuals whose claims were accepted and given awards in the now-vacated FADs, as well as

response rates and rates of representation in the now-reversed appeals process.

a. Economic Loss Calculations

ERS calculated the economic loss for 9,985 individuals that districts identified as receiving a NWA or a "Part Day No Work Available" determination after reassessment (NWA subclass). ERS limited its economic loss calculation to this NWA subclass because no other class members experienced any lost hours, and therefore, did not experience economic loss. (Please note that while we received a decision allowing damages for the employees who retired or resigned during the class period, we did not update the calculations for that subclass to avoid incurring additional cost of analysis. Totals for awarded back pay will be available as Eagan processes them. An average of \$15,283 is used for all individuals experiencing economic loss.)

ERS determined lost earnings for the NWA subclass by first calculating all Leave Without Pay (LWOP) hours for the relevant time period. ERS reviewed actual LWOP records from the pay periods encompassing May 6, 2006 (the start of the class period) through June 26, 2015 (the data available to ERS at the time of this report). All LWOP hours that occurred prior to the pay period in which a district began Phase II of the NRP are excluded. If an employee had LWOP hours in the pay period that the district began Phase II of the NRP and had prior LWOP, then their LWOP hours in the pay period were excluded. In addition, if an employee had no LWOP hours in the pay period corresponding to the end of the class period (July 1, 2011), then ERS excluded all LWOP hours after July 1, 2011. Using this data, ERS forecasted the lost hours, and associated dollar value of those lost hours, from June 27, 2015 through September 30, 2015 (pay period ending October 2, 2015), to estimate losses through the end of FY 2015. This forecast was based on the average LWOP hours per pay period for the 1,511 individuals who had lost hours in the first 14 pay periods of 2015, ending June 26, 2015, valued at each person's hourly rate as of June 26, 2015. ERS determined that the 9,983 NWA class members lost a total of 20,010,960 hours, valued at \$525,850,518.

ERS offset these lost work hours by the amount paid to the employee through workers' compensation payments made by the OWCP. However, OWCP payments are tax-free, whereas lost earnings are taxable, therefore, ERS grossed-up OWCP payments based on a 20% tax rate (15% federal and 5% state). ERS calculated total grossed-up OWCP payments at \$440,399,808. This results in lost earnings minus OWCP mitigation of \$85,450,710. Next, ERS calculated interest on lost earnings through the end of FY 2015, for a total mitigated lost earnings plus interest at \$95,633,635.

In addition to lost earnings, ERS also calculated economic loss associated with lost annual leave, Thrift Savings Plan (TSP) contributions, and annual leave exchange, through the end of FY 2015 as follows:

- Lost annual leave hours of 1,285,884, valued at \$33,741,598;
- Lost TSP contributions, based on lost employer contributions and interest, plus the interest only on the lost employee contribution, valued at \$18,726,096;
- Lost annual leave exchange, plus interest, valued at \$4,470,862.

ERS calculated total economic loss for the 9,983 NWA subclass members at \$152,572,191 or \$15,283 per person.

Please note that ERS estimated 1,044,392 hours of lost sick leave, with

an estimated value of \$27,404,846. This value is not included in the estimated economic loss calculation because any restored sick leave would not be paid by the Postal Service until the sick leave was actually taken. Therefore, unlike annual leave, the Postal Service does not accrue liability for sick leave, as it is not paid out upon termination of employment.

b. Damage Estimates

Based on ERS's economic loss calculations, the Postal Service created a damage model. In the model, the Postal Service assumed a 41% claim rate based on the 41% settlement claim rate in the *Glover v. Potter* class action for the 9,985 NWA employees. The Postal Service then assumes that 3% of the 9,985 potential claims will be successful either initially or on appeal, leaving 279 total successful claims. Using the economic loss of \$15,283 per person, the Postal Service calculated its economic loss exposure at \$4,263,957. However, the OFO has now ordered the Postal Service to enter into a dispute process with the approximately 29,000 claimants and it remains unclear what the process or outcome will likely be. Therefore, no change has been made to the current damage estimates.

The Postal Service assumed a 23% response rate for the entire class for non-economic compensatory damage claims, excluding those never assessed per AJ Stilp's order. This is based on the number of claims received to date. The Postal Service assumed that 1,675 of the claims filed will be successful initially or on dispute or appeal and that each successful class member who filed a claim would receive an average award of \$13,000 in compensatory damages. This award is based on a comprehensive review of EEOC compensatory damage awards in cases with similar factual scenarios and claims. This results in compensatory damage exposure of \$21,775,000. This calculation assumes that 23% of 130,606 class members (approximately 29,428) have filed a claim, that 1,675 of those claims will be successful either initially or on appeal/dispute and that each would receive an average award of \$13,000. This average is based on a mixture of initial awards from NEEOISO and other final agency decisions, as well as awards by EEOC administrative judges. It is possible that the OFO will, given the size and notoriety of the overall class claim, award significantly higher average damages for individual claimants. (Please note that AJ Stilp inaccurately identified a class size of 133,582 in her orders discussed above, however, there are in fact 134,606 class members. The Postal Service removed approximately 4,000 class members from this total for the compensatory damages calculation to reach 130,606, based on AJ Stilp's order on the motion to de-subsume.)

Combining the economic loss and compensatory damage exposure results in a total estimated damage exposure of \$26,038,957.

The Postal Service then added a 27% attorney's fees award, the average attorney's fees award based on EEO data and industry practice, resulting in an estimated attorney's fee award of \$7,030,518. Please note that Class Agent's Counsel is currently arguing on appeal that they represent each member of the class in Phase II and that their contingency fee is 30%, not 27%. The Postal Service then added \$17,762,206 for the estimated Phase I attorney's fees awarded to or appealed by Class Counsel in the Class Order.

This results in a total exposure of \$50,831,679. Subtracting the \$1,762,195 already paid to the attorneys leaves a remaining exposure of approximately \$49,100,000.

Please note that Class Agent's Counsel, Kator Parks, was recently awarded

Phase I attorney's fees in a smaller class action, litigated for over two decades, *Garcia v. DEA*, Case No. 100-2003-08442X. Class Agent's Counsel was awarded under \$900,000 for over 20 years of work, including a nine-day liability hearing. However, given the much larger class size in *McConnell* (100 v. 134,606), the Postal Service anticipates significantly higher fees in this case. Class Agent's Counsel has already been awarded \$1,762,195 by NEEOISO and has appealed that award and requested a total award of \$17,730,506 on appeal. That appeal is currently pending.

VII. Final Note re: Monetary Evaluation

The monetary evaluation of this case, set out above, reflects a hybrid approach to determining liability in this case based upon discovery and internal analysis of available data as well as AJ Stimp's June 4, 2015 decisions, the 2017 OFO Order, the March 2018 OFO Decision on Reconsideration and information obtained through the claim filing process contemplated under the terms of the March 2018 OFO Decision on Reconsideration, and the November 14, 2018 OFO Order. Based on the facts available as of December 6, 2018, the Postal Service believes that the most likely payout amount in this case ranges from a low end of \$49 million to a high end of \$750 million, with no one amount more likely than another. The high end of the most likely payout range, \$750 million, is based on conversations during the most recent mediation in the case. We have no reason to adjust the maximum reasonable payout amount at this time, as individual claims are still subject to the EEOC's ordered dispute process and subsequent appeals. The dispute process is likely to result in increased successful claims and awards, however, the Postal Service is unable to determine the likely outcome at this time.

Case Name MOU re: Clerk Craft Jobs - 800 Administrative & Technical

Case Number USPS Q10C-4Q-C 15174956

Date Filed 05/19/2015

Amount Sought \$157.9 Million

Liability Assessment Probable

Damages Assessment

- **Most Likely Payout:** \$31.0 Million
- **Maximum Reasonable Payout:** \$61.4 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? _____

Law Dept Counsel Reimer, Brian M.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Shannon Richardson, Labor Relations

Facts / Positions I. Facts

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

As part of the 2010-2015 National Agreement, the parties agreed to the MOU re: Clerk Craft Jobs. The MOU required that the Postal Service conduct an audit of Executive and Administrative Schedule (EAS) positions and determine whether any of those positions perform bargaining unit work. If an EAS position was performing bargaining unit duties, the Postal Service was to return those duties to the APWU bargaining unit. The MOU also required that the Postal Service provide 800 administrative and technical jobs to the APWU bargaining unit. In reaching the 800 APWU bargaining unit jobs required by the MOU, the Postal Service was allowed to count those positions that were returned to the bargaining unit as a result of the audit described above. Ultimately, the audits resulted in the development of 438 AMS Specialist and Mail Flow Controller positions, leaving 362 positions unaccounted for.

On May 19, 2015, the APWU initiated a national-level dispute regarding the Postal Service's non-compliance with the MOU. The case was not added to the CLR at the time because the APWU did not seek a monetary remedy but rather merely the residual positions. When collective bargaining negotiations failed to reach an agreement, the APWU sought to have the Interest Arbitration Panel that decided the 2015-2018 National Agreement consider the issues raised by this case in rendering the new contract (i.e., a prospective remedy, but not back pay). The Panel declined, and the parties next met on the grievance during Q1 of FY 2017, at which time the APWU informed the Postal Service that it was seeking a monetary remedy. The Postal Service then entered the Contingent Liability Report accordingly.

The case came before Arbitrator Stephen Goldberg for a hearing on January 17, 2017. On March 31, 2017, the APWU clarified its demand for monetary damages: \$157.9 million. The APWU sought back pay at the top step for level 8 (\$39.75/hour) for the period January 1, 2012 through April 30, 2017, based on 2080 hours per year (prorated for 2017) for the 362 bargaining unit positions at issue (\$156.6 million). Additionally, the APWU sought \$1.3 million in unpaid union dues. The APWU's clarification came in response to a request by the arbitrator for the Union's damage estimate.

The Postal Service argued that any monetary remedy should be based on compensation for employees who were harmed by placing them in the position they would have been in if all 800 jobs had been created timely.

Arbitrator Goldberg issued an award on April 21, 2017, agreeing with the Postal Service's view that only employees who were harmed by the failure to create all 800 jobs should receive compensation. However, the arbitrator ruled that backpay should date back to August 1, 2013, after he found that the Postal Service had not engaged in good faith efforts to create the remaining 362 positions due after that time.

II. Liability Assessment

The Postal Service did not fulfill its obligation to create 800 administrative and technical bargaining unit jobs and, as expected, the arbitrator held that backpay would be due for those employees who were harmed.

III. Damages Assessment

Based on the arbitral award, we have made the following estimate of the Maximum Reasonable payout. The Postal Service posted 280 Level 6 HR Clerk positions and 82 Level 7 Training Tech positions in the August and September bid cycles.

The employees who bid into the new jobs almost certainly had Level 6 positions before bidding into the new jobs. However, the APWU likely will seek a remedy that includes out-of-schedule premium for all hours included in the backpay award.

Between August 1, 2013 and June 30, 2018, applying the out-of-schedule premium of \$13.00 per hour results in \$42.6 million in potential liability. In addition, the one-grade difference between Levels 6 and 7 (for the 82 Training Tech positions) adds up to an additional \$0.5 million in potential liability.

Furthermore, PSEs would have been converted to career status to backfill the vacancies created by the new positions. Under the worst case scenario, damages would be calculated as the difference between the PSE salary and benefits and the entry level career salary and benefits level from August 1, 2013 through June 30, 2018, or \$18.2 million.

Adding \$42.6 million, \$0.5 million, and \$18.2 million, with appropriate rounding up, results in a Maximum Reasonable Payout of \$61.4 million.

To calculate the Most Likely Payout, we are estimating that the out-of-schedule premium will be half of the \$42.6 million calculated above, or \$21.3 million. This estimate is based on the likelihood that the union will receive out-of-schedule pay for some, but not all hours worked. The Postal Service will argue that no out-of-schedule premium is due because the purpose of out of schedule premium is to compensate employees for the inconveniences suffered as a result of having to work outside their bid schedules. None of the employees in this case actually suffered such inconvenience. We are unaware, however, of any arbitral precedent on this issue and we view the union's chance of prevailing on it as equal to ours. We further assume that the back pay based on the one-grade upgrade will equal \$0.5 million.

Similarly, for PSEs we assume for purposes of calculating the Most Likely Payout that the actual damages will be half of the Maximum Reasonable Payout, or \$9.1 million. This is based on the premise that the affected PSEs would have been otherwise converted to career status at some point between August 1, 2013 and September 30, 2018.

The total estimate for Most Likely Payout is therefore \$31.0 million (\$21.3

million for career employees bidding on the new positions, \$0.5 million for the 82 upgraded employees, and \$9.1 million for PSEs who would have been converted to career status earlier.) Rounding increased the estimated liability by 0.1 Million in Quarter 4 of FY 2018.

As of November 15, 2017, only 56 positions remained to be filled. For the time period up to and including November 15, 2017, the liability calculation included all 362 positions. Between November 15, 2017, and December 31, 2017, the liability calculation included only the then-remaining 56 positions. Between January 1, 2018 and March 31, 2018, the liability calculation included only 10 positions that remained unfilled. Between April 1, 2018 and June 31, 2018, the liability calculation included only five positions that remained to be filled. Between July 1, 2018 and September 30, 2018, four of the remaining positions were filled, and the liability calculation includes only those four plus the one that remained unfilled. For quarter 1 of FY2019, there was still one position unfilled. In January 2019, the single remaining unfilled position was filled. Because the liability associated with that position was well under \$100,000, we have not adjusted the most likely or maximum reasonable payout figures.

Because all of the initial positions have now been filled, the liability calculation includes the estimated liability through January 2019, and the damages are capped at this level.

A hearing on remedy was scheduled for March 29-30, 2018, but was postponed and has not been rescheduled. We estimate that it will take more than one year to schedule the hearing, hold it, submit post-hearing briefs, and receive a final award. Thus, we estimate that it will take 1-5 years before there is a final resolution of this case.

Case Name NORTHEAST AREA - Lead Clerk TACS Access and Training Grievance

Case Number B10C-4B-C 16670982

Date Filed 08/02/2016

Amount Sought **\$20.1** Million
[Previously reported as: \$18.9 Million]

Liability Assessment Probable

Damages Assessment

- **Most Likely Payout: \$11.9** Million
[Previously reported as: \$11.3 Million]
- **Maximum Reasonable Payout: \$11.9** Million
[Previously reported as: \$11.3 Million]

Change in Status

- **Change in Damages Assessment or Amount Sought (Still Meets Threshold)**
- **Revised Most Likely Payout or Maximum Reasonable Payout**
- **Additional Facts or Revision in Text**

Estimated Time to Resolution Less Than 1 Year

If Field Grievance, held in abeyance? Yes

- GATS Number of National-level Case: Q10C-4Q-C 18273555 (resolved)

Law Dept Counsel Rice, Anthony T.

Law Dept Reporting Office Northeast

Other Representative for USPS James Gavner, Manager, Labor Relations, Northeast Area

Facts / Positions **B**ackground/Argument:

Highlighting any revisions made since

Report for FY2020 Q1:
New text and *[deletion]*

UNION'S POSITION: This grievance claims a violation of Articles 1, 5, 15, 19 and 37. The primary issue surrounds the TACS training for Lead Clerks. The union alleges that the NEA unilaterally modified the required 8 hour training course that was identified in the February 4, 2016 Step 4 settlement. The union alleges that there was no agreement to proceed with a 45 minute training course.

The union also contends that management's decision to not provide the 8-hours of training that was in effect when the Step 4 settlement was signed resulted in EAS performing bargaining unit work. However, Postal Service records indicate that training continued throughout the entire period. The union has failed to establish through the case file that Lead Clerks were not performing TACS duties.

MANAGEMENT'S POSITION: Management's position is that the modification to the training was not a NEA initiative but rather HQ's instruction that were distributed nationally on August 1, 2016. The subject grievance was filed the following day on August 2, 2016 citing Article 15.2 Step 3(f) of the National Agreement which reads:

Area-Wide Grievances

Article 15.2 Step 3(f) provides for the Regional Coordinator or National Business Agent to file one grievance directly at Step 3 when the issue involves a new or changed district or area-wide policy, instructions or guidelines.

The intent of this provision is to discourage the filing of multiple local grievances. This type of grievance may be placed at the head of the appropriate arbitration docket.

By definition, the grievance does not fit the definition of an area-wide grievance since we can prove that we were adhering to the HQ's directive.

Damage Assessment:

The union's proposed settlement involved pay for all Lead Clerks who were not performing TACS duties since the signing of the Step 4 in February 2016. The union proposed 3 hours a week in F4 offices and 6 hours a week in F1 offices. The amount sought encompasses a timeframe of 202 weeks and 374 F1 clerks and 1123 F4 clerks. The 1497 clerks identified represent all employees with a Lead Clerk occupation code and does not represent employees who are required to be assigned TACS duties.

The "Amount Sought" calculation (**\$20** million-which increases each quarter) is derived from taking the applicable hourly rate (\$26.63), which, in Function 4 offices, generates a weekly claim for \$79.29 and, in Function 1 offices, a weekly claim of \$159.78, multiplied by **215** weeks. There are 1,013 Function 4 offices and 82 Function 1 offices within the ambit of this grievance.

F4: $\$79.29 \times 215 \times 1013 = \$17,268,965.55$

F1: $\$159.78 \times 215 \times 82 = \$2,816,921.14$

Total: **\$20,085,886.69**

In the event that the union is able to proceed past the procedural arguments management will argue that the number of Lead Clerks who are required to be assigned TACS duties is significantly less than 1497; based on the February 4, 2016 settlement signed by the parties. Management would also assert any liability would be limited to a period beginning 14 days prior to the filing of this grievance on August 2, 2016 rather than the February date the union asserts. This number does not take into account any Lead Clerks who have been performing TACS duties during the identified timeframe. We would also be prepared to argue the amount of time daily spent by a Lead Clerk is significantly less than the 3 and 6 hours calculations the union has provided. In the event that the union succeeds with an Article 1.6b argument and a monetary award is made, rough calculations based on employee numbers alone indicate that the damages could reach or exceed one million dollars.

We believe that the APWU will rely heavily on a 12/2/14 arbitration decision from Boston Massachusetts (GATS B10C-4B-C 14150877) which awarded a Lead Clerk 15 minutes a day at the straight time rate of pay for every day going back to when the employee should have received the TACS training. In that case, Arbitrator Holden, stated in her award:

"Management violated the National Agreement by performing bargaining unit work in the Weston Post Office as it relates to TACS (Time Attendance Collection System) time keeping duties.

For remedy Management shall stop performing Level 7 duties; the grievant shall receive the mandatory TACS training; and the grievant shall assume the duties of his job description.

The grievant shall receive straight time back pay from the date he was denied taking the TACS training to the date of this award for time the Weston Branch manager and supervisor did (TACS) bargaining unit work."

This individual received \$1,246.19 as settlement.

If the current arbitrator adopts this position, we have 1013 Function 4 lead

clerks and 82 Function 1 lead clerks who should be assigned TACS duties.

- The rate of pay is calculated is \$26.63 per hour.
- F4 operations is calculated 15 minutes a day for TACS duties; 1.5 hours per week (\$39.95/week)
- F1 operations is calculated 1.5 hour a day for TACS duties; 10.5 hours a week (\$279.62 /week)
- The calculations begin 8/1/16 through **3/31/20; approximately 192 weeks.**
- **F4: 192 weeks x \$39.95 a week = \$7670.40; 1013 F4 lead clerks x \$7670.40= \$7,770,115.20**
- F1: 179 weeks x \$279.62 a week = \$50,051.98; 82 Function 1 lead clerks x \$50,051.98= \$4,104,262.**30**
- Total projected liability=**\$11,874,377**

We feel this is the Maximum Reasonable Payout.

However, it is our position that a monetary award is not appropriate in this case. Rather, because the Settlement Agreement did not establish a timeframe within which the training was to be provided, it is our position that the appropriate award in this case if to direct that the individuals be provided the training that was in effect at the time of the Settlement Agreement. Thus, at this time we feel the Most Likely Payout should be zero.

Concerns with this case:

- On February 8, 2017 Long Island management indicated that their Lead Clerks had access to TACS, but it was 'read-only' access. The TACS Coordinator in the Long Island District has since modified the access so the Lead Clerks could also make adjustments. Despite having their clerks trained and providing them access, we did not fulfill the portion of February 4, 2016 settlement that would have the Lead Clerks adjust rings or run reports.
- Only 22 Lead Clerks in Long Island had TACS access which prompted. A review of the other Districts showed how many Lead Clerks area-wide had TACS access.
- Lead Clerks who do not have access to the TACS program are not in compliance with the February 4, 2016 Step 4 Settlement Agreement. The above chart demonstrates that we have only provided TACS access to approximately 12% of Lead Clerks area-wide in compliance with the February 4, 2016 Agreement.
- In addition individual Districts need to be canvassed to determine how many of the 172 Lead Clerks who have TACS access are being utilized.
- In a pre-arbitration settlement for multiple TACS-use grievances in Boston MA management settled for \$340,000.00. In this settlement the union demonstrated that multiple employees were trained in TACS but never assigned TACS duties. As a result of this settlement, the Boston District would not be considered a part of the subject area-wide grievance.
- 842 Clerks were provided the "Lead Clerk System Training" which is the 4.5 hour course. At a minimum we owe these employees an additional 3.5 hours of training to satisfy the 8 hour training that HQ previously stated and is now reiterating is required. The additional training equates to 2,947 hours.
- In addition to the training issues we will need to overcome the fact that lead clerks were never required to obtain TACS access and, therefore not assigned TACS duties. Records show that in the NEA of those employees trained only 12% of all lead clerks have access. Of the 172 lead clerks who have access

we know that 22 of them were not provided the correct access; read-only rather than the required "write" access. This compromises our position further.

This case was presented before Arbitrator Gudenberg on March 21 and 22, 2017. The parties submitted briefs on April 25, 2017. We typically receive arbitration decisions within 30 days of final receipt of briefs.

Update: Arbitrator Gudenberg decided that the references to the Boston settlement were not admissible since they were clearly defined as non-precedent setting and non-citable. However, in his decision he directed the Service to provide the TACS training records to the union to establish if there is any remedy based on when the training was received and who subsequently is performing the TACS input. The remedy portion of this arbitration is scheduled in May 2018.

Update: We held a remedy hearing on May 2, 2018. The union requested to have Rickey Dean, Manager APWU Contract Compliance testify as a hostile witness. I objected to this request. The arbitrator, noting my objection, allowed the union to attempt to contact Mr. Dean but he was unavailable. We are currently in discussion with the arbitrator to determine what the next steps should be relative to this arbitration. I am pushing for the arbitrator to render a decision based on the case file, his prior decision and the information that was shared at the remedy hearing. The union is pushing for an additional witness, additional information to be presented and to conclude with written briefs.

Update: This case and pending arbitration are currently held under the national level grievance filed on the same issue; GATS Q10C-4Q-C 18273555.

Update: The national level grievance filed on the same issue; GATS Q10C-4Q-C 18273555 was resolved on 9/5/2018.

Update: The advocates for this case have sought a date from the arbitrator to submit written briefs. No response has been received as of March 1, 2019.

Update: The arbitrator sustained the grievance but did not award any remedy. The arbitrator remanded the remedy to the parties on May 14, 2019. Arbitration decision attached.

Update: The APWU proposed a settlement of \$25 million for this case. This settlement offer is based on a formula that grossly inflates the amount of time needed to perform TACS duties. Their proposal also compensates every lead clerk (not required), trains every lead clerk with the supervisor TACS training (not required) and does not account for any lead clerks properly performing the TACS work since 2016. The proposal also does not align with the 9/5/18 Step 4 settlement.

Update FY 2020-Quarter 2: I reviewed ~~[deletion]~~ a list by name of every office that earns a lead clerk. In offices that only have 1 lead clerk the TACS duties should be assigned to that individual. In plants or large post offices the duties may be assigned to more than 1 lead clerk. I cross-referenced the list of lead clerks with the lead clerks throughout the NEA who have TACS access. If a lead clerk does not have TACS access they cannot perform any of the TACS duties for the office and, by default, management will be performing all of the TACS functions. Knowing this information, the likelihood of going back to arbitration and receiving a decision that doesn't afford the craft any monetary compensation is very slim. The TACS duties have belonged to the clerk craft, in lead clerk offices only, since 2016. My analysis does not take into consideration any lead clerks who have TACS access but have not been assigned the TACS function which would increase our liability. Establishing a most likely payout would require an extensive and time-consuming analysis,

district by district, office by office and employee by employee to determine who, and to what extent, has been performing the TACS functions since 2016. That said, we do have districts who have assigned the TACS functions to the lead clerks which would result in a liability less than what we have currently calculated as our maximum **reasonable payout of \$11,874,377**

Case Name Retail Systems Software (RSS) Postmaster End of Day Button

Case Number Q10C-4Q-C 16050516

Date Filed 12/23/2015

Amount Sought [Unknown]

Liability Assessment Probable

Damages Assessment

- **Most Likely Payout:** \$14.7 Million
- **Maximum Reasonable Payout:** \$21.3 Million

Change in Status • **Additional Facts or Revision in Text**

Estimated Time to Resolution **Less Than 1 Year**
[Previously reported as: 1 - 5 Years]

If Field Grievance, held in abeyance? N/A

Law Dept Counsel McCleave, Tiffany N.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Rickey Dean, Labor Relations; Shannon Richardson, Labor Relations

Facts / Positions I. FACTS

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

On March 8, 2011, the APWU and the Postal Service agreed to a Global Settlement to resolve longstanding disputes regarding supervisors' performance of bargaining unit work under Article 1.6. The Global Settlement set forth bargaining unit work hour limits for postmasters and supervisors in Level 18 offices. Under the Global Settlement, in Level 18 offices, a postmaster is permitted to perform no more than 15 hours of bargaining unit work per week. The Global Settlement also provided that "All time the supervisor or Postmaster spends staffing the window during the day will be counted toward the permissible bargaining unit work limits." The parties had an interpretive dispute over this language, which the APWU appealed to arbitration. On March 29, 2013, Arbitrator Shyam Das issued the Global Settlement merits award, finding that "staffing the window" applies to "all time the supervisor or postmaster is covering the window, which, in the absence of a clerk, includes the time the window is open."

On December 5, 2014, the parties signed the Global Settlement Remedy Agreement (GSRA) to resolve outstanding remedy issues surrounding postmasters and supervisors in small offices who were performing bargaining unit work. Employees in most Level 18 offices use computers known as Point of Sale (POS) terminals to conduct transactions at the retail window. In the GSRA, the parties specified that, "In the event that both a clerk and a postmaster/supervisor are staffing the window at the same time, all the time that the postmaster/supervisor is logged into POS (defined to mean the entire period from start of day to end of day) will be counted as bargaining unit work."

The GSRA stipulated that Postal Service Form 1260 (now automated as Web1260) would serve as the document of record for postmasters to record all time performing bargaining unit work. The GSRA provided for a local informal adjustment process if there was a dispute over the amount of bargaining unit work a supervisor performed in a given week, through which clerks could be compensated the appropriate amount in the Postal Service's Grievance-Arbitration Tracking System (GATS) if the Union could show the

Postal Service improperly reported the amount of bargaining unit work performed on the Web1260.

When the parties signed the GSRA in 2014, the software on the POS terminals was known as "POS One." Both clerks and postmasters could use POS One to conduct transactions and other business. If a postmaster needed to staff the window and perform retail transactions (i.e., bargaining unit work), he or she would log into POS One by conducting a "start of day." When a postmaster was finished staffing the window, he or she would perform an "end of day" process in POS One, which would close out that particular session, even if it was not the ultimate end of the workday. If a postmaster's session on the window produced more than \$100 cash, the end of day process would include a final remittance (or deposit), which required reconciling and taking money out of the retail drawer for eventual deposit to the bank. Once a postmaster conducted the end of day process in POS One, he or she could no longer perform any bargaining unit work in the system without conducting another start of day. The start of day / end of day process could be completed multiple times in a day in POS One by a postmaster.

In 2014, the Postal Service began piloting new software for the POS computer terminals known as Retail Systems Software (RSS). The Postal Service notified the APWU about the RSS deployment in 2014. When the parties met to discuss the RSS in April 2015, the APWU raised a concern that RSS did not have the same functionality as the POS One software. Namely, the APWU correctly observed that the Form 1412 generated in RSS did not indicate the time an employee started his day in the system, making it impossible to track how much time was spent on the window. To address the Union's concerns, the Postal Service modified RSS to add the start time to the Form 1412. Along with that software modification, the Postal Service also added a function known as the Postmaster End of Day (PMEOD) button. The purpose of this button was to make the end of day process for a postmaster more efficient by eliminating the need to make multiple final remittances (deposits) throughout the day. After conducting an end of day using the PMEOD button, if the postmaster later conducted another start of day to enter back into the system, the cash retained from his previous session would roll into the next session. This allowed the postmaster to conduct multiple end of days without risking accounting errors by having to reconcile and pull money out of his or her drawer every time. When a postmaster finished working the window for the day, he or she would conduct a regular end of day and make one final remittance/ deposit.

The Union initiated a national-level dispute over the PMEOD button on December 23, 2015. The Union claimed that the Postal Service "replaced POS [One] with the new RSS system to circumvent the window reporting of bargaining unit work." The Union claimed that the PMEOD button does not accurately reflect the reporting of time spent staffing the window by postmasters performing bargaining unit work, and that the parties' understanding of the end of day process necessarily included multiple steps including a final remittance/ bank deposit. The Union argued that once a postmaster logged into RSS, the entire time from the postmaster's start of day in the system to the time the postmaster conducted a full, final end of day with a remittance/ deposit must be counted as bargaining unit work. In other words, according to the Union, any end of day process using the PMEOD button would not stop the clock.

The case was scheduled for arbitration, and hearings took place on July 13-14, 2017 in front of Arbitrator Shyam Das. The Postal Service argued that the PMEOD button was not created to circumvent the GSRA, but was an efficiency added to allow postmasters to have multiple start of day/ end of day periods in one work day while only requiring one bank deposit. The Postal Service noted that it is undisputed that postmasters can have multiple start of

day/ end of day sessions in a work day. The PMEOD button did not changed anything as far as how bargaining unit work was to be recorded or counted under the GSRA.

On December 8, 2017, Arbitrator Das issued an award finding in favor of the APWU. Arbitrator Das concluded that the protections afforded the APWU in the GSRA were "lessened to a meaningful extent" by the Postal Service's unilateral deployment of the PMEOD button. Arbitrator Das ordered the Postal Service to disable the PMEOD button. Das returned the issue of back pay to the parties to "determine an appropriate remedy that is fair and reasonable taking into account all relevant factors."

II. ANALYSIS OF LIABILITY

We assess this grievance as "probable." The Postal Service lost this case on the merits, and now must assess damages. It is likely the Postal Service will have to pay some amount of back pay, but the amount is extremely difficult to ascertain for the reasons explained below.

III. ANALYSIS OF DAMAGES

The Union has not specified any amount of damages it is seeking, and has only made vague, unsubstantiated allegations of widespread misuse of the PMEOD button. This case was previously not reported as a contingent liability matter because the parties already have a mutually agreed-upon process for resolving local violations related to the Global Settlement limitations on the performance of bargaining unit work. Any potential back pay issues would have been addressed through that process and individually would not have reached the \$1 million threshold. When we assessed the case, we concluded that any back pay issues related to exceeding the 15 hour limitation in Level 18 offices by postmasters, which includes any underreporting of staffing the window should have already been handled through the parties' agreed-upon informal adjustment process. We reasonably concluded that the damages in this case should not reach over \$1 million.

However, in light of the language in Arbitrator Das' award, a larger back pay remedy than anticipated may occur. Currently, we are still reviewing information to estimate the amount of back pay due with accuracy. Labor Relations is currently conducting a random survey of the 7,404 Level 18 post offices, which requires 200 offices to submit Form 1412s for the liability period to determine whether and how those offices used the Postmaster End of Day Button in the first place. Labor Relations will then have to compare the hard copy Form 1412s to the Web1260 reports to ascertain the accuracy of time reported for postmasters performing bargaining unit work, and whether there was any difference in the hours reported for postmasters performing bargaining unit work and thus a back pay remedy due. This process is completed manually, then the results extrapolated to have a sense of the size of a possible remedy.

We have modified the upper bound of the maximum reasonable payout to \$21.3 million dollars. This update is calculated based on a data review which showed that approximately 53% of Level 18 offices (3,935) were found to have misused the PMEOD button and underreported an average of 2 hours of bargaining unit work for each week for the liability period. Under this scenario, the Union would be entitled to compensation at the career straight-time rate for the 2 hours of underreported bargaining unit work per week for each office, which would total \$21.3 million in back pay (3,935 Offices X 2.0 Hours X 104 Weeks X \$26 Career Straight-time rate = \$21.3M).

Regarding the most likely payout, we can reasonably extrapolate the sample to a total of 3,935 total offices impacted to update the most likely payout to

\$14.7 million dollars. The respondents in that sample have an average of 1.58 hours per week (rather than the 2 hours used in the maximum reasonable payout scenario above) and an average of 91 weeks of having used the Postmaster End of Day Button. Using a career straight time (ST) rate of \$26/hour, the liability would be \$14.7 million (\$26.00 per hour x 1.58 hours per week x 91 weeks x 3,935 offices).

Due to the fact that the Postmaster End of Day Button was deactivated in December 2017, we are capping the damages in this case to those listed above. If our discussions with the Union regarding remedy identify new considerations that would alter the calculations, we will update the damages as necessary.

UPDATE

A hearing on remedy has been scheduled for May 27-28, 2020. However, Labor Relations is continuing discussions to reach a resolution with the union on the remedy prior to the hearing.

A. Probable [cont'd]

3. Tort Claims

Case Name	John W. Stokes III v. United States of America
Case Number	18-cv-1445
Date Filed	12/14/2018
Amount Sought	\$10.0 Million
Liability Assessment	Probable
Damages Assessment	• Most Likely Payout: \$3.0 Million • Maximum Reasonable Payout: \$5.0 Million
Change in Status	• Additional Facts or Revision in Text
Estimated Time to Resolution	Less Than 1 Year
Law Dept Counsel	Briody, Maureen O.
Law Dept Reporting Office	St. Louis

Facts / Positions
Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

This matter arises out of a motor vehicle accident that occurred on December 16, 2016 in upstate New York. The matter was initially received as an administrative claim in 2017, but based on the approximately \$100,000 in medical cost and good prognosis for the plaintiff's recovery that was provided to us at the time it was not assessed as having a potential seven figure value. The matter remained in the administrative stage while the plaintiff's medical condition developed. However, when litigation was filed by plaintiff in December 2018 and was eventually served on and forwarded from the US Attorney's Office to the USPS Law Department in February of 2019, the plaintiff's injuries were alleged to be permanent and his attorney provided us with a \$2.3M life care plan, making it clear the matter should be entered into the CLR system.

The plaintiff was a rear seat passenger in a vehicle traveling southbound when a letter carrier operating an LLV traveling northbound attempted to make a left turn into a gas station directly in front of the plaintiff's vehicle resulting in the collision. The carrier was issued a traffic citation for failure to yield the right of way on a left turn and admitted to the investigating police officer that he did not see the plaintiff's vehicle when he made his turn. Therefore, it appears highly probable that the carrier will be found 100% at fault.

The plaintiff, 54 years old, struck his head on the roof of the car on impact. He was transported to the hospital by ambulance complaining of neck pain and he was unable to move his arms and legs. A series of CT scans revealed multiple vertebral fractures in his neck with compression of his spinal cord. He was transported to another hospital for a higher level of care. Plaintiff was hospitalized for one month where he received therapy and pain medication. He was treated for partial paralysis and required a wheelchair for a period of time. Thereafter, he was discharged to a rehabilitation center as an inpatient for six weeks where he continued physical and occupational therapy. After being discharged, plaintiff continued to receive outpatient rehabilitation services for approximately two more months and the prognosis initially appeared positive.

However, Plaintiff alleges his medical condition did not improve, and he now

has medical liens estimated at \$400,000. In addition, he has not returned to work and now claims lost wages of at least \$150,000. The records provided further indicate he applied for and was approved for Social Security Disability benefits. His current medical reports indicate that he is totally disabled and will require extensive medical care for the rest of his life. His attorney has provided a Life Care plan for future medical treatment and therapy that will cost for approximately \$2.3 million.

This action is still in discovery, however, initial discovery and Plaintiff's deposition have taken place. The parties have requested that additional depositions be stayed so the parties can proceed with assessing damages and overall value of the injuries at issue in an effort to prepare for mediation or other settlement discussions. The parties are working to obtain necessary documents and expert opinions for purposes of a mediation or settlement discussion, which would likely occur sometime in mid 2020. The Plaintiff testified in his deposition that he is still in a lot of pain, and though he can get around his house, he needs help doing chores and still uses a wheelchair when he leaves his house. The U.S. Attorney's Office has retained 2 expert witnesses (an internal medicine specialist/hospitalist, and an economist) and 1 litigation consultant specializing in vocational rehabilitation. The internal medicine specialist/hospitalist confirmed the significance and permanence of Plaintiff's injuries. The economist reviewed Plaintiff's life care plan and confirmed that future damages will be significant. The vocational rehabilitation consultant is in the process of performing her review of the Plaintiff's medical records but it is expected that she will determine him to be unemployable. The economist estimates that the total present value of the life care plan is in the \$2-3 million range and this estimate does not include pain and suffering, which will also be a significant number.

B. Reasonably Possible

1. Business Claims

Case Name	NORTHROP GRUMMAN SYSTEMS CORP. v. UNITED STATES
Case Number	12-286-C
Date Filed	05/04/2012
Amount Sought	\$178.9 Million
Liability Assessment	Reasonably Possible
Damages Assessment	• Most Likely Payout: \$20.0 Million - \$40.0 Million • Maximum Reasonable Payout: \$89.0 Million
Change in Status	• Additional Facts or Revision in Text
Estimated Time to Resolution	Less Than 1 Year <i>[Previously reported as: 1 - 5 Years]</i>
Law Dept Counsel	Kiely, Michael F.
Law Dept Co-Counsel	Windmueller, Michelle A.
Law Dept Reporting Office	HQ Legal Strategy
Other Representative for USPS	Cameron Cohick (DoJ); Barbara Thomas (DoJ); Rebecca Kruser (DoJ); Daryl Stinnett
Facts / Positions	Facts and Positions:

Highlighting any revisions made since
Report for FY2020 Q1:
New text and **[deletion]**

Northrop Grumman Systems Corp. ("Northrop") filed a civil action in the United States Court of Federal Claims against the Postal Service seeking approximately \$180 million in compensation under a procurement contract. In its answer to the complaint, the Department of Justice ("DOJ"), on behalf of the Postal Service, filed a counterclaim for approximately \$410 million. Though that counterclaim is reported on a contingent-receivables report, the entire case will be discussed in this contingent-liability report.

In February 2007, the Postal Service awarded a contract to Northrop to supply 100 production units of the Flats Sequencing System ("FSS"). The FSS was intended to be an improvement over existing automation systems because the FSS sorts "flat mail" (e.g., magazines) into delivery or "walk sequence" order. Absent such machinery, carriers must sort flats by hand, which is a time-consuming, expensive process.

Under the original contract schedule, the FSS should have passed its First Article Test ("FAT") by July 2008. The initial FAT was delayed until November - December 2008, and was not successful, as the first article machine failed to satisfy all minimum contract performance requirements. With the cooperation of the Postal Service, Northrop undertook a "replan" effort to address most of the deficiencies. Eventually the FSS passed a modified FAT, and deployment was allowed to proceed. Deployment should have been completed by October 2010 under the original contract schedule, but because of Northrop's inability to pass FAT, deployment was not actually finished until August 2011. Northrop alleges the Postal Service is primarily responsible for the deployment delays because the Postal Service's overzealous oversight interfered with Northrop's design efforts and because the Postal Service demanded design changes over and above what the contract required. The Postal Service contends it did

not interfere with Northrop's contractual performance, and that most of the additional work that Northrop was required to perform was necessary in order for the FSS to satisfy minimum performance requirements.

Because the machines were delivered late, the Postal Service was not able to realize the savings (primarily in labor costs) that the FSS would have provided in 2010 and 2011. Given that the Postal Service was forced to incur labor costs that would not have been incurred if Northrop had performed its contract properly, the Postal Service stopped certain payments to Northrop beginning in the summer of 2011, for a total of approximately \$63 million (\$41 million of which was invoiced by Northrop), to offset the harm caused to the Postal Service. To recover the remainder of the costs of employee hand sorting, the Postal Service filed a counterclaim for \$410 million, which included the \$63 million offset. In addition to lost labor savings (i.e., delay damages), the Postal Service is also seeking to recover compensation for additional testing costs and for various items of work that were not delivered by Northrop or were not performed in accordance with contract requirements. This was originally calculated to be approximately \$20 million, but it was reduced after discovery to approximately \$12.5 million. Roughly half of that amount, however, \$6.3 million, represents costs that the Postal Service might incur in the future, rather than out-of-pocket expenses, i.e., \$4.4 million for Design Warranty Costs (Count VIII) and \$1.9 million for Life Cycle Support (Count IX).

Liability Assessments:

Our assessment of the case is that it is reasonably possible that the Postal Service will be liable to Northrop for some constructive changes to the contract. We further assess that it is reasonably possible that Northrop will be liable to the Postal Service for breach of contract, primarily due to the delayed delivery of the FSS machines. In the event that Northrop is found liable for breach of contract, the Postal Service will be entitled to retain the \$63 million in withheld payments to the extent it can prove delay damages.

Damages and Receivables Assessments:

Northrop seeks damages of approximately \$179 million, consisting of approximately \$116 million (exclusive of interest) for more than 50 alleged constructive changes as well as alleged disruption and delay caused by the Postal Service, and approximately \$63 million for withheld payments. We estimate the maximum reasonable payout on Northrop's claims for constructive change orders, delay, and disruption to be in the range of \$6 to \$14 million (plus \$1-2 million interest). If the Postal Service is unable to prevail on its counterclaim (i.e., is unable to substantiate its delay damages in excess of the \$63 million it withheld), however, then damages to Northrop would increase substantially -- we would have to remit some or all of the \$63 million (plus up to \$10 million interest) that was withheld in anticipation of those damages. That would result in total, maximum reasonable damages to Northrop of approximately \$89 million, including interest.

Potential damages (receivables) in favor of the Postal Service under the counterclaim were based primarily on the forecasted amount of approximately \$393 million to be saved in the 2006 Decision Analysis Report (DAR) supporting the FSS procurement. Our damages expert in this litigation has concluded that the Postal Service's lost savings, due to the late arrival of the FSS machines, actually totaled approximately \$180 million. The main factor accounting for the lower damages figure was the reduction in mail volume since creation of the DAR. We think it is reasonably possible that we will prevail on that counterclaim in its entirety, in which case we would still need to subtract the \$63 million in withheld payments from that total.

Accordingly, we estimate the total, maximum reasonable payout (liability) to Northrop to be approximately \$89 million and the total, maximum reasonably payout (receivable) to the Postal Service to be approximately \$117 million.

Our assessment of the most likely payout continues to evolve and is difficult to quantify, and is informed by information learned during litigation. The court heard oral argument on the parties' respective dispositive motions during the week of September 10, 2018. We received a decision from the court on the pending dispositive motions on October 17, 2018. The decision was largely favorable for the Postal Service. The court reduced our damages claims by about \$600,000 and Northrop's constructive-change claims by approximately \$7.4 million. The merits of the parties' delay claims were not presented in the motions.

The parties conducted a three-day mediation in Washington, DC on May 13-15, 2019, and continued the mediation for one day on June 12, 2019. Settlement offers were exchanged, but the parties were nearly \$100 million apart, and we have ended the formal mediation. Northrop reached out to discuss settlement after the mediation, and we met for one day in October 2019, but no progress was made.

The mediation was useful for purposes of assessing the strength of the parties' claims, but has not persuaded us to alter our assessment of the overall "most likely payout" of roughly \$20-40 million to Northrop. Our view is that Northrop will likely receive damages in the range of \$5 to \$10 million (plus interest) on its constructive-change claims, and will likely fail to prove any entitlement to damages on its delay and disruption claims. Whether it can prove its entitlement to the \$63 million in withheld payments will depend primarily on whether (and the extent to which) the Postal Service can prove that it suffered lost savings as a result of Northrop's delayed performance. Because of the many hurdles the Postal Service would need to overcome to establish its counterclaim, we think it is reasonable to assess the most likely outcome as requiring the Postal Service to repay a portion (but not all) of such withheld payments. Accordingly, we believe that the overall most likely payout to Northrop should remain in the \$20 to \$40 million range. As noted above, however, the range of reasonable outcomes remains very wide, from nearly \$90 million in Northrop's favor to nearly \$120 million in the Postal Service's favor.

Trial began [deletion] in Washington, DC on February 3, 2020, and is expected to last for seven weeks (not consecutive). After completion of the first 4 weeks, the court postponed the next trial period due to the current public health crisis. Trial is scheduled to resume on May 4, 2020.

Case Name Return Mail, Inc. v. United States

Case Number Fed. Cl. No. 11-130C

Date Filed 02/28/2011

Amount Sought [Unknown]

Liability Assessment Reasonably Possible

Damages Assessment

- **Most Likely Payout:** \$30.0 Million - \$100.0 Million
- **Maximum Reasonable Payout:** \$100.0 Million - \$200.0 Million

Change in Status • **Additional Facts or Revision in Text**

Estimated Time to Resolution 1 - 5 Years

Law Dept Counsel Boardman, Stephan J.

Law Dept Co-Counsel Ackerman, William G.

Law Dept Reporting Office HQ Legal Strategy

Other Representative for USPS Stephan J. Boardman

Facts / Positions

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

I. Facts, Positions and Proceedings: This is a patent infringement suit filed on February 28, 2011, by Return Mail, Inc. (RMI) alleging that USPS's One Code Address Change Service (OneCode ACS) infringed RMI's patent that protects a method for processing returned or undeliverable mail items, including steps for obtaining the updated address of the intended recipient. RMI claims that OneCode ACS uses RMI's technology and was introduced only after USPS and RMI failed to come to terms on an agreement for USPS to obtain a license for RMI's product.

In 2007, we initiated an ex parte re-examination proceeding with the U.S. Patent and Trademark Office (PTO) to invalidate the patent. While we were successful in cancelling the original claims, the PTO allowed RMI to add new claims, resulting in the PTO issuing a new patent certificate in January 2011. RMI's lawsuit argues that OneCode ACS infringes on those new claims.

On October 4, 2013, the court issued its opinion construing the claims. The opinion favors the plaintiff, broadly construes the disputed claims, and almost universally adopts the plaintiff's proposed claim construction. This broad construction of the patent's claims, including one that characterizes the Postal Service as a return-mail provider, will make it easier for the plaintiff to prove infringement. We can still assert several invalidity defenses, such as prior art and obviousness, given the broad interpretation of the patent's claims. However, invalidity may be difficult to prove because the standard of proof for court cases of invalidity is high. If infringement is found and the patents cannot be invalidated, the damages could be substantial, potentially many tens of millions of dollars, if not a hundred million dollars or more since the royalty base could be the millions of times that OneCode ACS has changed a recipient's address. Given such a huge royalty base, even a small royalty rate could result in significant damages. Alternatively, the court could eschew applying a royalty rate in lieu of a license fee but, the license fee itself could also be very substantial. In November 2013, we met with plaintiff's attorneys, Covington and Burling, and they requested over \$100 million to settle the case.

Beginning in January 2014, the Postal Service had outside counsel, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, evaluate the case. Based upon Finnegan's advice, we sought relief in this matter through an alternative forum.

On April 15, 2014, Finnegan filed a petition with the Patent Trial and Appeal Board (Patent Board) to invalidate plaintiff's patent claims at issue in the Court of Federal Claims case. On September 5, RMI submitted a settlement offer in the \$55 million dollar range.

In the Court of Federal Claims case, the judge granted a joint motion to stay the matter until the Patent Board rendered its final decision. Subsequently, the Patent Board found the claims are unpatentable as an abstract concept. RMI appealed to the Federal Circuit, which upheld the Patent Board. RMI filed a petition for certiorari with the Supreme Court.

On June 10, 2019, the Supreme Court issued a 6-3 decision ruling that a federal agency, including the Postal Service, is not a "person" entitled to petition for patent review under the America Invents Act. The Court reversed the favorable Federal Circuit decision that upheld the decision of the Patent Board decision, thus reversing the invalidation of RMI's patent.

The Court of Federal Claims **lifted the stay. RMI** moved to amend its complaint, which the **Court granted. Discovery regarding invalidity has begun.**

II. Assessment of Liability: We evaluate potential liability as reasonably possible. Though the Supreme Court ruled the government cannot use AIA processes to invalidate a patent, we still have a strong argument that the patent is unpatentable as an abstract idea and that argument was successful before the Patent Board and the Circuit. Other invalidity and non-infringement arguments may also be available.

III. Assessment of Damages: The case has returned to the Court of Federal Claims for further proceedings on RMI's patent infringement claims. Damages could be substantially in excess of current estimates. If liability is found, the Court of Federal Claims will calculate damages using a hypothetical negotiation between the parties based on the value of the technology and the volume of infringed uses. We anticipate discovery will include expert testimony regarding damages. We are likely to increase substantially potential damages after discovery closes, but are unable to do so accurately at this point.

B. Reasonably Possible [cont'd]

2. Labor Claims

Case Name	APWU Class Action Alleging Improper Reversion of 11 jobs - Palatine P&DC
Case Number	J10C-1J-C 11164581
Date Filed	03/01/2011
Amount Sought	\$5.6 Million <i>[Previously reported as: \$5.5 Million]</i>
Liability Assessment	Reasonably Possible
Damages Assessment	• Most Likely Payout: \$1.9 Million <i>[Previously reported as: \$1.8 Million]</i> • Maximum Reasonable Payout: \$5.6 Million <i>[Previously reported as: \$5.5 Million]</i>
Change in Status	• Revised Most Likely Payout or Maximum Reasonable Payout • Additional Facts or Revision in Text
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	McDermott, Heather L.
Law Dept Co-Counsel	Zadina, Christopher W.
Law Dept Reporting Office	Great Lakes
Other Representative for USPS	Fred Schroeder, District Manager, Labor Relations; Ronald Hirn, LR Specialist
Facts / Positions	I. Facts/Positions: Did the U S Postal Service violate the National Agreement when Management reverted Job ID#s 704462711, 70427840, 70482380, 95683272, 95841479, 95853627, 70429927, 70449020, 70432579, 70425659, and 704255678. The union contends that Management is in violation of Article 37.3.A, of the National Agreement by failing to post 11 reverted positions. The union contends the posting did not include the reasons for the reversions as required by Article 37.3.a; that management has established a need for the duty assignments due to the continual call of overtime; that the bids should be posted for all unassigned full-time regular employees; that employees from manual letters are being excessed; that IPP employees are being excessed out of their bids to the automation area; that FSS employees are being excessed out of their bids to the automation area; and that management has taken away the rights of employees who have retreat rights to this section. The union also contends that Management failed to give the union an opportunity for input prior to their decision to revert the bids. The union was notified and given the opportunity for input prior to reposting the bids. The positions became vacant on various dates and a meeting was held with the Clerk Craft Director. The union was given an opportunity for input by correspondence, phone conversations and in the meeting on February 23, 2011, within twenty (28) days of the positions becoming vacant. The union

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Report for FY2020 Q1:

New text and **[deletion]**

was made aware of Management's desire to repost the bids and /or make some possible changes to the positions and the records show the reason for reverting the positions is listed on the vacancy notice.

This matter that is now being reported as a contingent liability was discovered as the Lakeland District Labor Relations thoroughly reviews the backlog of all grievances pending arbitration which date back to 2009 in order to determine the potential liability in each of the grievances. Many of these grievances, including the grievances that comprise this contingent liability, arose under the former Northern Illinois District before large portions of it were merged with the Lakeland District. When Lakeland inherited these grievances, the files were in poor condition and were not scanned. Therefore, the process to assess and assign potential liability to all of the grievances pending arbitration is quite time consuming and laborious. Additionally, as these grievances did not initially have a \$1M or more potential liability, but as they have aged, they have grown in liability.

II. Assessment of Liability

Union's Position:

The union contends a violation of Article 37.3.A, of the National Agreement by the USPS when it failed to post eleven (11) reverted/vacant positions. The union contends the posting did not include the reasons for the reversions as required by Article 37.3.a ; that management has established a need for the duty assignments due to the continual use of overtime in those areas. The union also contends that Management failed to give the union an opportunity for input prior to their decision to revert the bid. As such the bids should be posted for all affected employees and all contractual rights (including retreat rights) be restored.

Union's Requested Remedy:

Management to post all reverted bids from Posting # 34099 and make it retroactive to 03/01/2011. The successful bidders to be made whole with compensation for out of schedule pay and overtime.

Management's Position:

Management complied with Article 37.3.A.2 and the JCIM Section 3.A. 2 which outlines the steps Management must take when reverting a vacant duty assignment. Section 3.A.2 of the JCIM states that, In order to comply with Article 37.3.A.2, Management must take the following steps: (1) Give the local union president opportunity for input prior to making the final decision; (2) The final decision to revert the bid must be made within twenty (28) days of the vacancy; (3) A notice must be posted advising of the reversion and the reasons therefore. Management complied with National Agreement and the JCIM by first meeting with the union to discuss the positions which were considered for reversion and solicited input from the union. A meeting was held on February 23, 2011, with the Operations Support Specialist and the Clerk Craft Director.

The union was informed of the date the positions became vacant. The union was also given an opportunity for input by correspondence, phone conversations and in the aforementioned meeting. The union was made aware of Management's desire to repost the bid and /or make some possible changes to the positions. The Records indicate that the reason for reverting the positions is listed on the vacancy notice.

While the union claimed that unassigned employees could have bid on these positions, Management contends that the union provided no record of these

unassigned employees. Management also contends that the use of overtime does not necessitate reposting the positions, especially when the positions are from various sections.

III. Assessment of Damages

The amount sought and maximum reasonable payout was calculated based on the assumption that the 11 bids will have different schedules than the bids that the successful bidders actually had worked during the relevant time period. Because these employees are full-time and already worked and were paid for full time hours, they would not be entitled to guaranteed hours; instead, they would only be entitled to out-of-schedule pay, which equates to 50% of regular pay. (See Footnote 1)

Consequently, the calculations would be based on 11 positions working 80 hours per pay period (11 positions X 80 hrs. per PP = 880 hours), at the out-of-schedule rate of pay through the present FY / PP, as shown below.

Total hours for FY2011 thru FY2019: 195,360
Total from current FY chart below: **11,440**

FY Hrs/PP	No. of PP	Total Hrs.
2020 880	13	11,440

The current FY20 hours X \$12.70 (OOS rate) (FN1) = **\$145,288.00**

Total hours from 2011 thru FY 2019 or 195,360 X the applicable, annual OSS rate (See the chart attached to client report) (See FN1) = \$2,375,014.40.

In summary, the total amount sought for out of schedule pay is **\$2,520,302.40**.

If the grievance is upheld, we expect an arbitrator to also award compensation on the basis of 11 clerks, working outside of their schedules on their off days and potentially awarding Overtime (OT) for the NS days that would have been worked over this time frame. Again, this calculation is based on the assumption that the 11 bids will have a different NS days than the bids that the successful bidders actually had during the relevant time period.

Consequently, the calculations would be based on 11 positions and 2 NS days for 32 hours per pay period (11 positions X 32 hrs. per PP = 352 hours), at the overtime rate of pay through the present FY / PP, as shown below. (See Footnote 2)

Total hours for FY 2011 thru FY 2019: 80,960
Total from current FY chart below: **4,576**

FY Hrs/PP	No. of PP	Total Hrs.
2020 352	13	4,576

The current FY 2020 hours X \$38.10 (OT rate) (FN2) = **\$174,345.60**

Total hours from FY2011 thru FY2019 or 80,960 X the applicable annual OT rate (see chart attached to client report) (See FN2) = \$2,945,141.76

In summary, the total amount sought for overtime is **\$3,119,487.36**

IV. The maximum reasonable payout was calculated as follows:

If the grievance is upheld, we expect an arbitrator to compensate employees for out-of-schedule premium pay and overtime pay. Even though the union is asking for out-of-schedule, overtime and guarantee pay for conflicting

schedules and non-scheduled days, the clerks are still full-time employees that had been properly compensated for all hours worked, had not been denied overtime opportunities, and had been worked in accordance with Article 8. Because it is highly unlikely that all 11 bids will have schedules and non-scheduled days conflicting with those of the ultimate successful bidders during the relevant time period, Management believes that the most likely payout will be of 1/3 of the total (50% OOS plus 150% OT). As a result the liability we believe would be one or the other. The parties have not entered into any settlement negotiations up through the present time.

Total maximum liability from the OOS and the OT: **\$5,639,789.76**

Therefore, we believe the most likely payout would be as follows in Millions: **\$1.9** or **\$5.6**

1) The OOS rates of pay are based upon the current end of year schedule pay scales from the National Agreement and the chart above articulates this based upon Level 6 Step H for each end of year pay schedule.

2) The OT rates of pay are based upon the current end of year schedule pay scales from the National Agreement and the chart above articulates this based upon Level 6 Step H for each end of year pay schedule.

Case Name APWU Grievance of Temporary Mail Transport Contract - Denver P&DC to Aurora, Arvada, CO

Case Number E10V-1E-C-11168629

Date Filed 04/07/2011

Amount Sought **\$8.6** Million - **\$9.4** Million
[Previously reported as: \$8.3 Million - \$9.2 Million]

Liability Assessment Reasonably Possible

Damages Assessment

- **Most Likely Payout:** **\$8.6** Million - **\$9.4** Million
[Previously reported as: \$8.3 Million - \$9.2 Million]
- **Maximum Reasonable Payout:** **\$8.6** Million - **\$9.4** Million
[Previously reported as: \$8.3 Million - \$9.2 Million]

Change in Status • **Revised Most Likely Payout or Maximum Reasonable Payout**

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? No

Law Dept Counsel Odom, Brian J.

Law Dept Reporting Office Western

Other Representative for USPS James Dunlap, Manager Labor Relations, Colorado/Wyoming District; Amy Doty, Western Area Labor Relations

Facts / Positions 1. CASE/GRIEVANCE BACKGROUND AND ARGUMENTS OF PARTIES:
 In February of 2011, management needed to address operational changes concerning the transportation of mail. The three Flat Sequencing systems machines became operational, half of the Mail Processing Annex was being closed and more priority mail volume would be worked at the Denver Network Distribution Center (NDC). It was determined that mail for the Denver, Aurora and Arvada station would originate at both the Denver GMF & the NDC. With mail originating at two facilities, there would be a need to change the TTO runs to ensure the timely transportation of the mail. At the time, the GMF had 79 TTOs and 5 Motor Vehicle Operators. It was determined that the current staffing would not be able to timely transport the mail to all stations & branches. Management determined that if the Aurora & Arvada offices were temporarily sub-contracted, there would be staffing to ensure the movement of the mail to the Denver stations and branches and between the three buildings (P&DC, NDC and MPA) Management requested that a temporary highway contract be used to transport the mail to the Aurora & Arvada stations & branches. Management performed the Article 32 considerations for contracting out this work.

Highlighting any revisions made since
 Report for FY2020 Q1:
New text and **[deletion]**

1.a STATUS OF GRIEVANCE AND SETTLEMENT DISCUSSIONS
 This matter was recently removed from the Contingent Liability Report as part of the FY2019, Quarter 2 report based on the Union's failure to appeal the Step 3 denial. The grievance was denied at Step 3 on March 17, 2014, and through the submission of the FY2019, Quarter 2 Contingent Liability Report, there was no indication that the Union appealed the grievance to arbitration. Article 15 of the National Agreement requires the Union to appeal an adverse Step 3 decision to arbitration within 21 days of receipt of the adverse Step 3 decision. Normally, any appeal to arbitration now would be argued by Management to be untimely. However, the Step 3 denial wasn't sent with Delivery Confirmation or by Certified Mail, and Management did not have any proof the Union ever received the Step 3 denial. As part of the FY2019,

Quarter 2 Contingent Liability Report the decision was made to remove the matter from the Report. After consultation with Colorado Wyoming Labor Relations, Western Area Labor Relations as well as Western Area Law Department, it was determined that sufficient time had passed following the March 17, 2014 Step 3 denial to warrant removal from the CL Report. It was further noted that, if the Union subsequently filed an appeal, management would argue the timeliness issue and evaluate whether to return the matter to the Contingent Liability Report would be appropriate.

Management recently learned that the Union has now filed an appeal to arbitration of the March 17, 2014 Step 3 denial. The appeal to arbitration is dated December 4, 2018. Management intends to argue that the appeal is grossly delinquent and will attempt to have the matter dismissed as untimely. Given the fact that the Union has now filed an appeal, this matter was added back into the Contingent Liability Report for FY2019, Quarter 3.

2. ASSESSMENT OF LIABILITY:

The issue in dispute is whether or not management properly sub-contracted the delivery of the mail. Management feels that the temporary contract was justified and that the Article 32 analysis was done properly at the time. Given the nature of arbitration and arbitral history, it is possible an arbitrator could find in favor of the APWU and return the work to the craft, however, it is unlikely that monetary payment would be made. In addition, returning the work to the APWU will require the Postal Service to hire a minimum of 26 TTO drivers and obtain a minimum of 13 additional tractor-trailers. Clearly, it was more cost effective to subcontract the work. However, the work was subcontracted as a temporary contract, which has now gone on for over 8 years. Management may have difficulty convincing an arbitrator that these contracts are temporary in nature. Based on arbitral history, Management assesses the likelihood that an arbitrator will rule that the temporary contracts were not temporary, and the work should have been given to the Union, as reasonably possible.

3. ASSESSMENT OF DAMAGES:

There are two possible methods for calculating potential damages in this case. First, an arbitrator could award the Union the cost of the contracts. Second, an arbitrator could award the Union the amount that it would have cost to hire and pay 26 new TTO drivers for the time frame at issue.

Damages Calculation Method #1 - Cost of Contract:

If an arbitrator bases an award on the cost of the contracts:

Based on requested remedy parameters and information from Forms 7440 the cost of this contract for 2011 totaled \$819,367.69; costs of the contract in 2012 totaled \$819,334.96, costs for this contract in 2013 totaled \$776,649.97, costs for this contract in 2014 totaled \$776,649.97, and the cost of the contract from March 26, 2015 through June 30, 2018 was \$943,889.64 per annum. The current quarterly costs of the contract is \$290,442.88.

Total Contract Cost to Date is:

\$819,367.69 (March 26, 2011 through March 25, 2012)
PLUS \$819,334.96 (March 26, 2012 through March 25, 2013)
PLUS \$776,649.97 (March 26 2013 through March 25, 2014)
PLUS \$776,649.97 (March 26, 2014 through March 25, 2015)
PLUS \$835,278 (March 26, 2015 through February 05, 2016)
PLUS \$267,702.76 (February 06, 2016 through May 13, 2016)
PLUS \$247,110.24 (May 14, 2016 through August 05, 2016)
PLUS \$290,442.88 (August 06, 2016 through November 11, 2016)

PLUS \$290,442.88 (November 12, 2016 through February 17, 2017)
 PLUS \$290,442.88 (February 18, 2017 through May 19, 2017)
 PLUS \$235,972.41 (May 20, 2017 through August 18, 2017)
 PLUS \$414,918.40 (August 19, 2017 through January 05, 2018)
 PLUS \$248,951.04 (January 06, 2018 through March 31, 2018)
 PLUS \$269,696.96 (April 01, 2018 through June 30, 2018)
 PLUS \$269,696.96 (July 1, 2018 through September 29, 2018)
 PLUS \$290,442.88 (September 30, 2018 through December 28, 2018)
 PLUS \$290,442.88 (December 29, 2018 - March 31, 2019)
 PLUS \$290,442.88 (April 1, 2019 - June 30, 2019)
 PLUS \$290,442.88 (July 1, 2019 - Sept 30, 2019)
 PLUS \$290,442.88 (October 1, 2019 - December 31, 2019)
PLUS \$290,442.88 (January 1, 2020 - March 31, 2020)

= \$8,595,315.28

Damages Calculation Method #2 - Cost of Hiring 26 TTO Drivers:

If an arbitrator bases an award on the cost of hiring 26 new TTO drivers the total cost to date (through **March 31, 2020**) is **\$9,439,508.81**.

See attached spreadsheet for detailed calculations.

3a. Continuing Accrual of Damages

Continuing Accrual under Damages Calculation Method #1 - Cost of Contract:

Continuing accrual of damages based on the cost of the contract is based on the quarterly estimates listed above for the Damages Calculation Method #1 - Cost of Contract.

Current Contract Cost is \$290,442.88 per quarter

Continuing Accrual under Damages Calculation Method #2 - Cost of Hiring 26 TTO Drivers:

Continuing accrual of damages based on the cost of hiring 26 new TTO drivers:

\$41,492 (annual salary) divided by 52 weeks = \$797.92 per week
 \$797.92 per week multiplied by 13 weeks per quarter = \$10,372.96/quarter
 \$10,372.96/quarter multiplied by 26 TTO drivers = \$269,696.96/quarter

Case Name Atlanta District Motor Vehicle

Case Number K15V-1K-C 17174626

Date Filed 08/19/2016

Amount Sought \$5.9 Million

Liability Assessment Reasonably Possible

Damages Assessment

- **Most Likely Payout:** \$5.6 Million
- **Maximum Reasonable Payout:** \$5.9 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? No

Law Dept Counsel Bosland, Carl C.

Law Dept Reporting Office Capital Metro

Other Representative for USPS District Manager, Labor Relations Cynthia Davis

Facts / Positions

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

APWU and the Motor Vehicle Craft are aggrieved over the fact that management violated the collective bargaining agreement. Specifically, management entered into HCR 301P1 without notification to the union. The union contends that this is a violation of Article 32.1.C of the Collective Bargaining Agreement. The union further contends that after the decision was made by management to subcontract the transportation work, management failed to show evidence of compliance with the five factors and the provisions of article 32.1A, and the provisions, language, and spirit of the insourcing Memo found on page 216 of the National Agreement. The case file consists of the moving papers, copies of 301P1 and their supporting documentation.

According to the Step 2, "The 301P1 contract was a rebuild for existing transportation to the 305 area. There were no MVS runs abolished or MVS drivers displaced due to the highway contract being modified.

Based on the findings of District Labor Relations, this is a new contract number however the work is not new. The work is a combination of HCR 301A8 and HCR 301N8. These contracts were in existence and serviced the 305 area when mail was processed at The Athens GMF. On April 18, 2015 the mail was moved to The North Metro P&DC for processing. There was a temporary contract put in place when the mail moved to North Metro P&DC. This contract ran until August 2016 when it was bid as a full time regular contract under the HCR 301P1 number. The work remained the same. There was a provision that required alternative fuel for operation. The contract was divided into two segments. Segment A consist of 3 tractor trailers that operate on compressed natural gas at the rate of \$685,126.37 per annum. Segment B consist of 17 straight trucks that are serviced by hybrid electric vehicles at the rate of \$2,273,765.40 per annum. This work was never performed by the Motor Vehicle Craft. No violation of Article 32 was found and the grievance was denied.

Assessment of Liability

Request that PVS drivers are to be compensated at an equal amount paid to HCR 301P1, the work being returned to the motor vehicle craft.

- The union is seeking "PVS drivers are to be compensated at an equal

amount paid to HCR 301P1." 301P1 is \$685,126.37 on segment A per annum and \$2,273,765.40 per annum on segment B. The contract is valid from August 13, 2016 through June 30, 2018 and the work on this contract is to be awarded to the Motor Vehicle Craft.

The liability is ongoing until the end of the contract on June 30, 2018.

Damage Assessment changed due to ongoing liability and calculation adjustment to Segment B of the contract. Segment B contract payout was adjusted to include the amount paid (\$1,136,882.70) for the period September 13, 2017 to February 13, 2018. This amount (\$1,136,882.70) was added to the amount paid for the period of August 13, 2016 through September 12, 2017 (\$1,136,882.70 + \$2,273,765.40), for a total of \$3,410,648.10. Ongoing liability through to June 30, 2018 for Segment B is \$4,275,942.16. Total HCR 301P1 contract liability is \$5,564,360.26 (Segment A - \$1,288,418.10 + Segment B - \$4,275,942.16).

Calculations;

Segment A contract rate is \$685,126.37 per annum. If you divide \$685,126.37 by 12 months = \$57,093.86 per month.

From August 13, 2016 until August 13, 2017 = \$57,093.86 x 12 months = \$685,126.32.

September 13, 2017 through February 13, 2018 is 6 months. \$57,093.86 x 6 = \$342,563.16. \$685,126.32 + \$342,563.13 = \$1,027,689.45 paid so far.

There are four months left in the contract. March 13, 2018 - June 13, 2018 @ \$57,093.86 x 4 = \$228,375.44 + June 14, 2018 through June 30, 2018 = 17 days. \$57,093.86 per month divided by 30 days per month = \$1,903.13 per day.

17 days @ \$1,903.13 = \$32,353.21. Four months @ \$228,375.44 + 17 days @ \$32,353.21 = \$260,728.65 left to be paid on segment A of the contract.

Segment B contract rate is \$2,273,765.40 per annum. If you divide \$2,273,765.40 by 12 months = \$189,480.45 per month.

From August 13, 2016 until August 13, 2017 = \$189,480.45 x 12 months = \$2,273,765.40.

September 13, 2017 through February 13, 2018 is 6 months. \$189,480.45 x 6 = \$1,136,882.70. \$2,273,765.40 + \$1,136,882.70 = \$3,410,648.10 paid so far.

There are four months left in the contract. March 13, 2018 - June 13, 2018 @ \$189,480.45 x 4 = \$757,921.80 + June 14, 2018 through June 30, 2018 = 17 days. \$189,480.45 per month divided by 30 days per month = \$6,316.02 per day.

17 days @ \$6,316.02 = \$107,372.26. Four months @ \$757,921.80 + 17 days @ \$107,372.26 = \$865,294.06 left to be paid on segment B of the contract.

Segment A = \$57,093.86 left per month = \$228,375.44 + 17 days \$32,353.21 = \$260,728.65

Segment B = \$189,480.45 left per month = \$757,921.80 + plus 17 days \$107,372.26 = \$865,294.06

Total left to be paid on this contract is Segment A \$260,728.65 + Segment B \$865,264.06 = \$1,125,992.71

Total paid from August 13, 2016 through February 13, 2018 = \$1,027,689.45 on Segment A

Total paid from August 13, 2016 through February 13, 2018 = \$3,410,648.10 on Segment B

Total paid A \$1,027,689.45 + B \$3,410,648.10 = \$4,438,337.55 paid through February.

Total liability of the HCR 301P1 contract is \$5,564,360.46

Case Name City Delivery Assigned to CDS

Case Number Q01N-4Q-C 070988868

Date Filed 02/26/2007

Amount Sought [Unknown]

Liability Assessment Reasonably Possible

Damages Assessment

- **Most Likely Payout:** \$5.5 Million - \$5.5 Million
- **Maximum Reasonable Payout:** \$11.2 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? N/A

Law Dept Counsel Taddonio, Kelly Ann

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Tad Gallo, TA

Facts / Positions On February 26, 2007, the National Association of Letter Carriers (NALC) initiated a national level interpretive dispute alleging the Postal Service has significantly increased the percentage of new deliveries assigned to contract delivery service (CDS). The NALC asserts that the increase constitutes subcontracting that has and will have a "significant impact" on the bargaining unit within the meaning of Article 32.1.B of the Collective Bargaining Agreement. As such, the NALC argues that the Postal Service was required to notify, meet with the NALC, and consider its view in minimizing the impact on the bargaining unit prior to deciding to subcontract the work. The NALC contends that neither the advance notification nor the meeting requirements were satisfied. Finally, the NALC contends that a joint committee (Article 32.2) was not established to address this subcontracting issue.

Highlighting any revisions made since
Report for FY2020 Q1:
New text and **[deletion]**

In March 2011 the NALC provided a list of Highway Contract Routes (HCR) and new deliveries that the union argues should have been converted to city delivery in accordance with the following Memoranda of Understanding: Re: Subcontracting (9/11/2007), Re: Article 32 Committee (9/11/2007) and Re: Assignment of City Delivery (10/22/2008).

Liability Assessment:

This case is assessed as reasonably possible. Given the historical usage of CDS for some deliveries, we believe an arbitrator can conclude there was no violation of Article 32 and there was no substantial impact on the bargaining unit to continue that practice, as any increase was de minimus. Further, the list the NALC provided of allegedly improper contract routes contains only the city and state, route number, number of deliveries and dates of each referenced contract. The NALC has offered no evidence to support their argument that those contracts violated Article 32 or that conversion of these routes to city delivery is required. Nor has the union demonstrated that any of the delivery points on the cited HCR require conversion pursuant to the MOU, Re: Assignment of City Delivery. Additionally, we disagree with the NALC over whether a joint committee on contracting had to be established.

Also, contracting decisions are made locally based on the local circumstances.

As noted above, the assignment of new deliveries nationwide probably will not be viewed as having a significant impact on the city letter carrier craft. Based on the uncertainty of what qualifies as having a "significant impact" as well as the factors legitimately used to make delivery assignments, this case is assessed as having a reasonably possible chance of an unfavorable outcome for the Postal Service.

Damages Assessment:

The damage assessment reflects the fact that certain routes were converted, without payment of damages. To assess potential damages for remaining routes, we totaled the number of possible deliveries to be converted (19,939) and divided that number by the average number of deliveries per city route (609) to determine there are 32 possible city routes. Multiplying the number of routes by 2,080 hours of work per route per year times the fully-loaded overtime rate of pay (41.72) equals approximately \$2.8 million per year, or \$11.2 million for a 4-year period.

We estimate the most likely damages at \$5.5 million and maximum reasonable payout at \$11.2 million. Though potential damages are continuing, we are capping damages at the above levels based on the nature of this case and our experience with similar types of cases.

Case Name	CLASS ACTION - SURFACE TRANSPORT CENTER - SALT LAKE CITY (NPMHU)
Case Number	E00M-1E-C-06251485
Date Filed	08/14/2007
Amount Sought	[Unknown]
Liability Assessment	Reasonably Possible
Damages Assessment	• Most Likely Payout: \$6.8 Million <i>[Previously reported as: \$6.7 Million]</i> • Maximum Reasonable Payout: \$41.0 Million <i>[Previously reported as: \$40.0 Million]</i>
Change in Status	• Change in Damages Assessment or Amount Sought (Still Meets Threshold) • Revised Most Likely Payout or Maximum Reasonable Payout • Additional Facts or Revision in Text
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	Flynn, Terence F
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Leigh Hsu, Labor Relations Specialist (NPMHU), and Patrick Devine, Manager, Contract Administration (NPMHU)
Facts / Positions	I. FACTS

Highlighting any revisions made since
Report for FY2020 Q1:
New text and **[deletion]**

By letter dated February 2, 2006, the Postal Service notified the American Postal Workers Union (APWU) and the National Postal Mail Handlers Union (NPMHU) that it was considering contracting with a third party provider to provide locations and labor for the receipt, distribution, and dispatch of mail at the Surface Transport Center (STC) in Salt Lake City, Utah. In June 2006, the Postal Service began operations at the Salt Lake City STC. The NPMHU filed a Step 1 grievance in Salt Lake City on October 6, 2006 contending that its employees observed the contract employees (50 in number) performing bargaining unit work. The grievance was denied at Step 2 on February 20, 2007, taking the position that the grievance was untimely as the National Union was notified of the decision to contract the work in February 2006, and that the grievance should have been filed at the National level.

The grievance proceeded through the steps of the grievance procedure where it was referred to Step 4 by the NPMHU on August 8, 2007, and formally appealed to Step 4 on August 15, 2007.

Fifty contract employees work at the STC in Salt Lake City and they perform duties similar to mail handler duties, but the specific work performed by the contract employees has never been performed by postal employees and the contract was solicited due to the fact that the Salt Lake City P&DC does not have sufficient space to house the operation. In addition, timelines established for Postal Service facility procurements require a 24 month cycle. This requirement could not support the aggressive timeline for activation of the STC network. Accordingly, the decision was made to outsource the operation.

The grievance file contains the notification letters referenced above and a

Memorandum of Due Consideration of Article 32 Factors. The Union has claimed that they did not receive the actual contract for the services. The Postal Service responded to the local union's information requests by stating that, in accordance with the provisions of Article 32, all information requests must be made by the national office (31.3 B). A copy of the contract has been obtained and it is now included in the grievance file.

II. Assessment of Liability

The evidence in the file suggests that the Postal Service complied with the provisions of Article 32 by properly considering the five factors contained in Article 32. Because the Salt Lake City P&DC did not have the space to accommodate the operation, and because of the timelines required to activate the network, the Postal Service should prevail in an Article 32 determination. The Postal Service's timeliness argument may be defeated because there is no evidence that the Agency followed up the February 2, 2006, letters of consideration with notice to the unions regarding the final decision.

In the decision rendered in national arbitration grievance A8-NA-0510 regarding subcontracting, Arbitrator Mittenthal ruled that the Postal Service's obligation relates more to the process by which it arrives at a decision than the decision itself. When making the decision to subcontract or use bargaining unit employees, the Postal Service is required to give "due consideration" to public interest, cost, efficiency, availability of equipment, and qualification of employees and these factors are not weighted. According to Arbitrator Mittenthal, "The Postal Service must, in short, make a good faith attempt to evaluate the need for contracting out in terms of the contractual factors. Anything less would fall short of 'due consideration.'"

Since the issuance of Arbitrator Mittenthal's decision, the Postal Service has successfully defended decisions to subcontract work and services where it has been shown that proper "due consideration" of the relevant five factors was made. In this grievance, the depth of the analysis that is part of the "Memorandum of Consideration" should convince an arbitrator that the Postal Service made a thoughtful and careful analysis of Article 32's five factors. Nonetheless, the possibility that an arbitrator would reach a contrary conclusion is more than remote, as there could be factual disputes concerning the space availability in the Salt Lake City P&DC, and alternatives that were available to the Postal Service. Thus, we evaluate liability as reasonably possible.

III. Assessment of Damages

The Union's requested remedy in this grievance is to post 50 mail handlers positions for bid and, absent successful bidders, convert and assign 50 part time flexible employees to the posted assignments. While the union has not requested a "make whole" or monetary remedy at any step of the grievance process, the ability of the union to amend the remedy request at hearing and the hiring of 50 employees could result in a liability exceeding \$1 million annually.

The maximum reasonable damages in this case are based on the Level 4 mail handler average OT hourly rate, which increases each year. (We assume that if an arbitrator found that the Postal Service committed an egregious violation he would calculate damages at the overtime, rather than straight time, rate.) No rational arbitrator would award the Union more positions than there were contract employees working under the contract each year it was in place. The formula for calculating maximum reasonable damages for each year from 2006 on is therefore as follows:

Avg. MH OT Hourly Rate x Work Hours Per Year x Number of Contract

Employees Working Under the Contract

The breakdown of damages for each year the contract has been in place is:

2006 - \$251,784 (\$32.28 hourly OT rate x 520 work hours x 15 contract employees)

2007 - \$1,038,648 (\$33.29 x 2080 work hours x 15)

2008 - \$1,101,672 (\$35.31 x 2080 x 15)

2009 - \$2,098,387.20 (\$36.03 x 2080 x 28)

2010 - \$2,136,243.20 (\$36.68 x 2080 x 28)

2011 - \$2,211,372.80 (\$37.97 x 2080 x 28)

2012 - \$2,134,641.60 (\$38.01 x 2080 x 27)

2013 - \$3,961,360 (\$38.09 x 2080 x 50)

2014 - \$3,999,840 (\$38.46 x 2080 x 50)

2015 - \$4,158,960 (\$39.99 x 2080 x 50)

2016 - \$4,252,560 (\$40.89 x 2080 x 50)

2017 - \$4,320,160 (\$41.54 x 2080 x 50)

2018 - \$4,370,080 (\$42.02 x 2080 x 50)

2019 - \$3,148,600 (\$43.25 x 2080 x 35)

2020 - **\$1,610,336 (\$44.24 x 1040 x 35)**

(Note that for 2006, the work hours are less than 2080 because the contract did not start at the beginning of the year. Additionally, the Postal Service has added more contract employees performing work over the years, further increasing potential damages year over year.) In 2019, the contractor decreased the number of non-supervisory employees working from 50 to 35.

The total maximum reasonable damages for this case are **\$40,794,645**, through the end of **Q2** of FY2020, unless the contract terminates earlier.

Based on a variety of factors (e.g., the general reasonableness/need of the outsourcing decision, avoidance of windfall payments to employees, Postal history of resolving these types of grievances), we estimate the most likely payout to be approximately one-sixth the maximum reasonable damages, or approximately **\$6.8** million. We are setting damages at these levels based on the nature of this case and our experience with similar types of cases.

Case Name Class Action; Dallas TX; APWU HCR Contracts

Case Number G10V 1G C 16032200

Date Filed 11/09/2015

Amount Sought \$10.6 Million

Liability Assessment Reasonably Possible

Damages Assessment

- **Most Likely Payout:** \$6.8 Million
- **Maximum Reasonable Payout:** \$10.3 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? No

Law Dept Counsel Blum, Thomas J.

Law Dept Co-Counsel Gann, Traci Gabhart

Law Dept Reporting Office Southern

Other Representative for USPS Anthony Coward, Area Manager, Labor Relations

Facts / Positions Background:

Highlighting any revisions made since
Report for FY2020 Q1:
New text and **[deletion]**

HCRs 75241 and 75238 were renewed effective October 3, 2015, and the contract term was October 3, 2015 through June 30, 2019. The grievance file contains a time limit extension, via memorandum, pursuant to Article 15, dated October 6, 2015, between the APWU-Dallas Area Local executive vice-president and Dallas District manager, labor relations in which it was agreed the effective dates were October 10, 2015 through November 6, 2015. The memo provided the extension of time limits included "all grievances that are currently being investigated, grievances awaiting Step 1 meetings, grievances for Step 2 appeals, the scheduling of Step 2 meetings, Letters of Corrections and Additions and Step 3 appeals." In addition, on November 6, 2015 the parties at the local level, Dyrike Shaw, steward/MVS craft director, and Marvin McCallister, supervisor, Tour 2, entered into a subsequent Step 1 extension from November 9, 2015 through November 24, 2015.

Upon review of the Step 1 Grievance Outline Worksheet, Mr. Shaw submitted the worksheet on or about November 19, 2015. The issue in grievance surrounded the renewal of the HCRs. Mr. Shaw and Mr. McCallister met at Step 1 on November 25, 2015. Mr. McCallister denied the grievance, and Mr. Shaw appealed the grievance to Step 2 on or about December 3, 2015. Mr. Shaw and George Joseph, Labor Relations Specialist, met at Step 2 on December 9, 2015 and January 15, 2016, and by letter dated January 25, 2016, Mr. Joseph denied the grievance. As a result, Mr. Shaw appealed the grievance to Step 3 on February 2, 2016. By letter dated March 31, 2016, the grievance was denied at Step 3. APWU appealed the grievance to arbitration on or about April 4, 2016.

APWU Position
APWU contended on or about October 3, 2015, the USPS violated Article 32.2 of the national agreement when it did not notify the union, at the local or national levels, of the renewal of HCRs 75241 and 75238. The union further contended management did not abide by requirements in its decision to restructure the aforementioned routes. The union argued management failed to provide any of the information as required by Article 32.1.C.

Remedy requested: transition the work performed on HCRs 75238 and 75241 to the bargaining unit and pay the drivers on the rolls at the time of the contract renewal, October 3, 2015, all hours the contract drivers spent working HCR 75238 and HCR 75241.

USPS Position

Management, at Step 2, challenged the timeliness of the grievance at Step 1, and this timeliness argument was maintained at Step 3. The parties met at Step 1 one day after the expiration of the extension. The parties at the national level exchanged a disk with nearly 8,000 existing routes for review as provided in the Motor Vehicle Craft Jobs Memorandum of Understanding (MOU). The two HCRs were among the 8000 routes reviewed. The purpose of the review was to identify 600 HCRs to return to the motor vehicle craft. However since the two HCRs had contracts in effect prior to 2015, they were not considered in the determining the 600 routes.

Management contended the HCRs were previously done by contractors, so the bargaining unit employees did not suffer any harm. Management further contended all the drivers were fully employed for 40 or more hours per week, and in some cases worked extensive overtime. Management argued due to various reasons relative to the nature of the two HCRs, they could not have been insourced to the bargaining unit, and this was substantiated with an analysis which revealed a potential cost of \$1.5 million.

Liability Assessment:

Based on management's assessment at Step 2, local management officials had no control over the renewal of these contracts. The decision was made at the area level. USPS was unable to get clarification on determining proper union notification prior to the renewals. Article 32 notification letters were not sent to the union. However, there is evidence that in June 2015, the parties at the national level exchanged a disk with 8000 routes for review. These two HCRs were included on the disk. Management maintained monetary damages should not be awarded or considered because there was no negative impact on the current bargaining unit employees who were working 40 hours per week throughout. Further, area labor relations (Step 3) contended the requirements for contracting out were properly met. It is evident bargaining unit drivers could not assume the work at the same or less expense to the USPS. For example, new equipment and new (additional) employees would have to be incurred to cover the trips.

The liability assessment remains reasonably possible in light of the August 2016 Das Award Case No. Q06C-4Q-C 11182451 ruling against the Postal Service on similar issues.

Damages Assessment:

The contracts remain in effect for four years unless the contractor fails to meet its commitments to the Postal Service.

The union's requested remedy is based on the value of the contract. Value is \$2,661,789 (contract rate per year) for driver cost for both contracts combined.

$\$2,661,789 \times 4 \text{ years} = \$10,647,156$ (union's requested remedy)

Assessment based on the total estimated driver hours at postal cost (applicable USPS rate of pay) is a more appropriate measure of liability.

The grievance file contains PS Forms 5505, Cost Evaluation Postal Vehicle Service vs Contract Service, for the two contracts at issue in this case. Contract 75241 has 3 segments: 75241-A, 75241-B, and 75241-C. Contract 75238 has 5 segments: 75238-A, 75238-B, 75238-C, 75238-D, and 75238-E.

Box 15 of the PS Form 5505 accounts for the "Annual Hours". The annual hours estimated for all eight segments equates to 60,000 hours for one year.

The annual salary, effective March 21, 2015, for a Level 8, Step O driver was \$59,245. This was the basic rate that was in effect when the contracts were negotiated. $\$59,245 / 2080$ number of annual basic hours (at 40 hours/week) = \$28.48 per hour at the straight time rate. This number was rounded up to \$28.50 for purposes of the calculations on the Contingent Liability Report.

$60,000 \text{ hours} \times \$28.50 = \text{Driver cost for 1 year} = \$1,710,000$

The contracts ran for 4 years, $\$1,710,000 \times 4 = \$6,840,000$.

For both contracts, total hours per year 60,000 x \$28.50 (straight time hourly rate of pay for a Level 8, Step O driver) x 4 years = \$ 6,840,000.

If an arbitrator were to assess the remedy at the overtime rate, it will be:

$60,000 \text{ hours} \times \$42.75 \text{ (overtime rate of pay)} \times 4 \text{ years} = \$10,260,000$.

Current Status:

This grievance is open at the arbitration level. No arbitration date has been scheduled.

Case Name ELM Section 422 - Promotion Pay (NPMHU)

Case Number Q16-M-6Q-C 17596532

Date Filed 08/25/2017

Amount Sought [Unknown]

Liability Assessment Reasonably Possible

Damages Assessment

- **Most Likely Payout: \$10.2 Million**
[Previously reported as: \$8.4 Million]
- **Maximum Reasonable Payout: \$11.3 Million**
[Previously reported as: \$9.5 Million]

Change in Status • **Change in Damages Assessment or Amount Sought (Still Meets Threshold)**

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? N/A

Law Dept Counsel Reimer, Brian M.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Patrick Devine, Manager, Contract Administration (NPMHU) and Leigh Hsu, Labor Relations Specialist (NPMHU)

Facts / Positions I. FACTS AND POSITIONS

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

This case centers on revisions to the promotion pay rules for Mail Handlers found in ELM Section 422.3. On April 17, 2017, the Postal Service proposed revisions to ELM Section 422.323(a)(2) to change the amount of promotional increase employees in Rate Schedule Code (RSC) M7 receive upon a one-grade promotion within RSC M7.

After the new RSC M7 was created in the 2011-2016 National Agreement, necessary changes to the promotion pay rules for Mail Handlers were not promulgated. Because of this lack of action, Mail Handlers in RSC M7 who received a one-grade promotion earned inappropriate and excessive pay increases.

The uniform step increases of RSC M7 make the application of the previous "two times the most prevalent step" promotion pay rule inequitable. RSC M (the old Mail Handler pay schedule) has a "most prevalent step" in Grade 4 of \$337; while in RSC M7, the most prevalent step for Grade 4 is \$1522. Because of this, application of the "two times the most prevalent step" promotion pay rule in RSC M7 results in much larger and unwarranted promotional pay increases and causes inequities regarding seniority in the Mail Handler craft.

The proposed ELM revisions were meant to correct this inequity. After meeting with the Union, on August 11, 2017, the Postal Service modified its proposed revisions to ELM 422.323(a)(2) as follows:
"The Grade 4 employee receives a promotional increase that brings the salary to the same step in Grade 5. The promoted employee will retain the waiting period step credit that had been earned prior to the promotion in calculating the next step increase date."

In addition to the ELM language change, the Postal Service proposed a "hold

in place" rule that would apply to all employees who were assigned to a Grade 4 position in RSC M7 and subsequently placed in a Grade 5 position. The purpose of the hold in place rule was to correct salary overpayments by holding impacted employees in place in the salary schedule either 52 or 104 weeks, depending into which step the employee was promoted.

On August 25, 2017, the Union filed a national level grievance challenging the Postal Service's proposed ELM revisions. (The grievance did not mention the "hold in place" rule.) The Union argued that the proposed changes must be bargained between the parties and could not be implemented under Article 19. The NPMHU also challenged the Postal Service's assertion that apply the two times the most prevalent step rule results in a windfall for employees promoted in RSC M7.

The Postal Service contends that the revisions made to the promotion pay rule are fair, reasonable, and equitable, and do not violate the National Agreement. The revisions realign the promotion pay rules for Mail Handlers in RSC M7 with the historical financial outcome of Mail Handler promotions.

Although the NPMHU's grievance was filed on August 25, 2017, the case was added to the report in Q4 FY18 because damages crossed the \$1 million contingent liability threshold at that point.

II. LIABILITY ASSESSMENT

We have identified this case as reasonably possible. On one hand, the NALC settled a similar case, and some letter carriers received compensation. On the other hand, the Postal Service gave proper Article 19 notice of the change to the NPMHU, and the Union did not mention or ask for back pay.

III. DAMAGE ASSESSMENT

No specific amount has been claimed by the unions. Determining potential damages for this issue is a two-part calculation. Because the NPMHU's grievance does not challenge the "hold in place" rule on its face, the most likely payout is assessed as the damages associated with the revision to the promotion pay rule, or **\$10.2 million**. To determine the damages associated with the revision to the promotion pay rule, the salary of each employee who has received a promotion in RSC M7 from October 14, 2017 (the date the change to the rule went into effect) to present was compared to the salary he/she would be earning had he/she been promoted under the previous promotion rules. The damages associated with this action are approximately **\$10.2 million**. **Approximately 1,757** Mail Handlers were promoted in RSC M7 since October 2017.

We calculate maximum reasonable damages to include damages associated with the promotion pay revision as well as potential damages associated with the hold in place rule. The "hold in place" damages assessment was determined by evaluating how many employees would have received step increases, if not for the "hold in place" action taken by the Postal Service. For these employees, we multiplied the number of pay periods that would need to be paid at the higher rate (achieved after a step increase) by the average pay period value of the step increase. This figure is approximately **\$1.1 million**. **Approximately 539** Mail Handlers were held in place since October, 2017.

Total maximum reasonable damages are therefore **\$11.3 million** (adding the two figures, and then rounding to the nearest 0.1 million) as of FY2020 **Q2**.

Damages are calculated through **March 31, 2020**.

Case Name FRESNO MVS CLASS ACTION

Case Number F00V-1F-C 06042706 SAC; F00V-1F-C 07141326 SAC

Date Filed 01/10/2006

Amount Sought **\$12.4** Million
[Previously reported as: \$12.2 Million]

Liability Assessment Reasonably Possible

Damages Assessment

- **Most Likely Payout: \$6.2** Million
[Previously reported as: \$6.1 Million]
- **Maximum Reasonable Payout: \$12.4** Million
[Previously reported as: \$12.2 Million]

Change in Status

- **Change in Damages Assessment or Amount Sought (Still Meets Threshold)**
- **Revised Most Likely Payout or Maximum Reasonable Payout**
- **Additional Facts or Revision in Text**

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? No

Law Dept Counsel Villegas, Jessica

Law Dept Co-Counsel Randenberg, Corey J.

Law Dept Reporting Office Pacific

Other Representative for USPS Noah Rodriguez, Labor Relations Specialist

Facts / Positions On December 27, 2005, Motor Vehicle Service (MVS) employees were provided a standup on subcontracting of MVS functions to Highway Contract Route contractors. Management stated the subcontracting would be done within 60 days.

Highlighting any revisions made since
 Report for FY2020 Q1:
New text and **[deletion]**

On January 11, 2007, MVS craft received notice that under Article 12.5.C.5 of the National Agreement, craft would be reassigned. The Fresno MVS craft was abolished effective April 28, 2007. All MVS employees were provided positions within the Fresno Post Office and Plant. The Union argues that National had not been informed of the subcontracting of Fresno MVS work, which is a violation of Article 32.2 of the National Agreement; improper subcontracting; requested information not provided.

Management rebuttal: The employees received written notice on or about January 11, 2007. There is not a copy of the letter on file, but the file references a letter from Rich Sarno, HR Manager to the employees notifying them that their jobs are being abolished. While the employees were given a standup as early as December 2005, there was not formal notification or sharing/exchange of documents with the union at that time because the contract was only a proposal, and nothing in the CBA or the ASM provides that information must be given to the union on a proposal. However, during the time from December 2005 to January 2007, the proposal became a reality.

The Union remedy is for subcontracting of MVS work to cease, and return all drivers to their MVS positions. In addition, the Union will argue that the affected employees should receive the value of the contracts from April 28, 2007 to the present, and ongoing. The value of the contract is \$545,156 per year, which is \$45,429.67 per month. The accrued liability under this

calculation is \$**6,996,169.18** at present, using a time period of **154** months.

Another possible assessment of liability would be based upon employees receiving their full salaries from the positions that they lost, which would be 17 MVS employees affected times average annual salary of \$57,000, which is \$4,750 per month per employee. This amounts to \$80,750 per month for all 17 employees. For the **154-month** period covered by the grievance, this would be \$**12,435,500**. However, management will argue that the maximum relief should be only out of schedule pay -- the 50% premium that these employees would have earned had they not been transferred to new positions. This would amount to \$**6,217,750** for the **154-month** period at issue (because the employees would have worked Tour 3 and received out of schedule pay). The maximum reasonable payout has been assessed as the amount sought.

All calculations have increased because liability is ongoing and an additional 3 months has been added. These cases have not been scheduled for arbitration and will not be heard in FY2020 **Q2**.

Case Name Ft. Myers AI/ATHS work assignment determination

Case Number No. G006-1G-C 06136385

Date Filed 06/01/2006

Amount Sought \$42.5 Million

Liability Assessment Reasonably Possible

Damages Assessment

- **Most Likely Payout: \$23.1 Million**
[Previously reported as: \$22.6 Million]
- **Maximum Reasonable Payout: \$23.1 Million**
[Previously reported as: \$22.6 Million]

Change in Status

- **Change in Damages Assessment or Amount Sought (Still Meets Threshold)**
- **Revised Most Likely Payout or Maximum Reasonable Payout**
- **Additional Facts or Revision in Text**

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? No

- GATS Number of National-level Case: Q00C-4Q-J 06129138 and Q00M-6Q-J 06132126

Law Dept Counsel Blum, Thomas J.

Law Dept Co-Counsel Gann, Traci Gabhart

Law Dept Reporting Office Southern

Other Representative for USPS District Manager, Labor Relations: Richard Howard

Facts / Positions APWU Grievance: G006 1G-C 06136385

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

The APWU argues that the flat prep work should be theirs subsequent to the installation of the AI/ATHS in 2006. The APWU is also asking for flat prep work hours for other operations throughout the building. Management's position is that when the AI/ATHS was installed in 2006, the jurisdictional assignment was given to the mail handler craft at the National level.

The local APWU timely challenged this assignment to the mail handler craft through the filing of grievance No. G006-1G-C 06136385, Local No. 2006-241. This case is currently being held in abeyance to the National Level Jurisdictional Dispute that is currently pending regarding the AI/ATHS work assignment determination.

The national level issue is summarized as: Whether the jurisdictional assignment and staffing in regard to the Automatic Induction (AI) and the Automatic Tray Handling System (ATHS) on the AFSM 100 violate the national agreement, RI-399 and the historical application of the jurisdictional rules of the parties.

Since the June 2018 MOU re: RI399, the Postal Service takes the position that this grievance should be withdrawn.

Historical Context:

A similar issue was previously argued in Grievance No. G98C-1G-J 00211029 in 2000 after the assignment of mail handlers as the primary craft for flat prep work on the AFSM 100 installed at the Ft. Myers PDC in the summer of 2000.

The case was heard on the Jurisdictional Arbitration Panel by Arbitrator Edward E. Hales. Arbitrator Hales rendered a decision in August 15, 2013 awarding the flat prep work that was assigned to the mail handlers in the summer of 2000 to the clerk craft. Arbitrator Hales awarded back pay compensation to the clerk craft for the period of 2000-2006 and specifically declined to render an opinion about the flat prep work from 2006 forward due to the installation of new machines. Grievance G98C-1G-J 00211029 was settled in March 2016 for \$5.2 Million and completely resolved all liability under the Hales Award and its subsequent non-compliance grievance (G10C-1G-C 13331188) for the period of 2000-2006.

The present contingent liability was filed in 2006 after the installation of the AI/ATHS and covers the flat prep work from 2006-the present.

This dispute was initially held in abeyance pending the jurisdictional dispute over the AI/THS. That dispute was withdrawn with the June 2018 MOU regarding RI 399. The local APWU will not withdraw this dispute in accordance with that MOU. Their claim is this is a Cross Craft grievance, not a Jurisdictional dispute due to Arbitrator Hales award.

Assessment of Liability:

Historically, there is no monetary remedy associated with RI-399 disputes. The process was designed to resolve jurisdictional disputes between the crafts, and thus should not result in monetary remedy when all parties have agreed to resolution of the disputed work through the use of a Jurisdictional Arbitration hearing. By agreeing to this process, LR has taken the position that all parties waive any right to a monetary remedy.

The APWU argues the liability is \$42.5 million, primarily due to the fact they believe the flat prep work would have remained theirs subsequent to the installation of the AI/ATHS in 2006. The APWU is also asking for flat prep work hours and other operations throughout the building. Management's position is that when the AI/ATHS was installed in 2006, the jurisdictional assignment was given to the mail handler craft at the National level.

Damages Assessment:

Suncoast LR reviewed actual records to determine the average monthly hours of work for the time periods outlined below. Given no significant changes affecting the average work hours after August 2015, average work hours of 3610 are used to estimate the potential damages after August 2015 to the present in the calculations below.

Segment 1: July 2006 - January 2014

2862 average mailhandler workhours per month on flat prep duties

Segment 2: February 2014 - August 2015

3610 per average mailhandler workhours per month on flat prep duties in Ft. Myers PDC.

If an arbitrator agrees the work remains with the clerk craft despite installation of the AI/ATHS, estimated liability is as follows as of Quarter 4, FY2018 based on continued assumption of 3610 hours per month:

Segment 1: 2862 hours per month X 91 Months (July 2006 thru January 2014)
= 260,442 hours X \$43.80/hour* = \$ 11,407,360

Segment 2: 3610 hours per month X **74** months (February 2014 thru **March 2020**) = **267,140 hours X \$43.80/hour* = \$ 11,700,732**

MAXIMUM REASONABLE PAYOUT:

Total Liability, (July 2006 thru **March**): **\$23,108,092**

*Overtime pay rate increased to \$43.80 due to contractual increase effective September 1, 2018.

Case Name Time and Attendance Collection System and Resource Management Database/Integrated Resource Management

Case Number Q98T-4Q-C 01076275

Date Filed 01/24/2001

Amount Sought [Unknown]

Liability Assessment Reasonably Possible

Damages Assessment

- **Most Likely Payout:** \$3.4 Million
- **Maximum Reasonable Payout:** \$6.8 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? _____

Law Dept Counsel Coolidge, Lucy R.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Rickey Dean, Labor Relations

Facts / Positions I. Facts & Positions

Highlighting any revisions made since Report for FY2020 Q1:
New text and **[deletion]**

In December 2001, the Postal Service established a new Time and Attendance Collection System and Resource Management Database/Integrated Resource Management. Around that time, the American Postal Workers Union (APWU) filed a grievance alleging that the Postal Service violated the Collective Bargaining Agreement, including, but not limited to, Articles 1.2, 1.5, 1.6, 4, 7.2, 19, 35, and 38. The issue in dispute is whether Postal Service has shifted (and is shifting) maintenance work from Electronic Technicians to EAS employees.

In 2000, Arbitrator Goldberg addressed the maintenance levels issue by instructing representatives of the Postal Service and the APWU to meet in Norman, OK to discuss and define the appropriate tasks for the different occupational levels. These meetings proved to be unproductive, and the national case went before Arbitrator Das (Case Nos: Q98C-4Q-C 00183263 and Q98C-4Q-C 01002200). Prior to the award that was eventually issued by Das in 2005, the bargaining unit levels were assessed by the Maintenance Technical Support Center, and a Minimum Skill level was assigned to each task on a Preventive Maintenance Checklist and published as a MMO normally titled Preventive Maintenance Guidelines for (insert the specific equipment). While the 2005 Das award clarified tasks that could be performed by different occupational groups in the Maintenance Craft, it was not all inclusive; the process is still subjective and open to interpretation. The Postal Service and the APWU now review the bulletins using the Article 19 process and when necessary discuss the individual tasks in MMOs. The parties have had success in agreeing to levels before publication. The 2005 Das award is now being used as the standard to evaluate the minimum skill level.

Notably, in May 2002, the Postal Service issued Maintenance Management Order MMO-023-02 addressing the Time Attendance Collection System Interim Maintenance Guidelines and Maintenance Staffing Criteria. The Postal Service assigned the work at issue to Electronic Technicians upon the issuance of this May 2002 MMO. This MMO addressed the maintenance of the hardware itself, and the levels were in accordance with the 2005 Das

award.

Arbitration has not been scheduled.

II. Assessment of Liability

Based on the file and information available, liability would have accrued from January 2001 to mid-May 2002. The original contingent liability report assumed continued liability since the deployment of TACS in early 2001. That has been adjusted based on Maintenance Management Order (MMO) MMO-023-02. MMO-023-02 established Preventive Maintenance (PM) guidelines and was published May 13, 2002 allowing staffing of the bargaining unit for performance of PM on the TACS system.

To provide more accurate evaluation of the potential damages we have obtained information on the number of TACS Electronic Badge Readers (EBR) that were deployed shortly after the time period in question. By applying the number of components to the corresponding PM time allowed per MMO-023-02, the total number of hours the bargaining unit may have been harmed can be estimated.

The maximum reasonable payout is estimated to be \$6,755,358.

The most likely payout can be set at \$3.38M based on a number of factors which can be argued but not quantified with absolute numbers. Factors include:

- There is a high likelihood that Maintenance had staffing for maintaining the preceding legacy systems of either Postal Service Data System (PSDS) or Electronic Time Clocks (ETC). As TACS replaced those systems, staffing already existed. In the case of PSDS sites the existing staffing likely exceeded the requirement of TACS.
- The work needed on the TACS system cannot be assumed to have been performed solely as a function of Information Technology (IT). Maintenance was likely involved to a varying extent.
- All systems were not simultaneously deployed. The TACS installation was performed over a period of time.
- Finally, based on past experience the actual damages are negotiated between the parties taking all relevant factors e.g. the legacy staffing, often resulting in a payout 50% or less than the maximum possible.

1/24/18 UPDATE - Because this case has been pending for 17 years without having been scheduled for arbitration, the liability assessment will be changed from "probable" to "reasonably possible." If the case is ever scheduled for arbitration, the liability assessment will be re-evaluated.

C. Remote: Assessed At or Above \$10 Million

1. Business Claims

Case Name	345 Property Owner, LLC v. U.S. Postal Service
Case Number	18-cv-01476
Date Filed	05/01/2019
Amount Sought	[Unknown]
Liability Assessment	Remote
Damages Assessment	• Most Likely Payout: \$13.0 Million • Maximum Reasonable Payout: \$13.0 Million
Change in Status	• Additional Facts or Revision in Text
Estimated Time to Resolution	Less Than 1 Year [Previously reported as: 1 - 5 Years]
Law Dept Counsel	Weaver, Michael D
Law Dept Reporting Office	HQ Legal Strategy
Facts / Positions	The Postal Service leases a large property located at 345 W. Saint Paul Avenue, Milwaukee, Wisconsin, which it operates as a processing and distribution center. The Postal Service has leased the property since 1970. Its tenancy extends to at least 2025, and potentially as far as 2040, pursuant to multiple renewal options. Plaintiff in this case is the Postal Service's landlord, 345 Property Owner, LLC.
Highlighting any revisions made since Report for FY2020 Q1: New text and [deletion]	With limited exceptions, the terms of the lease make the Postal Service generally responsible for maintenance of the premises. In April 2018, after a recent tour of the property, Plaintiff sent the Postal Service a letter listing five conditions that the Plaintiff believed to be in need of repair. These included the installation of safety netting under portions of crumbled concrete ceiling, areas of concrete deterioration, and worn roof coating. The Postal Service did not immediately respond to Plaintiff's request for information about the property condition and repair plans. In May 2018, Plaintiff filed a records request under the Freedom of Information Act pursuant to which the Postal Service provided, among other documents, a comprehensive Physical Needs Assessment Report (PNA Report) that it had procured for the property in 2015. In July 2018, Plaintiff's attorney sent the Postal Service a notice of default for failure to maintain the property. Plaintiff filed this lawsuit in Wisconsin Small Claims Court on August 21, 2018, as an action under state statute to evict the Postal Service from the property. Plaintiff alleges that the Postal Service has breached its contractual duty to maintain the property in proper condition, and that it has a right to terminate the contract and take possession of the property. The Postal Service removed the matter to the District Court for the Eastern District of Wisconsin. Plaintiff moved to amend the complaint on May 1, 2019. The amended complaint asserts that the Postal Service's continued possession of the premises amounts to a taking of property without just compensation in violation of the Fifth Amendment of the U.S. Constitution (takings claim). The amended complaint continues to assert a right to evict under state statute, as well as an independent count for breach of contract, and a count for breach of an implied covenant of good faith and fair dealing. Plaintiff does not quantify the amount

of damages sought under any of these theories.

The Law Department's investigation reveals that the Postal Service has been planning and implementing extensive repair and maintenance projects at the property, as recommended in the 2015 PNA Report. This initiative was developed independent of, and well prior to, Plaintiff's March 2018 tour of the property. For the five items that Plaintiff identified, repairs are complete, underway, or imminent.

The Postal Service's basic position is that it has not breached the contract because: (1) the lease grants the Postal Service broad discretion over the timing and manner of repairs; and (2) Postal Service has already repaired, plans to imminently repair, or is otherwise reasonably exercising its maintenance and repair discretion over each of the conditions Plaintiff raises in the complaint (and over the property generally). The Postal Service filed a motion to dismiss on June 12, 2019. On October 9, 2019, the court agreed with the Postal Service, holding that the Postal Service was only obligated to maintain the property in sufficient condition to use as a postal facility, and avoid waste. The court dismissed the complaint without prejudice.

On November 8, 2019, Plaintiff filed a second amended complaint. This complaint asserts that the property is not in adequate condition for Postal Service use. Central to that allegation is a claim that the property's seawall is at risk of collapsing, flooding the property. Plaintiff does not provide any details of why the seawall is at risk of collapse, other than alleging that it has suffered unspecified "structural damage." **The Postal Service filed a motion to dismiss the new complaint on December 13th. Plaintiff filed its opposition on January 24th. The Postal Service filed its reply brief on February 14th.**

ASSESSMENT OF LIABILITY

Our investigation thus far indicates that the Postal Service is in compliance with the lease and that Plaintiff likely cannot prove breach of contract or a taking of Plaintiff's property. In the first dismissal, the court agreed with the Postal Service's legal theory that it had more limited repair obligations than Plaintiff claimed. Plaintiff's second amended complaint appears significantly weaker. Even if the court does find Plaintiff's breach claims plausible enough to survive a motion to dismiss, the Postal Service is very likely to prevail on summary judgement, based on the facts that we currently know. It is also unlikely that Plaintiff could succeed on its eviction or takings claims, as it did not provide adequate advanced notice of the most serious alleged defect, the seawall, to support eviction.

ASSESSMENT OF DAMAGES

As noted above, Plaintiff amended its complaint in May 2019 to add a takings claim. That claim, if successful, could significantly increase the potential maximum payout. A property owner whose private property has been taken by the government for public use is entitled to just compensation under the Fifth Amendment of the U.S. Constitution. Just compensation generally equates to the property's fair market value. We do not have an estimate of the property's current market value, so it is not possible to estimate with certainty USPS's potential maximum liability if it were to be found liable for a permanent taking of the property. Plaintiff reportedly purchased the property in 2015 for approximately \$13.1 million. Accordingly, at this early stage in the proceedings, we estimate that Plaintiff's takings claim carries a potential maximum payout of approximately \$13 million. That figure is somewhat speculative, and subject to change as the case proceeds.

Our preliminary assessment is that the risk of **damages** for this amount is

remote. Even if the court finds that Plaintiff is entitled to damages under a takings theory, federal precedent supports an argument that USPS should be liable for only a temporary taking of the property, for which fair-market rent, rather than purchase value, constitutes just compensation. See *Sunshine Dev., Inc.*, 674 F. Supp. 2d at 628; *Allenfield Assocs.*, 40 Fed. Cl. at 487. This is similar to the damages that would likely be assessed if USPS were found liable on a breach of contract theory, in which case many federal courts have held that when a government-lessee holds over after a lease ends, the landlord is entitled to the reasonable rental value for the holdover period, plus any foreseeable special or consequential damages. 49 Am. Jur. 2d Landlord and Tenant § 278; *U.S. Postal Serv. v. Sunshine Dev., Inc.*, 674 F. Supp. 2d 619, 627 (M.D. Pa. 2009); *Prudential Ins. Co. v. United States*, 801 F.2d 1295, 1296 n.4, 1300 (Fed. Cir. 1986). Under either approach, the total amount of USPS's **damages** will depend on several factors, including the amount of time that USPS is found to be in holdover.

C. Remote [cont'd]

2. Labor Claims

Case Name	APWU VMF Class Action - Shuttling/Towing Services
Case Number	J06V-4J-C-10199964
Date Filed	03/24/2010
Amount Sought	\$10.2 Million <i>[Previously reported as: \$10.1 Million]</i>
Liability Assessment	Remote
Damages Assessment	• Most Likely Payout: \$2.2 Million <i>[Previously reported as: \$2.1 Million]</i> • Maximum Reasonable Payout: \$10.2 Million <i>[Previously reported as: \$10.1 Million]</i>
Change in Status	• Revised Most Likely Payout or Maximum Reasonable Payout • Additional Facts or Revision in Text
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	_____
Law Dept Co-Counsel	Sloan, Heather R.
Law Dept Reporting Office	Great Lakes
Other Representative for USPS	Cassandra Walker, LR Manager
Facts / Positions	The APWU filed a grievance contending that management violated Article 32 of the National Agreement by subcontracting out vehicle shuttling/towing services at the St. Louis Vehicle Maintenance Facility (VMF).
Highlighting any revisions made since Report for FY2020 Q1: New text and [deletion]	For the past thirty (30) years, Management has utilized local companies such as Mike's Towing, Bolin, and Gateway to subcontract shuttling/towing services. Indeed, evidence establishes that Management has provided the local union with documentation for the contracts with Mike's Towing and Bolin since October and November 2001, respectively. These contracts have been continuously utilized from that time until the present. Additionally, evidence demonstrates that management has presented many PS Forms 4541 to the Union to support their use of these contracts. In March 2010, Ted Nappier, Manager, Vehicle Maintenance, sent a notification via certified mail advising the APWU that, in accordance with Article 32 Section One of the CBA, management performed its due consideration of the requisite five factors to evaluate the need for the St. Louis VMF to subcontract APWU bargaining unit work. Specifically, management provided written notification to the APWU Local President that management decided at the local level to subcontract shuttling/towing services. The evidence establishes that this decision was made consistent with the requirements of Handbook EL-912, Article 32 Subcontracting, Section One, General Principles. Thereafter, beginning in May 2010, Mr. Nappier began subcontracting shuttling/towing services utilizing the National Contract with the

United States Auto Club (USAC) that was negotiated by Postal Headquarters.

In its grievance, the Union contends that Management never met with the local Union President to discuss the shuttling/towing issue, the VMF has always had the resources and manpower to perform shuttling/towing services, and management failed to follow the provisions of Service Bulletin V-03-06. As such, the Union demands that management immediately stop using subcontractors, return all work to the VMF craft, evenly divide the equivalent of all monies paid to shuttling/towing contractors among the employees that were supposedly affected.

Management contends that the Union's grievance is not arbitrable because it is untimely and, in any event, should be barred under the doctrine of Laches due to the Union's failure to promptly act on the alleged violations. In this case, Management argues that after decades of delay in seeking redress, the Union waived its right to contest the subcontracting of this work. [fn. 1 - Evidence also demonstrates that the Union was aware that the Coyle and Weather Stations were closed on Saturday and as such, when a vehicle broke down at those times the employees called Mike's towing or a subcontractor to shuttle/tow the vehicle.] Even if this grievance were to proceed, Management believes that it will prevail. Indeed, Management's evidence establishes that it performed the requisite "due consideration" prescribed in Article 32 related to subcontracting work. Management further contends that the Postal Service maintains its rights negotiated within Article 32 to subcontract out bargaining unit work as it deems necessary (Article 3) in support of its operational oversight. Management also contends that Article 3 Section D provides it with the right to determine the methods, means, and personnel assigned to repair Postal Service vehicles.

In the present case, Management can establish that it followed Article 32 by giving due consideration to public interest, cost, efficiency, availability of equipment, and qualification of employees and then sent a courtesy decision letter to the Union. The VMF manager's consideration of the five factors can be summarized as follows:

Public Interest: Private companies specialize and are professionals at moving vehicles. Over the years, VMF employees have had numerous accidents while moving vehicles. The contractors always use light bars while VMF employees do not.

Cost: The USPS labor cost is \$45/hour plus overhead versus \$26/hour under the contracts.

Efficiency: The VMF need to move approximately 700-900 vehicles. Contractor shuttling/towing allows more time for the technician to perform maintenance on Postal Vehicles which is consistent with the Postal Service's goal to continually improve the reliability and safety of its fleet.

Availability: The contractor has more equipment available than the VMF. The contractor provides and maintains its own equipment. The VMF employees are needed to make repairs and keep the fleet operational in the most cost effective way possible. Contracting increases in-shop repair time.

Qualification of Employee: The St. Louis VMF employees are qualified to shuttle the vehicle fleet; however, that is not their expertise. The shuttling/towing contract provides for full time shuttling/towing experts who move, shuttle, and tow vehicles as their occupation. The multiple vendors and drivers provided are dedicated to the shuttling and towing of vehicles. While VMF employees are "qualified" to perform the work, the vendor is more qualified. This factor is deemed less important to the overall decision.

Based on these factors, the VMF manager decided to subcontract shuttling/towing of motor vehicles on an as-needed basis. [fn. 2 - The St. Louis VMF's has always managed shuttling/towing services in a manner promoting the efficiency of the Service via shared responsibility among the various Postal Service crafts as well as subcontractors. Management contends that such duties are not identified as a duty within any particular standard position description and are not the sole right of any particular craft.] Management contends that the "due consideration" process is solely Management's right and does not require Union input or approval.

Finally, the Union claims that management failed to follow the provisions of Service Bulletin V-03-06; however, the evidence demonstrates that this bulletin is only a draft, never implemented, not official, and as such, does not support any management violation.

Beyond the arguments presented by the Union, Management can also establish that VMF employees are being completely utilized at and beyond 40 hours in order to perform their currently assigned duties as outlined in their job descriptions. Accordingly, there has been no reduction in guaranteed work hours or reduction in staffing.

Based on the foregoing, management believes that the risk of loss is remote. However, liability in these grievances is essentially "all or nothing." As such, both the "Amount Sought" and the "Maximum Reasonable Payout" amounts are the full \$10,231,222 (rounded) which is calculated based on Management records reflecting the actual monthly amounts expended for contracting services (current record calculation is through **January 2020**). While this is a continuing alleged violation, the amount of accrual each month/quarter is unpredictable because contracting services are obtained as needed.

Given the remote risk of loss, it is unlikely that management would settle these grievances. However, management believes if this grievance was somehow lost at arbitration, that the "Most Likely Payout" would be based upon the average annual cost paid to the craft to shuttle vehicles during FY2010, 2011, and 2012, multiplied by the past **7.33 years** that such shuttling was subcontracted out, or **\$2,171,073** (\$296,190 annual average X **7.33 years** = **\$2,171,073**).

Case Name Class Action, Introduction of the Automatic Induction (AI) enhancement on the AFSM/ATHS machines resulting in reassignment (excessing) of 21 Clerk craft employees to Mail Handler craft, APWU (Palatine P & DC)

Case Number Grievance No. J00C-1J-C06289694 (Lakeland District, formerly Northern Illinois District)

Date Filed 07/20/2007

Amount Sought **\$13.1** Million
[Previously reported as: \$12.8 Million]

Liability Assessment Remote

Damages Assessment

- **Most Likely Payout: \$6.7** Million
[Previously reported as: \$6.6 Million]
- **Maximum Reasonable Payout: \$13.1** Million
[Previously reported as: \$12.8 Million]

Change in Status

- **Revised Most Likely Payout or Maximum Reasonable Payout**
- **Additional Facts or Revision in Text**

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? No

Law Dept Counsel McDermott, Heather L.

Law Dept Co-Counsel Zadina, Christopher W.

Law Dept Reporting Office Great Lakes

Other Representative for USPS Fred Schroeder, A/District Manager, Labor Relations; Ronald Hirn, LR Specialist

Facts / Positions I. Facts/Positions

Highlighting any revisions made since
 Report for FY2020 Q1:
New text and **[deletion]**

At the national level, it was decided to install the Automatic Induction (AI) enhancement to the Automatic Flat Sorting Machine/Automatic Tub Handling System (AFSM/ATHS) 100. This changed the staffing matrix on the AFSM/ATHS 100. The change in staffing due to the implementation of the new equipment began on July 7, 2007.

At the Palatine P&DC, there are five (5) AFSM/ATHS 100 machines. Prior to the introduction of the AI, four (4) clerk employees staffed each machine. These machines are run on two (2) tours, seven (7) days a week. The staffing matrix was changed with the AI to three to five (3-5) mail handlers prepping the mail and one (1) clerk monitoring the three (3) feed stations to clear jams. The sweeping duties are performed by the mail handlers. These amounts are in relation to the National Staffing Package for the AI. These were used in the impact statement.

The impact statement contained in the file reflects the review period dates from April 1, 2006, through March 30, 2007. The anticipated date of impact was March 31, 2007.

On or about February 9, 2007, the local APWU was informed that the Palatine P&DC was introducing the AI retrofitted on the AFSM/ATHS 100 machines. Due to this modification and the fact that the duties on the AI belonged to the mail handler craft, clerks would be reassigned (excessed) from the clerk craft to the mail handler craft. Management and the APWU were in talks regarding the number of excessed employees, attrition, posting bids, etc. during this

time.

An original on March 5, 2007, and corrected copy on April 12, 2007, of the impact statement were also exchanged. The adjusted impact statement showed the clerk craft was overstaffed by fifty (50) clerks and forty-one (41) would be excessed into the mail handler craft or outside the facility. The impact was reduced by nine (9) due to expected attrition. The statement showed a savings of 2,296 hours per week.

The APWU union at the headquarters level was notified with a letter dated April 12, 2007, about the deployment of the AFSM/ATHS 100 Automatic Induction at the Palatine P&DC. This letter stated that nine (9) full-time clerks may be attrited from the facility and that forty-one (41) may be excessed outside the craft and/or installation.

On July 7, 2007, management proposed an excessing impact with the implementation of the AI on the AFSM/ATHS 100 machines at the Palatine P&DC. Many employees voluntarily went to the mail handler craft prior to the excessing. Other employees were excessed based on the reduction. In the end, nineteen (19) employees left due to attrition, twenty-one (21) were reassigned (excessed) to other crafts within the installation, and one veteran preference employee was reassigned outside the installation.

The union claims a violation of the National Agreement, Articles 3, 5, 8, 10, 11, 12, 15, 19, 37 and bases this claim on management's numbers used in the equation to determine the amount of clerks to be excessed due to the AI implementation. The union argues that some clerks were excluded from the equation, such as the light/limited duty clerks who are not able to perform their duty assignments and the clerks removed from the rolls based on terminations or transfers. The union argues the inclusion of these clerks would decrease the number excessed. The union contends that no clerk should have been excessed to the mail handler craft. The union requests that all forty-one (41) clerks be returned to the clerk craft, receive out of schedule pay and guaranteed hours.

II. Assessment of Liability

Management's Position: The union is also asking for guaranteed hours. However, excessed employees are still full-time employees and, thus, are already being compensated. Management's contentions are that the AI is a National Level Program. The new duties are assigned to the mail handler craft and the amount of clerks needed has decreased. No new equipment or work has been created or initiated for the clerk craft in the Palatine P&DC. The clerk craft duties do not substantiate the maintaining of these clerks. Overtime does not create positions and arbitrators have upheld this position. The union argues for application of the Labor Scheduler Program, which is a National Program used to establish a staffing package for a facility based on the mail volume and arrival time of the mail. It provides management with the amount of employees needed to perform the necessary functions and how many employees are needed per tour and at what time to maximize efficiency. The Labor Scheduler Program argument was contained in another grievance that was decided over two years ago. Management was successful in defending against this grievance. Article 12 was abided by throughout the process. The APWU was contacted and kept informed, the employees were correctly notified and the positions went away. These employees were unassigned and the Postal Service found other work for them. Even if an arbitrator rules against the Postal Service, the remedy that the union seeks is inappropriate. The employees are working and the excessed employees are at saved grade. The issue would be the schedule difference. The attrited employees volunteered to go and selected their new positions.

III. Assessment of Damages

Based on the fact that full-time employees are not entitled to guaranteed hours, the figures below are only for out-of-schedule pay.

The amount sought and maximum reasonable payout is based upon 41 clerks working 80 hours per pay period (41 clerks x 80 hours per pay period = 3280 hours), during the operative liability period, as shown below. Out of schedule pay is 50% of pay. Consequently the calculations would be based on 41 clerks X 80 hours per pay period, at the applicable out-of-schedule rate of pay, through the present quarter, as referenced below:

Total hours for FY 2007 thru FY 2019: 1,066,000

Total from Current FY chart below: **42,640**

FY Hours/Pay Period Number of PP Total Hours

2020 3280 **13 42,640**

The current FY20 hours X \$12.70 (OOS rate) (FN.1) = **\$541,528**

Total hours from FY2007 thru FY2019, or 1,066,000 X the applicable, annual OSS rate (See chart attached to client report)(See FN.1) = \$12,566,860.80.

In summary, the amount sought and maximum reasonable payout is based upon the total hours tabulated above, or **\$13,108,388.80**.

If the grievance is upheld, we expect an arbitrator to award compensation on the basis of 21 clerks, versus 41, because although the original impact proposed 41 excessed employees the number was reduced due to unanticipated attrition. Accordingly, the most likely payout is based upon 21 clerks working 80 hours per pay period (21 clerks x 80 hours per pay period = 1680 hours), during the operative liability period, as shown below. Out of schedule pay is 50% of pay. Consequently the calculations would be based on 21 clerks X 80 hours per pay period, at the applicable out-of-schedule rate of pay, through the present quarter, as referenced below:

Total hours for FY 2007 thru FY 2019: 546,000

Total from Current FY chart below: **21,840**

FY Hours/Pay Period Number of PP Total Hours

2020 1680 **13 21, 840**

The current FY20 hours X \$12.70 (OOS rate) (FN. 1) = **\$277,368.00**

Total hours from FY2007 thru FY2019, or 546,000 X the applicable, annual OSS rate (See chart attached to client report)(See FN.1) = \$6,436,684.80.

The most likely payout would be based upon the total of the hours for FY 2007 through the present, or **\$6,714,052.80**.

Footnote 1 -The OSS rates of pay are based upon the applicable, end of year schedule pay scales from the National Agreement. The chart attached to the client's report articulates this based upon Step H, of either Level 5 or Level 6 (upon conversion), for each end of year pay schedule. The OOS rate utilized in FY2018 Q1 (\$12.24) has been adjusted to \$12.70 to reflect the current pay schedule which was not available at the time the Q1 report was completed.

Case Name Mail Transport Equipment Service Center Network (NPMHU)

Case Number Q94M-4Q-C 98048417

Date Filed 01/10/1998

Amount Sought [Unknown]

Liability Assessment Remote

Damages Assessment

- **Most Likely Payout:** \$1.0 Million
- **Maximum Reasonable Payout:** \$312.0 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? N/A

Law Dept Counsel Flynn, Terence F

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Patrick Devine, Manager, Contract Administration (NPMHU), and Leigh Hsu, Labor Relations Specialist (NPMHU)

Facts / Positions I. FACTS AND POSITIONS

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

The Mail Transport Equipment Service Center Network centralizes the operations needed for inventory, repair, maintenance, replacement and distribution of mail transport equipment. These centers were staffed by maintenance craft employees of both the National Postal Mail Handlers Union ("NPMHU" or "Mail Handlers") and the American Postal Workers Union (APWU). After a decision was made to subcontract this work, both the Mail Handlers and the APWU filed grievances alleging violations of Article 32. The Postal Service contends it followed Article 32. The NPMHU case is now at Step 4 of the grievance procedure. The APWU case is not listed on this report because the effect (if any) of the subcontract on the APWU bargaining unit was so negligible that any damages the APWU could possibly recoup would not reach the contingent liability threshold.

II. LIABILITY ASSESSMENT

We have reassessed this case as remote because the Postal Service gave proper notice of the subcontracting to the NPMHU and the Article 32 factors appear to have been taken into account in deciding to subcontract. The union has not provided specific evidence to the contrary.

In addition, Postal Service Operations is undertaking a cost analysis using the new Mail Handler Associate (MHA) rates to determine whether it is appropriate to bring MTESC work back to the bargaining unit. This analysis may make it feasible to bring work back in house and reach a settlement with little to no monetary damages.

III. DAMAGE ASSESSMENT

No specific amount has been claimed by the unions. Approximately 1,377 NPMHU employees have been affected by contracting out the Mail Transport Equipment Service Center (MTESC) work. If the Postal Service is found to be in violation of Article 32, an estimate of the potential damages is calculated as follows:

There are currently 15 MTESCs in operation which use contractors. To calculate the maximum liability, the work hours from these facilities for 2012 and 2013 were used as a baseline, for an average yearly work hour estimate of 2,148,120 hours per year. (The work hours are less in 1998, the starting year of the project, because the 15 facilities did not open all at once.) These hours were multiplied by the average Mail Handler overtime rate for each year the MTESCs have been in existence (since 1998). This results in a maximum theoretical liability of approximately \$1.56 billion (\$1,560,000,000.00).

(Previously, damages were calculated based solely on one facility - the Greensboro MTESC - which was a pilot facility. These revised calculations reflect the multiple facilities that exist.)

However, if the case were to be lost, there is simply no way an arbitrator would award the Union \$1.56 billion, or even half of that number. We estimate damages would be substantially less based on past practice in settling large claims. Given the length of time this case has been pending, we anticipate that an arbitrator would not award damages for every year the Postal Service has incurred liability. Rather, we would anticipate an arbitrator would remand the case back to the parties to determine damages. Based on our experience, it is unlikely these damages would exceed twenty (20) percent of the total liability, for maximum reasonable damages of approximately \$312 million.

Because we do not foresee an arbitrator awarding the Union more than \$312 million, we cap maximum reasonable damages at this level.

The most likely payout, however, will be between \$0 and \$1 million. We are confident that if we can settle this case, the Union will not seek monetary damages, or will settle for a nominal amount, in exchange for the Postal Service returning the work to the NPMHU bargaining unit.

Case Name On Site repair service provided by HP/Compaq under National Maintenance Agreement (Contract # 102591-02-M-0803)

Case Number Q00T-4Q-C 04012916

Date Filed 10/20/2003

Amount Sought [Unknown]

Liability Assessment Remote

Damages Assessment

- **Most Likely Payout:** \$11.6 Million
- **Maximum Reasonable Payout:** \$29.1 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? _____

Law Dept Counsel McClease, Tiffany N.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Rickey Dean, Labor Relations

Facts / Positions I. Facts and Positions

Highlighting any revisions made since
Report for FY2020 Q1:
New text and **[deletion]**

The Postal Service entered into a 5-year Information Technology contract with HP/Compaq a National Maintenance Agreement (Contract # 102591-02-M-0803) in October 2003. Thereafter, the American Postal Workers Union (APWU) filed a grievance alleging they were deprived of their rights as contained in Article 32.1.B. The Postal Service renewed the 5-year contract for a third time in October 2013. That contract ended in 2018 and is no longer in effect. The Postal Service subsequently entered into a global enterprise contract with HP that covers a broad range of items and services, most of which would not be considered bargaining unit work and included in this national dispute.

Arbitration has not been scheduled.

II. Assessment of Liability

At this time, we assess the likelihood of an unfavorable outcome in this case as remote, because arbitrators have held that Administrative Computers are under the jurisdiction of the Information Technology employees, and that the bargaining unit is restricted to the mail processing equipment.

III. Assessment of Damages

We do not have data for the work hours involved, but based on our experience in negotiating and litigating these types of grievances, we estimate damages to be approximately forty percent (40%) of the total contract amount of \$9,700,000, or \$3.88 million. These IT contracts are generally five years in duration, and given that we renewed the contract three times, we have tripled the estimate of damages.

Accordingly, the most likely payout estimate is \$11.64 million, and the maximum reasonable payout estimate is \$29.1 million. As the contract is no longer in effect, we cap damages at those levels.

Case Name Subcontracting APC installation

Case Number Q00T-4Q-C 04134582

Date Filed 05/18/2004

Amount Sought [Unknown]

Liability Assessment Remote

Damages Assessment

- **Most Likely Payout:** \$6.0 Million
- **Maximum Reasonable Payout:** \$12.0 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? N/A

Law Dept Counsel McClease, Tiffany N.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Rickey Dean, Manager Contract Administration (APWU)

Facts / Positions I. Facts & Positions

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

The American Postal Workers Union (APWU) alleges that in May 2004 the Postal Service did not give advance notice for subcontracting at the National level of the installation of Automated Postal Centers (APCs) at 2500 mail facilities. The APWU filed a grievance alleging the Article 32 process was violated.

The Postal Service's position is that installation of retail equipment is not bargaining unit work.

Arbitration has not been scheduled.

II. Assessment of Liability

At this time, we assess the likelihood of an unfavorable outcome in this case as remote. Recently, the Postal Service prevailed in the APPS arbitration concerning the ability to subcontract the installation of a major mail processing system (APPS) under Article 32 of its collective bargaining agreement. The arbitrator found that the work of installing the APPS was not bargaining unit work, so the Postal Service did not violate Article 32 by not assigning the APPS installation to the union. This favorable decision affords the Postal Service greater license to subcontract work that is not bargaining unit work. Based on this clarity in the case law, we have determined that the liability assessment in this case is more appropriately classified as "remote." A more thorough analysis of liability will be made as the case progresses to arbitration and as more information becomes available.

III. Assessment of Damages

The work at issue would involve a one-time commitment of approximately 100 work hours at 2500 facilities at \$48 per hour (FY14 ET-10 OT rate) which equals \$12.0 million.

We estimate the most likely damages payable in this matter at \$6.0 million, and, thus, we cap most likely damages at this amount. This determination of

most likely damages is based on a variety of reasons (e.g., the absence of a significant impact on current employees, the general reasonableness/need of the out-sourcing decision, avoidance of windfall payments to employees, Postal history of resolving these types of grievances, etc.).

Case Name Subcontracting Private Branch Exchange (PBX) telephone systems

Case Number Q00T-4Q-C 05143223

Date Filed 08/10/2005

Amount Sought [Unknown]

Liability Assessment Remote

Damages Assessment

- **Most Likely Payout:** \$1.0 Million - \$4.0 Million
- **Maximum Reasonable Payout:** \$22.8 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? N/A

Law Dept Counsel Coolidge, Lucy R.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Terry LeFevre, TA

Facts / Positions I. Facts and Positions

Highlighting any revisions made since

Report for FY2020 Q1:
New text and **[deletion]**

The American Postal Workers Union (APWU) alleges that In August 2005 the Postal Service did not give advance notice for subcontracting at the National level of the installation of Private Branch Exchange telephone systems at mail facilities. The APWU filed a grievance alleging the Article 32 process was deficient. The Postal Service's position is that installation of telephone equipment is not bargaining unit work.

Arbitration has not been scheduled yet.

II. Liability Assessment

At this time, we assess the likelihood of an unfavorable outcome in this case as remote. Recently, the Postal Service prevailed in a pair of arbitrations concerning the ability to subcontract bargaining unit work under Article 32 of its collective bargaining agreements. In MPI-LAN, which involved the installation of certain wiring related to a postal-wide network upgrade, the subcontracted work represented less than 1% of all work performed by the maintenance craft. Accordingly, the arbitrator found that there was no significant impact to the bargaining unit, and thus no requirement that the Postal Service consult with the union on the decision to subcontract. In APPS, which involved the subcontracting of installation of a major mail processing system, the arbitrator found that the union did not typically perform the kind of installation work at issue, so the Postal Service need not consider whether the work had a significant impact to the bargaining unit. These favorable decisions afford the Service greater license to subcontract if either (a) the work represents only a small portion of overall bargaining unit work (the MPI-LAN arbitration); or (b) the subcontracting involves work not traditionally performed by craft employees - i.e., it is not bargaining unit work (the APPS arbitration). Based on this clarity in the case law, we have determined that the liability assessment in this case is more appropriately classified as "remote." A more thorough analysis of liability will be made as the case progresses to arbitration and as more information becomes available.

III. Damages Assessment

The work at issue involved a one-time commitment of approximately 200 work hours at 3,000 facilities at \$38 per hour (FY05 ET-10 OT rate), which equals \$22.8 million. We have set the Maximum Reasonable Payout at \$22.8 million, and capped the amount at that level for this one time event.

We set the Most Likely Payout at \$1-4 million for this one time event. We believe that we can limit damages to a range of \$1 to 4 million for a variety of reasons (e.g., the absence of a significant impact on current employees, the general reasonableness/need of the out-sourcing decision, avoidance of windfall payments to employees, Postal history of resolving these types of grievances, etc.).

Case Name Subcontracting Work of building and maintenance functions at the Priority Mail Processing Centers (PMPCs)

Case Number Q98C-4Q-C 01179896

Date Filed 06/08/2001

Amount Sought [Unknown]

Liability Assessment Remote

Damages Assessment

- **Most Likely Payout: \$44.8 Million**
[Previously reported as: \$42.7 Million]
- **Maximum Reasonable Payout: \$89.5 Million**
[Previously reported as: \$85.4 Million]

Change in Status

- **Change in Damages Assessment or Amount Sought (Still Meets Threshold)**
- **Revised Most Likely Payout or Maximum Reasonable Payout**

Estimated Time to Resolution 1 - 5 Years

If Field Grievance, held in abeyance? _____

Law Dept Counsel Coolidge, Lucy R.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Rickey Dean, Labor Relations Manager, APWU

Facts / Positions I. Facts & Positions

Highlighting any revisions made since
Report for FY2020 Q1:
New text and **[deletion]**

The American Postal Workers Union (APWU) alleges that, in June 2001, the Postal Service did not give advance notice for subcontracting at the National level of building and maintenance functions at the Priority Mail Processing Centers (PMPCs). The APWU filed a grievance alleging the Article 32 process was deficient.

The Postal Service's position is that work was properly outsourced pursuant to Article 32.

Arbitration has not been scheduled.

II. Assessment of Liability

At this time, we assess the likelihood of an unfavorable outcome in this case as reasonably possible because the union's grievance does not appear to be frivolous, and an arbitrator may find that the grievance has merit. A more thorough analysis of liability will be made as the case progresses to arbitration and as more information becomes available.

III. Assessment of Damages

The work at issue would involve staffing for several years at several PMPC facilities. The original dispute involved 10 PMPC sites, which the calculations reflect. The PMPC transition was required to be completed in January 2002; therefore, the calculations include 2002 through **2020**.

Please see the attached spreadsheet (last updated 2/15/19), which was used to calculate damages. With one noted exception, damages were estimated

using an average custodial productivity of 15,000 square feet per custodian and rounding the result to estimate how many custodians would have been staffed in each facility each year. An exception is Phoenix West Valley, which was in-sourced, and the number of custodians staffed when in-sourced was used to estimate staffing during the period of time the facility used contractors to complete the work. Where the facility increased in size, there are two lines reflecting the different sizes. At the bottom of the spreadsheet is Total Employees, which reflects the number of estimated employees by year. Total Annual Cost by Year is the Total Employees multiplied by the Annual Custodial Rate, or yearly salary, for the corresponding pay level by year. Sites where the custodial work was, or is now, performed by Postal employees have "0" entered for that year and partial years have been rounded.

Nashua NH shows no liability because the case was adjudicated in 2006. The remedy was to staff the facility with Postal employees. The Seattle PMPC was never cleaned by contractors.

Custodian Laborers received an upgrade in 2008; therefore, the pay level changes that year from PS-3 to PS-4. Annual Cost by Year is the product of the Total Employees for each year and the Annual Custodial Rate.

Based on the above methodology and factors, the **most Reasonable Payout is changed from \$85.4M to \$89.5M and the Most Likely Payout is changed from \$42.7M to \$44.8M, accounting for damages calculated through December 2020.**

UPDATE

In consideration of the age of this case, as well as recent favorable precedent related to subcontracting, we are reassessing this case as "remote."

Case Name Terminal Handling Services - FedEx

Case Number Q98M-4Q-C 01210465

Date Filed 09/05/2001

Amount Sought [Unknown]

Liability Assessment Remote

Damages Assessment

- **Most Likely Payout:** \$93.1 Million
- **Maximum Reasonable Payout:** \$100.0 Million

Change in Status

- No Change Since Last Report

Estimated Time to Resolution Over 5 Years

If Field Grievance, held in abeyance? N/A

Law Dept Counsel McClease, Tiffany N.

Law Dept Reporting Office HQ Employment and Labor Law

Other Representative for USPS Leigh Hsu, Labor Relations Specialist (NPMHU)

Facts / Positions I. FACTS AND POSITIONS

Highlighting any revisions made since

Report for FY2020 Q1:

New text and **[deletion]**

The American Postal Workers Union (APWU) has withdrawn its grievance (Q98C-4Q-C 01242609) in this matter.

The National Postal Mail Handlers Union (NPMHU) alleges the Postal Service improperly contracted out bargaining unit work when it decided to subcontract Terminal Handling Services associated with the FedEx air transportation agreement.

Based on an internal review, the Postal Service had determined that there was a need to outsource ground handling operations at approximately sixty (60) locations. As a result, the Postal Service had contracted PricewaterhouseCoopers to conduct an Article 32 Comparative Analysis of the costs associated with performing ground handling operations in-house versus the estimated costs of contracting those services. The Article 32 Comparative Analysis (CA) was based upon reasonable assumptions, and all computations are valid. Indeed, the financials are based on anticipated costs related to building up and breaking down air cargo containers. The CA indicates that by outsourcing, a cost avoidance of \$54 million (undiscounted over seven years) may be realized over the same operation performed in-house.

Upon completion of the CA, on January 10, 2001 the Postal Service entered into a seven-year, \$6.36 billion agreement with FedEx to provide air transportation for Priority, Express and First-Class mail. At the time of the agreement, the cost benefit analysis anticipated terminal handling costs for only outgoing volume. Subsequent to the agreement, Operations determined that both originating and destinating volume will require terminal handling. About 3/4 of the contracts at issue have already been extended through 2020, the remainder are currently in the process of being extended until then as well.

II. ASSESSMENT OF LIABILITY

We assess the case as remote.

Article 32 of the applicable National Agreements gives management the right

to subcontract, provided we follow the contractual provisions and procedures, and give due consideration to the agreed upon factors. We believe that an arbitrator would find that the record supports that management's decision was reached following the required Article 32 process and deny the grievance.

III. ESTIMATE OF DAMAGES

As remedy, the NPMHU requests rescission of the decision to contract out the work, termination of the contracts, restoration of all appropriate work to NPMHU represented employees, and that the employees be made whole for lost wages. No specific amount of damages has been claimed, however, based on the DAR and Article 32 comparative analysis, damages could be awarded as specified below.

The calculations below show the new labor cost that would have been incurred by the Postal Service if the work had been awarded to NPMHU bargaining unit employees, who would have otherwise performed the work, instead of the contractor.

For FY02, the internal New Labor costs were as follows: \$52 million.
For FY03, the internal New Labor costs were as follows: \$53 million.
For FY04, the internal New Labor costs were as follows: \$55 million.
For FY05, the internal New Labor costs were as follows: \$57 million.
For FY06, the internal New Labor costs were as follows: \$59 million.
For FY07, the internal New Labor costs were as follows: \$59 million.
For FY08, the internal New Labor costs were as follows: \$65 million.
For FY09, the internal New Labor costs were as follows: \$66 million.
For FY10, the internal New Labor costs were as follows: \$68 million.
For FY11, the internal New Labor costs were as follows: \$70 million.
For FY12, the internal New Labor costs were as follows: \$71 million.
For FY13, the internal New Labor costs were as follows: \$71 million.
For FY14 the internal New Labor costs were as follows: \$72 million.
For FY15 the internal New Labor costs were as follows: \$75 million
For FY16 Quarter 2 the internal New Labor costs were as follows: \$38 million.

The total estimated Most Likely Payout for the period FY02 through FY16 Quarter 1 is \$93.1 million. Although damages continue to accrue at the rate of approximately \$75 million per year, based on our experience with arbitral awards, and the assessment of "remote" we cap the Maximum Reasonable Payout at \$100 million. We believe that it is unlikely that an arbitrator would award more than \$100 million.

Despite the APWU's withdrawal of its grievance, the assessment of damages remain the same given the lack of significant impact this subcontracting decision would have had on the APWU bargaining unit.

III. Contingent Liabilities: Assessed Below \$5 Million

A. Probable

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
(Richard E.) Erickson v. Brennan	AT-3443-07-0016-C-1	\$1.2 Million	Probable	<i>Most Likely Payout:</i> \$1.2 Million <i>Max Reasonable Payout:</i> \$1.2 Million	• Additional Facts or Revision in Text	1 - 5 Years
APWU CILO Grievance (Providence, RI P&DC)	B00C-1B-C-05035241	\$5.8 Million	Probable	<i>Most Likely Payout:</i> \$1.0 Million <i>Max Reasonable Payout:</i> \$3.6 Million	• Additional Facts or Revision in Text • Settlement, Not Yet Final and Paid	Less Than 1 Year
APWU Class Action Challenging Maintenance Mechanic (PS Level 8) Staffing Levels - St. Louis NDC	J00T-1J-C-05181228 (lead case)	\$2.1 Million	Probable	<i>Most Likely Payout:</i> \$1.5 Million <i>Max Reasonable Payout:</i> \$2.1 Million	• No Change Since Last Report	1 - 5 Years
APWU Clerk Craft Class Action Lead Clerks/TACS Duties - St. Louis Installation	J15C-4J-C-18331943	\$1.6 Million	Probable	<i>Most Likely Payout:</i> \$1.6 Million <i>Max Reasonable Payout:</i> \$1.6 Million	• Revised Most Likely Payout or Maximum Reasonable Payout • Additional Facts or Revision in Text	1 - 5 Years
APWU Grievance - Class Action - F/Y 2017 Line H Staffing	C15T-4C-C-18255039	\$4.0 Million	Probable	<i>Most Likely Payout:</i> \$1.2 Million <i>Max Reasonable Payout:</i> \$2.5 Million	• Additional Facts or Revision in Text • Settlement, Not Yet Final and Paid	Less Than 1 Year
Atlanta - MS 47	K06-1K-C-11461125	\$1.1 Million	Probable	<i>Most Likely Payout:</i> \$1.1 Million <i>Max Reasonable Payout:</i> \$1.1 Million	• No Change Since Last Report	1 - 5 Years
Deborah Cooper, Wanda West, et.al v. USPS	EEOC Appeal No. 0720090043	\$42.7 Million	Probable	<i>Most Likely Payout:</i> \$1.2 Million <i>Max Reasonable Payout:</i> \$1.2 Million	• Additional Facts or Revision in Text	1 - 5 Years
Line H	E15T-1E-C	\$1.3	Probable	<i>Most Likely Payout:</i>	• Additional	1 - 5

Minneapolis, Minnesota	18406092 / E15T-1E-C 19068316	Million		\$1.3 Million <i>Max Reasonable Payout:</i> \$1.3 Million	Facts or Revision in Text	Years
Line H Staffing FY2015 APWU Class Action	C10T-4C-C 16043991	\$3.0 Million	Probable	<i>Most Likely Payout:</i> \$1.0 Million <i>Max Reasonable Payout:</i> \$1.1 Million	• Additional Facts or Revision in Text • Settlement, Not Yet Final and Paid	Less Than 1 Year
Mail Handler Assistants (MHA) Retroactive Holiday Leave Pay	Q11M-6Q-C 17583292	\$4.0 Million	Probable	<i>Most Likely Payout:</i> \$2.0 Million <i>Max Reasonable Payout:</i> \$2.0 Million	• Additional Facts or Revision in Text	Less Than 1 Year
Sales Retention Team (SRT) Pilot Program	USPS Q10C-4Q-C 14011344	[Unknown]	Probable	<i>Most Likely Payout:</i> \$3.6 Million <i>Max Reasonable Payout:</i> \$3.6 Million	• Additional Facts or Revision in Text	Less Than 1 Year
U. S. Postal Service v. APWU (San Francisco HCR)	F11V-1F-C 11297707	\$4.0 Million	Probable	<i>Most Likely Payout:</i> \$4.0 Million <i>Max Reasonable Payout:</i> \$4.5 Million	• Change in Damages Assessment or Amount Sought (Still Meets Threshold) • Revised Most Likely Payout or Maximum Reasonable Payout • Additional Facts or Revision in Text	1 - 5 Years
Utilization of Acting Supervisors, 204-Bs (Detroit Bid Cluster)	APWU Grievance No. J10C-4J-C 13283366	\$7.8 Million	Probable	<i>Most Likely Payout:</i> \$1.0 Million <i>Max Reasonable Payout:</i> \$1.2 Million - \$3.8 Million	• Additional Facts or Revision in Text • Settlement, Not Yet Final and Paid	Less Than 1 Year

A. Probable [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Administrative Claim of Larry Blanchard, Jr.	_____	\$15.0 Million	Probable	<i>Most Likely Payout:</i> \$2.0 Million <i>Max Reasonable Payout:</i> \$3.5 Million	• Additional Facts or Revision in Text	Less Than 1 Year

Administrative Claim of Richard Essendrop	N/A	\$3.9 Million	Probable	<i>Most Likely Payout:</i> \$1.5 Million <i>Max Reasonable Payout:</i> \$2.5 Million	● No Change Since Last Report	Less Than 1 Year
Administrative Claim of Ronald Gutierrez	_____	\$25.0 Million	Probable	<i>Most Likely Payout:</i> \$2.0 Million <i>Max Reasonable Payout:</i> \$3.0 Million	● Revised Most Likely Payout or Maximum Reasonable Payout ● Additional Facts or Revision in Text	Less Than 1 Year
Christian Fuggi and Daniel Fisher v. United States of America, Amazon, Inc. & Robert Fuggi III	3:17-CV-04036;	\$40.0 Million	Probable	<i>Most Likely Payout:</i> \$1.5 Million <i>Max Reasonable Payout:</i> \$2.5 Million	● No Change Since Last Report	1 - 5 Years
Clem Dewayne Dalrymple v. United States of America	2:18-cv-14237	\$8.3 Million	Probable	<i>Most Likely Payout:</i> \$1.8 Million <i>Max Reasonable Payout:</i> \$3.3 Million	● Additional Facts or Revision in Text	Less Than 1 Year
David and Deborah Peterson v. United States	2:19-CV-00312	\$25.0 Million	Probable	<i>Most Likely Payout:</i> \$1.0 Million <i>Max Reasonable Payout:</i> \$1.5 Million	● Additional Facts or Revision in Text	Less Than 1 Year
Estate of Germaine Kollias and E.K., a minor child v. United States	3:19-cv-01238-JR	\$6.1 Million	Probable	<i>Most Likely Payout:</i> \$1.7 Million <i>Max Reasonable Payout:</i> \$2.2 Million	● Change in Damages Assessment or Amount Sought (Still Meets Threshold) ● Additional Facts or Revision in Text ● Settlement, Not Yet Final and Paid	Less Than 1 Year
Henry Hernandez-Duran v. United States	1:18-CV-05998	\$10.0 Million	Probable	<i>Most Likely Payout:</i> \$1.0 Million <i>Max Reasonable Payout:</i> \$1.5 Million	● Additional Facts or Revision in Text	Less Than 1 Year <i>[Previously reported as: 1 - 5 Years]</i>
Henry Mora Hernandez individ and Admin Estate of Sergios Mora Hernandez and Kothan	3:19-cv-01457-AJB-AGS	\$20.7 Million	Probable	<i>Most Likely Payout:</i> \$1.0 Million <i>Max Reasonable Payout:</i> \$2.0 Million	● Additional Facts or Revision in Text	Less Than 1 Year <i>[Previously reported as: 1 - 5 Years]</i>

Mora
Hernandez v.
United States

Jose Rodriguez v. United States of America	940-17-00363478A	\$20.0 Million	Probable	Most Likely Payout: \$1.0 Million Max Reasonable Payout: \$1.8 Million	Additional Facts or Revision in Text	1 - 5 Years
Kasey and Jessica Ridout v. United States	941-15-0262	\$8.0 Million	Probable	Most Likely Payout: \$2.0 Million Max Reasonable Payout: \$3.0 Million	Additional Facts or Revision in Text	Less Than 1 Year
Nicholas Angel Perez v. USA	1:18-cv-01734	\$6.8 Million	Probable	Most Likely Payout: \$1.5 Million Max Reasonable Payout: \$3.0 Million	Additional Facts or Revision in Text	1 - 5 Years
Rhea Donahue v. United States of America	1:18-CV-00086	\$3.0 Million	Probable	Most Likely Payout: \$1.0 Million Max Reasonable Payout: \$1.5 Million	Additional Facts or Revision in Text	Less Than 1 Year
Thomas and Tina Rodriguez v. United States of America	17-cv-251	\$4.0 Million	Probable	Most Likely Payout: \$1.0 Million Max Reasonable Payout: \$1.5 Million	No Change Since Last Report	Less Than 1 Year

B. Reasonably Possible

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
2018 Christmas Annex	E16M-1E-C 18024717	\$2.3 Million	Reasonably Possible	Most Likely Payout: \$1.0 Million Max Reasonable Payout: \$1.0 Million	- Change in Damages Assessment or Amount Sought (Still Meets Threshold) - Revised Most Likely Payout or Maximum Reasonable Payout - Additional Facts or Revision in Text - Settlement, Not Yet Final and Paid	Less Than 1 Year
APWU Challenges	E87C-1E-J-	\$2.5 Million	Reasonably Possible	Most Likely Payout: \$2.5 Million	Revised Most Likely	Over 5 Years

Distribution and Spreading of By-Pass Mail	89014768			Max Reasonable Payout: \$2.5 Million	Payout or Maximum Reasonable Payout	
APWU Jurisdictional Claim - Mail Handler Work at Mt. Hood DDC	24 cases E98C-1E-J 01169646, E00C-1E-J 03056567, et al.	\$66.1 Million	Reasonably Possible	Most Likely Payout: \$2.8 Million Max Reasonable Payout: \$2.8 Million	● No Change Since Last Report	1 - 5 Years
Atlanta - Retreat Rights	11386356, 11386366, 11386417, 11386368	\$1.2 Million	Reasonably Possible	Most Likely Payout: \$1.2 Million Max Reasonable Payout: \$1.2 Million	● No Change Since Last Report	1 - 5 Years
Everett Hub NPHMU	E11M-4E-C 15260712 / E11M-4E-C 15260715	\$4.9 Million	Reasonably Possible	Most Likely Payout: \$2.0 Million Max Reasonable Payout: \$4.9 Million	● Change in Damages Assessment or Amount Sought (Still Meets Threshold) ● Revised Most Likely Payout or Maximum Reasonable Payout ● Additional Facts or Revision in Text	Less Than 1 Year

[Case previously reported as Short-term Liability (Estimated Time to Resolution: Less Than 1 Year)]

Case Name	HCR-151AQ MVS Runs
Case Number	C11V-C-C-12107884
Date Filed	02/16/2012
Amount Sought	\$2.5 Million
Liability Assessment	Reasonably Possible
Damages Assessment	● Most Likely Payout: \$2.5 Million ● Maximum Reasonable Payout: \$2.5 Million
Change in Status	● Change in Damages Assessment or Amount Sought (Still Meets Threshold) ● Revised Most Likely Payout or Maximum Reasonable Payout ● Additional Facts or Revision in Text
Estimated Time to Resolution	1 - 5 Years [Previously reported as: Less Than 1 Year]
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Breslin, Jennifer S.
Law Dept Reporting Office	Eastern

Other Representative for USPS

Tracy Wood, DLRS

Facts / Positions

Highlighting any revisions made since

Report for FY2020 Q1:

New text and **[deletion]**

In accordance with the APWU 2010-2015, MOU Re: Motor Vehicle Craft Jobs, the Employer was to designate 600 PVS routes to be assigned to the Motor Vehicle Craft. The Union contends that the USPS failed to convert the runs, which instigated this grievance. The run in question is HCR 151AQ, which is still operating today and consists of 4 shuttle runs from the NDC to the THS Cargo Force at the Pittsburgh Airport. Headquarters Labor Relations was recently consulted with regard to this matter and it was determined that these runs should be converted now.

UPDATED INFORMATION, FY19 QIV:

Eastern Area Labor Relations conducted further research on this case since it was first reported. Based upon the new information that was received in FY19 QIV, HQ LR was consulted who advised that this case should be held pending the outcome of national level case Q10V-4Q-C 14256800 that deals with what the definition of "route" encompasses as it relates to Section 2 of Motor Vehicle Crafts Jobs MOU found in the 2010 National Agreement, **as it was anticipated that they would be able to reach the agreement to hold the case in abeyance. However, in FY20 QII, the Area LR Specialist has been in communication with the MVS NBA, and as of this report, the NBA has not agreed to hold the case in abeyance. Because the case is not priority scheduled, we have changed the estimated time to resolution from "less than 1 year" to "1 to 5 years."** It is the Postal Service's position that we have met our requirement to convert 600 HCR "routes" to PVS in accordance with the MVC Jobs MOU. Therefore, it would not be appropriate to convert HCR 151AQ.

In addition, while this route appeared on the initial list in September 2011, there continued to be ongoing revisions to the list of routes where HCR 151AQ was not listed. The APWU, at the national level, was kept apprised of the ongoing revisions.

LIABILITY [deletion] ASSESSMENT: Given the foregoing new information, it has been determined that the liability assessment should be changed from Probable to Reasonably Possible.

CALCULATION METHODOLOGY: 4 runs @ 36 hours per week X 52 weeks per grievance filed 2/4/2012 years @1.5 OT rate+= **\$2,539,309.74.**

Unable to attach FY20 QII **Spreadsheet** to this online report, but it is included in the paper copy.

Jacksonville NDC Custodial Staffing	G06T-1G- C 10442318	\$1.1 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$1.1 Million <i>Max Reasonable Payout:</i> \$1.1 Million	● No Change Since Last Report	1 - 5 Years
Macon Zebulon Jurisdiction	G00M 4G J 04138439	\$2.1 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$2.1 Million <i>Max Reasonable Payout:</i> \$2.1 Million	● Change in Damages Assessment or Amount Sought (Still	1 - 5 Years

					Meets Threshold) ● Additional Facts or Revision in Text	
MVS Subcontracting of Mail Transportation to HCR Operator After AMF Closure - Grand Rapids, MI	J00V-1J-C 07032514 & J06V-1J-C 07350441	\$2.7 Million	Reasonably Possible	Most Likely Payout: \$1.6 Million Max Reasonable Payout: \$2.7 Million	● Revised Most Likely Payout or Maximum Reasonable Payout ● Additional Facts or Revision in Text	1 - 5 Years
Queens P&DC Maintenance Craft (APWU) - Class Action Grievance	09018849 (Lead Case)	\$2.2 Million	Reasonably Possible	Most Likely Payout: \$1.5 Million Max Reasonable Payout: \$2.2 Million	● Additional Facts or Revision in Text	Less Than 1 Year
St. Petersburg P&DC APWU - Contract for Highway Contract Services	G06V-1G-C07242600	\$1.4 Million	Reasonably Possible	Most Likely Payout: \$1.8 Million Max Reasonable Payout: \$1.8 Million	● Additional Facts or Revision in Text	Over 5 Years [Previously reported as: 1 - 5 Years]

B. Reasonably Possible [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Administrative Claims of Luis Rios and Luz Rios	335-18-003911270A&B	\$2.5 Million	Reasonably Possible	Most Likely Payout: \$1.0 Million Max Reasonable Payout: \$1.5 Million	● Additional Facts or Revision in Text	1 - 5 Years
Brandi Handley as Personal Representative of the Estate of Edward Handley and Mother and Next Friend of Jaxsyn Handley, a minor child v. United States	5:17-cv-01278-HNJ	\$9.0 Million	Reasonably Possible	Most Likely Payout: \$1.0 Million Max Reasonable Payout: \$1.5 Million	● Additional Facts or Revision in Text	Less Than 1 Year
Joyce and Roland Osentowski v. United States of America	19-cv-194-C	\$2.5 Million	Reasonably Possible	Most Likely Payout: \$1.0 Million Max Reasonable Payout: \$1.5 Million	● Additional Facts or Revision in Text	Less Than 1 Year

IV. Contingent Receivables: Assessed At or Above \$5 Million

B. Reasonably Possible

1. Business Claims

Case Name	Northrop Grumman Systems Corp. v. United States
Case Number	Fed. Cl. No. 12-286
Date Filed	05/04/2012
Amount Sought	\$180.0 Million
Liability Assessment	Reasonably Possible
Damages Assessment	• Most Likely Payout: [Unknown] • Maximum Reasonable Payout: \$117.0 Million
Change in Status	• Additional Facts or Revision in Text
Estimated Time to Resolution	Less Than 1 Year <i>[Previously reported as: 1 - 5 Years]</i>
Law Dept Counsel	Kiely, Michael F.
Law Dept Co-Counsel	Windmueller, Michelle A.
Law Dept Reporting Office	HQ Legal Strategy
Other Representative for USPS	See main report
Facts / Positions	For a statement of the facts and the assessments, see the entry for this case in the Contingent Liabilities Report. The claim by Northrop and the counterclaim by the Postal Service will be discussed in one report. The maximum amount of the Postal Service's counterclaim for delay damages was reduced, as stated in the main report.

Highlighting any revisions made since
Report for FY2020 Q1:
New text and **[deletion]**

IV. Contingent Receivables: Assessed Below \$5 Million

[No Cases]

V. Addendum: Contingent Liabilities: Most Likely Payout Below \$1 Million and Maximum Reasonable Payout At or Above \$1 Million

A. Probable

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
APWU v. U.S. Postal Service (Oakland HCR)	F10V-1F-C 15342226 - MO-260-15	\$17.2 Million	Probable	<i>Most Likely Payout:</i> \$0.3 Million <i>Max Reasonable Payout:</i> \$17.2 Million	● Additional Facts or Revision in Text	Less Than 1 Year
Baltimore - Subcontracting Routine Vehicle Maintenance	K10V-4K-C 11300812	\$7.5 Million	Probable	<i>Most Likely Payout:</i> \$0.1 Million <i>Max Reasonable Payout:</i> \$7.5 Million	● No Change Since Last Report	Less Than 1 Year
Carlos Williams v. Postmaster General	Civil Action No. 17 C 8613 (ND IL)	\$1.8 Million	Probable	<i>Most Likely Payout:</i> \$0.8 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● New This Quarter	1 - 5 Years
Charlotte NC P&DC MS-47	K15T-1K-C-19018468	\$1.3 Million	Probable	<i>Most Likely Payout:</i> \$0.1 Million <i>Max Reasonable Payout:</i> \$1.3 Million	● No Change Since Last Report	1 - 5 Years
Howard L. Shumate v. Megan J. Brennan, Postmaster General	Agency No. 4H-000-0003-06; EEOC No. 510-2007-00062X; Appeal No. 0120093856	\$2.5 Million	Probable	<i>Most Likely Payout:</i> \$0.1 Million <i>Max Reasonable Payout:</i> \$2.5 Million	● No Change Since Last Report	1 - 5 Years
Kelly Temps, Seattle APWU	E90C-1E-9305 0477	\$10.0 Million	Probable	<i>Most Likely Payout:</i> \$0.1 Million <i>Max Reasonable Payout:</i> \$1.2 Million	● No Change Since Last Report	1 - 5 Years
Line "H" Violations-FY 16, 17, 18 and 19	None Currently	\$1.4 Million	Probable	<i>Most Likely Payout:</i> \$0.3 Million <i>Max Reasonable Payout:</i> \$1.4 Million	● Additional Facts or Revision in Text ● Settlement, Not Yet Final and Paid	Less Than 1 Year
Marie Rodgers v. Postmaster General	14-cv-06113	\$1.1 Million	Probable	<i>Most Likely Payout:</i> \$0.8 Million <i>Max Reasonable Payout:</i> \$1.1 Million	● No Change Since Last Report	1 - 5 Years
MVS Baltimore	K10V-1K-C	\$1.0	Probable	<i>Most Likely Payout:</i>	● No Change	Less

Annual Bid	15104667	Million		\$0.1 Million <i>Max Reasonable Payout:</i> \$1.0 Million	Since Last Report	Than 1 Year
NJI/NDC MS-47	B06T-1B-C 08263946/MA-066-08-C; A06T-1A-C 08231761/MA-061-08-C; A06T-1A-C 08270950/MA-054-08-C; B06T-1B-C 08311585/MA-083-08-C	\$1.2 Million - \$2.0 Million	Probable	<i>Most Likely Payout:</i> \$0.0 Million - \$0.4 Million <i>Max Reasonable Payout:</i> \$2.0 Million	● No Change Since Last Report	1 - 5 Years
RI-399 2018 Global Settlement	_____	[N/A]	Probable	<i>Most Likely Payout:</i> \$0.6 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● Additional Facts or Revision in Text	Less Than 1 Year

A. Probable [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Administrative Claim of Kathy Burch	_____	\$4.0 Million	Probable	<i>Most Likely Payout:</i> \$0.5 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● Additional Facts or Revision in Text	Less Than 1 Year [Previously reported as: 1 - 5 Years]
Administrative Claim of Olga Benitez	100-18-00408587A	\$10.0 Million	Probable	<i>Most Likely Payout:</i> \$0.5 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● New This Quarter	1 - 5 Years

[Case previously reported as Short-term Liability (Estimated Time to Resolution: Less Than 1 Year)]

Case Name	Administrative Claim of Paul Reed
Case Number	_____
Date Filed	07/22/2019
Amount Sought	\$9.5 Million
Liability Assessment	Probable
Damages Assessment	● Most Likely Payout: \$0.8 Million ● Maximum Reasonable Payout: \$1.3 Million
Change in Status	● Additional Facts or Revision in Text
Estimated Time to Resolution	1 - 5 Years

[Previously reported as: Less Than 1 Year]

Law Dept Counsel Kupper, David R

Law Dept Reporting Office St. Louis

Facts / Positions

Highlighting any revisions made since

Report for FY2020 Q1:

New text and **[deletion]**

On August 14, 2017, a rural carrier associate (RCA) delivered mail to a CBU at an apartment complex. The RCA returned to her LLV and began to reverse when the LLV collided with the front passenger side of a Chevrolet Malibu. The Claimant was a front seat passenger in the Malibu. The RCA reported that the Malibu pulled into the parking lot behind her after she had returned to the LLV and was already in motion. Claimant alleges that the Malibu was in the parking lot and trying to back into a parking spot when the LLV struck it. Claimant also alleges that the RCA was involved in an argument with a resident of the apartments just prior to reversing her vehicle and she was distracted and not paying attention. We are still trying to gather more information regarding the facts of this accident and assignment of fault.

Claimant was 36 years old at the time of this minor accident. No injuries were reported on scene to police and the accident was so minor that only a one page police report was completed. Two weeks after the accident he began seeing an orthopedic surgeon with complaints of pain and severe spasms in his neck and back. Claimant already had a relationship with this surgeon as he treated with him between 2004-2007 and had a spinal surgery with a lumbar disc replacement in 2007. He also had pain injections to his neck during that period of time. Despite this preexisting history, Claimant alleges that his pain was controlled with pain medications and the subject accident made his pain worse and exacerbated his low back issues. MRIs showed multiple bulging discs in the Claimant's neck and back. He tried physical therapy but did not have relief. He then tried lumbar and cervical injections with minimal relief. In July 2018, the Claimant underwent a cervical fusion surgery at two levels, C4-6. Following surgery he continued to complain of pain and severe spasm in the lumbar back. In June 2019 a trial spinal cord stimulator was performed and Claimant alleges that it was successful and a permanent stimulator was implanted on July 22, 2019. We **have not received any medical records regarding the permanent stimulator or actual cost.** **[deletion]**

Claimant claims his current medical expenses total approximately \$387,000. **We have verified past medical treatment of over \$150,000 but do not have the actual cost of the alleged spinal cord stimulator. Plaintiff has retained a financing company to pay for his treatment and according to its lien from July 2019 they estimated treatment costs to total almost \$260,000 though this was using estimates for the spinal cord stimulator procedure.** Spinal Cord Stimulators also require future maintenance and monitoring and future expenses can be significant. **Claimant** submitted a certified life care plan asserting future medical costs in the range of \$700,000 to \$900,000. Based on our experience with Spinal Cord Stimulators, future expenses are highly speculative so if we are found responsible for the stimulator the future expenses should be much lower than claimed. Additionally, this accident was extremely minor and Claimant has a significant past history to include a previous

surgery so we need to review historic MRIs and evaluate the findings pre and post accident. While we will need to know much more about Claimant's medical history to assess this matter, and believe we have a comparative fault argument against the driver of the Malibu, we provide a preliminary most likely payout estimate of \$750,000 with a maximum reasonable payout of about 1.3M. We are continuing to request and review records and anticipate with the issues in dispute in this matter any administrative offer we make will be relatively low and therefore the matter will likely end up in litigation. **Having come to the conclusion the matter will not settle administratively, the estimated time to resolution for the litigation that will follow will be greater than one year.**

Administrative Claim of William Lucas	390-19-00443170B	\$1.2 Million	Probable	<i>Most Likely Payout:</i> \$0.8 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● New This Quarter	Less Than 1 Year
Administrative Claims of David and Michal Carmely	_____	\$10.5 Million	Probable	<i>Most Likely Payout:</i> \$0.5 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● New This Quarter	Less Than 1 Year
David Crimmins v. USA	17-CV-03470	\$2.0 Million	Probable	<i>Most Likely Payout:</i> \$0.7 Million <i>Max Reasonable Payout:</i> \$1.3 Million	● Additional Facts or Revision in Text	Less Than 1 Year
Harry Halstead and Roy Joffrion v. United States	4:16-CV-3219	\$20.0 Million	Probable	<i>Most Likely Payout:</i> \$0.8 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● Additional Facts or Revision in Text	Less Than 1 Year
James Matthews v. United States of America	18-cv-01280-HNJ	\$15.0 Million	Probable	<i>Most Likely Payout:</i> \$0.8 Million <i>Max Reasonable Payout:</i> \$1.2 Million	● Additional Facts or Revision in Text	Less Than 1 Year

[Case previously reported as Short-term Liability (Estimated Time to Resolution: Less Than 1 Year)]

Case Name	Jeannette Toppin Indiv & As Administrator for the EO Daquan Monicure v. United States
Case Number	1:20-CV-00001
Date Filed	02/01/2019
Amount Sought	\$5.0 Million
Liability Assessment	Probable
Damages Assessment	● Most Likely Payout: \$0.6 Million ● Maximum Reasonable Payout: \$1.2 Million
Change in Status	● Additional Facts or Revision in Text
Estimated Time to Resolution	1 - 5 Years <i>[Previously reported as: Less Than 1 Year]</i>
Law Dept Counsel	Bjurstrom, Stanford M.
Law Dept Reporting Office	St. Louis
Facts / Positions	On September 6, 2017 RCA Debra Yarborough was travelling west on MLK Jr. Boulevard in Lexington, NC on her way back to the Lexington, NC Postal Office in her privately owned 2017 Jeep. She had completed delivering mail on her assigned route and was on her way back to the Post Office when she drove left of the center line into the oncoming eastbound traffic and hit the operator of a moped, Daquan Monicure, causing him to be

Highlighting any revisions made since
 Report for FY2020 Q1:
New text and **[deletion]**

ejected from the moped and thrown 70 feet from the point of impact. Although Yarborough initially told police that the moped had crossed into her lane of travel, three other witnesses interviewed by police contradicted her statement and advised that Yarborough had crossed the center line and hit Mr. Monicure, never slowing down. An open bottle of alcohol as well as a bottle of muscle relaxers were found in Yarborough's Jeep. She was arrested for DWI at the scene and later charged with Involuntary Manslaughter for which she plead guilty and received a 60 month suspended execution of sentence. Yarborough was terminated by the Postal Service for Failure to Observe Safety Rule and Regulations. The Postal Service is liable for this incident.

Mr. Monicure (22 YO) did not regain consciousness and was pronounced dead at the accident scene. He was observed by EMS to have significant head trauma with an open skull fracture to the left side of his head.

It is unclear at the time of the accident how Mr. Monicure was employed. Although correspondence from counsel for his Estate claims that he was working for a trucking company, there is also information we obtained noting that he worked at Lowe's in some capacity although no W-2's or tax returns have been provided. We recently received an economist's report which calculated Mr. Monicure's wage loss over his lifetime to be \$837,134 reduced to present value as required under North Carolina law. The report did not reference any specific earnings of Mr. Monicure but simply used data from the Census Bureau for a male high school graduate. If graduating high school and a few blue collar skill class we know about are all Mr. Monicure has to offer to support a past and present wage history, the wage loss associated with his death might be half as much.

The economist's report also provided a calculation for loss of household activities of \$144,239. The report calculated the figure from Mr. Monicure's age at death, 22 YO, to 36 YO. While the Estate's counsel has advised that Mr. Monicure had a 4 YO son at the time of his death, it appears he shared custody of his son with his son's mother and it seems likely he was not playing a large role in his son's life, which could reduce the value of the loss of household activities considerably. Mr. Monicure was also survived by his mother, Jeannette Toppin (the administer of his estate) and by his father John Montague.

Under North Carolina law, a claim may be made under the wrongful death statute by the personal representative. The wrongful death statute allows for recovery of medical expenses incurred by the decedent, as well as funeral expenses. It also provides for the present value of income of the decedent, services and assistance provided by the decedent as well as loss of society, companionship and comfort. The estate is also entitled to recover for the decedent's pain and suffering prior to death (although that does not appear to be a significant issue in this case).

The non-economic damages for his son's loss of Mr. Monicure's society, comfort and companionship is difficult to measure based on what we know at this point. We do know that a young boy has lost his father who was also very young. If the court finds the

decedent and his son had a close relationship, the non-economic damages could be significant.

Based on the information we currently have regarding the decedent, it appears that the most likely payout amount will be near \$600,000, but a maximum reasonable payout of up to \$1.2 million is reasonably possible.

Although we attempted to engage in settlement discussions with claimant, the amount she sought far exceeded our value of the case. As a result, we denied the claim on November 6, 2019. We **recently were served with a complaint filed by the Estate in the US District Court for the Middle District of North Carolina. We expect to file an answer to the complaint in the next 30 days but it will take some time for the litigation to develop.**

Jerry L. Williams II v. United States of America	1:17-CV-04169-TCB	\$10.0 Million	Probable	<i>Most Likely Payout:</i> \$0.7 Million <i>Max Reasonable Payout:</i> \$1.2 Million	● Additional Facts or Revision in Text	Less Than 1 Year
Julio Mayorga Martinez, Sandi Vargas Moreno, Jake Mayorga, and Miles Mayorga v. USA, et al.	2:17-cv-08810	\$7.5 Million	Probable	<i>Most Likely Payout:</i> \$0.4 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● Settlement, Not Yet Final and Paid	Less Than 1 Year

[Case previously reported as Short-term Liability (Estimated Time to Resolution: Less Than 1 Year)]

Case Name	Kelvin Comeaux v. United States
Case Number	2:19-cv-12801
Date Filed	09/24/2019
Amount Sought	\$1.4 Million
Liability Assessment	Probable
Damages Assessment	● Most Likely Payout: \$0.5 Million ● Maximum Reasonable Payout: \$1.0 Million
Change in Status	● Additional Facts or Revision in Text
Estimated Time to Resolution	1 - 5 Years <i>[Previously reported as: Less Than 1 Year]</i>
Law Dept Counsel	Kupper, David R
Law Dept Reporting Office	St. Louis
Facts / Positions Highlighting any revisions made since Report for FY2020 Q1: New text and [deletion]	Previously reported as the Administrative Claim of Kelvin Comeaux. Estimated Time to Resolution changed to over 1 year due to the fact that the matter has now entered litigation. On March 3, 2018, a Postal Supervisor was operating a Postal Caravan when she tried to turn left at an intersection from the right traffic lane of a two lane road. Plaintiff was in the left lane just behind the Postal vehicle and proceeding straight at this intersection. The Postal vehicle crossed into Plaintiff's path and struck the Plaintiff's vehicle. The accident was witnessed by a police unit on patrol in the area. The police determined that the Postal Supervisor caused the accident and assessed her with improper lane usage; however no citation was issued. This was a relatively minor accident in that the property damage to the Plaintiff's Chevrolet Tahoe was about \$2,500. Plaintiff (32 years old) also has a complicated medical history which includes a gunshot wound with resulting injuries to his back, chest, and head. His jaw required a fixation surgery and his medical records reference multiple surgeries following the gunshot. We requested the historical records administratively but Plaintiff's attorney would not submit them so at this time we do not yet know the

extent of his preexisting issues. **We intend to obtain them in the litigation. The Plaintiff was** disabled and unemployed following his gunshot wound in 2016 although he has told medical providers he was working construction after the accident at issue.

Following the accident, the **Plaintiff complained** of neck, low back and left shoulder pain. He began conservative treatment including physical therapy. In June 2018, **he** had an SI joint injection for pain. At the end of July 2018, he then underwent a SI fusion surgery along with a fusion at the C4-6 levels in his cervical spine (neck). **Plaintiff was** then diagnosed with a left shoulder labral tear and in October 2018, he underwent surgery on his left shoulder to repair the tear.

The **Plaintiff alleges** that his current medical expenses total approximately \$325,000. He also submitted an estimate from a certified life care planner that his future medical costs will be just under \$200,000. **Discovery has not even begun** and **[deletion]** there is significant preexisting medical information that we need prior to determining the most likely and maximum reasonable payout values. We **[deletion]** think it quite possible that some or all of the **Plaintiff's** medical issues predated this relatively minor motor vehicle accident, but if we are unable to prove that, judgments in Louisiana tend to be **high. Therefore,** if the court determines that all of his injuries arose from our accident, **the** maximum reasonable payment in this case would reach \$1 million. The most likely payout we are listing, half of that amount, is only an early estimate at this time. **[deletion]**

Lionel Singleton, Jr. v. USA	19-cv-02684	\$3.5 Million	Probable	<i>Most Likely Payout:</i> \$0.7 Million <i>Max Reasonable Payout:</i> \$1.2 Million	● New This Quarter	Less Than 1 Year
Onlilea Parrott et al. v. United States Postal Service	WDMO 4:19-cv-00019	\$44.0 Million	Probable	<i>Most Likely Payout:</i> \$0.5 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● Additional Facts or Revision in Text ● Settlement, Not Yet Final and Paid	Less Than 1 Year
Rachel Flowers, individually and as heir and personal representative of the estate of Kente Summers, and as parent and natural guardian of Donte Summers v. United States of America	4:17-cv-01028-HFS	\$33.0 Million	Probable	<i>Most Likely Payout:</i> \$0.6 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● Revised Most Likely Payout or Maximum Reasonable Payout ● Additional Facts or Revision in Text ● Settlement, Not Yet Final and Paid	Less Than 1 Year

B. Reasonably Possible

1. Business Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
CITY OF NEW YORK, STATE OF CALIFORNIA, ET AL. V. USPS AND BRENNAN	19-cv-05934	[Unknown]	Reasonably Possible	<i>Most Likely Payout:</i> \$0.0 Million - \$42.0 Million <i>Max Reasonable Payout:</i> \$420.0 Million	● New This Quarter	1 - 5 Years
Paul LaBell	PSBCA Nos. 6719, 6720, & 6721	\$1.1 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$0.1 Million <i>Max Reasonable Payout:</i> \$1.1 Million	● Additional Facts or Revision in Text	1 - 5 Years

B. Reasonably Possible [cont'd]

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
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Advanced Parcel Processing System (APPS) - Twin Cities BMC	E00T-1E-C 05138587	\$5.1 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$0.2 Million - \$2.5 Million <i>Max Reasonable Payout:</i> \$2.5 Million	● No Change Since Last Report	Over 5 Years
Air Mail Center - Boston	Q00C-4Q-C 06040312	[Unknown]	Reasonably Possible	<i>Most Likely Payout:</i> \$0.6 Million <i>Max Reasonable Payout:</i> \$3.7 Million	● No Change Since Last Report	1 - 5 Years
Air Mail Centers - Six Sites	Q00C-4Q-C 06168520	[Unknown]	Reasonably Possible	<i>Most Likely Payout:</i> \$0.9 Million <i>Max Reasonable Payout:</i> \$5.0 Million	● No Change Since Last Report	1 - 5 Years
Class Action (Rural vs. City Territory) - All City Offices	F90N-4F-J, et seq.	[Unknown]	Reasonably Possible	<i>Most Likely Payout:</i> \$0.0 Million <i>Max Reasonable Payout:</i> \$45.0 Million	● No Change Since Last Report	1 - 5 Years
Class Action (Rural vs. City Territory) - Hot Springs, AR	G90N-4G-J 95040547	[Unknown]	Reasonably Possible	<i>Most Likely Payout:</i> \$0.0 Million <i>Max Reasonable Payout:</i> \$12.7 Million	● No Change Since Last Report	1 - 5 Years
Class Action (Rural vs. City Territory) - Sun City, AZ	E94N-4E-J 97065424 & F01N-4F-C 04057884	[Unknown]	Reasonably Possible	<i>Most Likely Payout:</i> \$0.0 Million <i>Max Reasonable Payout:</i> \$9.5 Million	● No Change Since Last Report	1 - 5 Years
Injured Carriers Transferred to Clerk Craft	K00C-4K-C 06124439	\$1.5 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$0.7 Million <i>Max Reasonable Payout:</i> \$1.5 Million	● No Change Since Last Report	1 - 5 Years
Maintenance Mechanic Level 7 Excessing and Bid Repostings at Detroit P&DC (Detroit District)	APWU Grievance No. J10T-4J-C 10106355	\$0.8 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$0.8 Million <i>Max Reasonable Payout:</i> \$9.9 Million	● Revised Most Likely Payout or Maximum Reasonable Payout ● Additional Facts or Revision in Text	1 - 5 Years
MVS Highway Contract Route (HCR) Notification of Renewals	Q06C-4Q-C 11182451	[Unknown]	Reasonably Possible	<i>Most Likely Payout:</i> \$0.0 Million - \$0.0 Million <i>Max Reasonable Payout:</i> \$108.7 Million	● Change in Damages Assessment or Amount Sought (Still Meets Threshold) ● Additional Facts or Revision in Text	1 - 5 Years

Olympia Hub - NPMHU	E11M-4E-C 15264865/E11M- 4E-C 15264888	\$4.1 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$0.8 Million <i>Max Reasonable Payout:</i> \$4.1 Million	● Change in Damages Assessment or Amount Sought (Still Meets Threshold) ● Revised Most Likely Payout or Maximum Reasonable Payout ● Additional Facts or Revision in Text	Less Than 1 Year
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B. Reasonably Possible [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Administrative claim of Dean Rust	—	\$25.0 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$0.2 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● New This Quarter	1 - 5 Years
Administrative Claim of Estate of Gary Pietropaolo	NA	\$3.0 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$0.5 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● No Change Since Last Report	Less Than 1 Year
Administrative Claim of the Estate of Lawrence L. Henry	N/A	\$1.5 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$0.2 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● Additional Facts or Revision in Text	1 - 5 Years
Tracey Houston v. United States	18-cv-02914	\$10.0 Million	Reasonably Possible	<i>Most Likely Payout:</i> \$0.7 Million <i>Max Reasonable Payout:</i> \$1.0 Million	● New This Quarter	Less Than 1 Year

C. Remote

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Class Action Maintenance Custodial Staffing (APWU) at the St.	Grievance No. J94T-1J-C 98101478	\$1.0 Million	Remote	<i>Most Likely Payout:</i> \$0.8 Million <i>Max Reasonable Payout:</i>	● No Change Since Last Report	1 - 5 Years

Louis, Missouri BMC	(Gateway District)			\$1.0 Million		
Clerks Performing MH Work-AFC 200 machines NPMHU	C06M-1C- C 13048098	\$5.0 Million	Remote	<i>Most Likely Payout:</i> \$0.0 Million <i>Max Reasonable Payout:</i> \$5.0 Million	● Change in Damages Assessment or Amount Sought (Still Meets Threshold) ● Revised Most Likely Payout or Maximum Reasonable Payout ● Additional Facts or Revision in Text	1 - 5 Years
Excessing/Retreat Rights Mail Handlers	K00M-1K- C 05164031	\$4.8 Million	Remote	<i>Most Likely Payout:</i> \$0.0 Million <i>Max Reasonable Payout:</i> \$4.8 Million	● No Change Since Last Report	1 - 5 Years
Mail Handlers Alleging Clerks Spreading Mail to Carrier Cases (Flint, MI PO)	NPMHU Grievance No. J98M- 4J-C 01080311 (Detroit District)	\$8.4 Million	Remote	<i>Most Likely Payout:</i> \$0.8 Million <i>Max Reasonable Payout:</i> \$8.4 Million	● Change in Damages Assessment or Amount Sought (Still Meets Threshold)	Less Than 1 Year
Mailhandlers Doing Clerk Work	C 94C-1C- C 99236816	\$8.5 Million	Remote	<i>Most Likely Payout:</i> \$0.0 Million <i>Max Reasonable Payout:</i> \$8.5 Million	● No Change Since Last Report	1 - 5 Years
NAPS District Court Action	1:19 CV 2236	[Unknown]	Remote	<i>Most Likely Payout:</i> \$0.0 Million <i>Max Reasonable Payout:</i> \$313.0 Million	● Additional Facts or Revision in Text	1 - 5 Years
NPMHU Louisville, Kentucky	C06M-1C- C- 13036221	\$3.1 Million	Remote	<i>Most Likely Payout:</i> \$0.0 Million <i>Max Reasonable Payout:</i> \$2.1 Million	● Change in Damages Assessment or Amount Sought (Still Meets Threshold) ● Revised Most Likely Payout or Maximum Reasonable Payout ● Additional Facts or Revision in Text	Over 5 Years
RI-399 Input Subsystem to the Advanced Facer Canceller (AFCS)	Q94C-4Q- J 97028616	[Unknown]	Remote	<i>Most Likely Payout:</i> \$0.3 Million <i>Max Reasonable Payout:</i>	● No Change Since Last Report	1 - 5 Years

\$1.0 Million

SPSS (RI-399)	Q11M-6Q-J 15281315 / Q10C-4Q-J 15291805	[Unknown]	Remote	<i>Most Likely Payout:</i> \$0.0 Million <i>Max Reasonable Payout:</i> \$173.3 Million	Additional Facts or Revision in Text	Less Than 1 Year [Previously reported as: 1 - 5 Years]
Subcontracting IDR Installation Postal Service	Q00T-4Q-C 05123891	[Unknown]	Remote	<i>Most Likely Payout:</i> \$0.2 Million - \$1.0 Million <i>Max Reasonable Payout:</i> \$2.1 Million	No Change Since Last Report	1 - 5 Years
Subcontracting on the Small Parcel and Bundle Sorter	Q00T-4Q-C 05003952	[Unknown]	Remote	<i>Most Likely Payout:</i> \$0.5 Million - \$4.6 Million <i>Max Reasonable Payout:</i> \$4.6 Million	No Change Since Last Report	1 - 5 Years
Utilization of Acting Supervisors, 204-Bs (Customer Care Center) (Detroit District)	APWU Grievance No. Y10C-4Y-C 17192940 (Local#14-1090)	\$1.4 Million	Remote	<i>Most Likely Payout:</i> \$0.4 Million - \$0.6 Million <i>Max Reasonable Payout:</i> \$1.0 Million	New This Quarter	1 - 5 Years

C. Remote [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Leo Pappas v. USA	2:19-cv-05263	\$4000.0 Million	Remote	<i>Most Likely Payout:</i> \$0.1 Million <i>Max Reasonable Payout:</i> \$1.5 Million	Additional Facts or Revision in Text	1 - 5 Years
Paige Ray v. USA	2:20-cv-04023	\$15.0 Million	Remote	<i>Most Likely Payout:</i> \$0.3 Million <i>Max Reasonable Payout:</i> \$3.0 Million	New This Quarter	1 - 5 Years

C. Remote [cont'd]

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Payout Amount	Payout Date
APWU v.	Civil Action	\$4.0 Million	Remote	<i>Most Likely Payout:</i> \$0.0 Million	Change in Damages	_____	_____

USPS No. 18-
CV-
11027

Max Reasonable Payout:

\$4.0 Million

**Assessment or
Amount Sought
(Still Meets
Threshold)**
● **Additional
Facts or
Revision in
Text**
● **Favorable
Decision**
● **Reassessed;
No Longer
Meets
Threshold**

U.S Postal Service
Statement of Facts / Draft Report Technical Comments

Review Of: Congressional Action to Enable a Sustainable Business Model is Essential (GAO-20-385)

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
Highlights, p. 1	Main text, 1 st para	Jacob Howley	USPS's work force had increased from 617,700 in fiscal year 2013 to about 630,000 in fiscal year 2019.	This selective period focuses only on an interim increase in headcount, but a fuller perspective (see page 9) shows that headcount remains significantly lower than before the PAEA. Also, it should be mentioned that the USPS has achieved compensation reforms that lower the cost of new hires.
Highlights, p. 1	Sidebar, 1 st paragraph	Tony Mazzei, Jacob Howley	While USPS is to be self-sustaining, it lost about \$78 billion from fiscal years 2007 through 2019 due primarily to declining mail volumes and increased costs.	Should say "due primarily to declining mail volumes, increased costs, and new, unfunded legislative mandates and constraints." (That would encompass RHB as well as the price cap and product limitations.)
Highlights, p. 1	Main text, 2 nd paragraph	Tony Mazzei, Jacob Howley	To address these challenges, USPS has taken actions such as providing increased self-service options and reducing facility hours.	These are certainly things we've done, but hardly the most significant measures. More salient things to mention would be deferring capital investments, rationalizing the mail processing and delivery networks, creating new tiers of employees, utilizing significantly higher levels of non-career employees, and securing approval for a rate surcharge to recover some of the revenue lost during the Great Recession. Despite these efforts, the Postal Service has been forced to default on pension and RHB payments in order to preserve liquidity to maintain operations.
Highlights, p. 1	Main text, 2 nd paragraph	Jacob Howley	However, statutory requirements limit USPS's ability to make changes in areas such as certain service offerings and its employee compensation and benefits.	Add "pricing" as an area of significant statutory constraint.
Highlights, p. 2	Sidebar, 1 st paragraph	Jacob Howley	"... (2) five countries—Australia, France, Germany, New Zealand, and the United Kingdom. The businesses and countries had	This should probably read "foreign posts in five countries... The business and foreign posts... For each of these businesses and foreign posts..." (The countries

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
			characteristics similar to USPS... For each of these businesses and countries..."	themselves do not have characteristics similar to the USPS, for instance.)
Highlights, p. 2	Main text, bullet list	Jacob Howley		Bullets should be added for (1) pricing flexibility and (2) government assumption of liabilities. Germany, UK, and France all liberalized their price caps in ways that allowed for significant above-inflation price increases, and Australia Post was allowed to make similar above-inflation price increases. Regarding legacy costs, the UK government assumed Royal Mail's pension liability and operation of the post office network prior to privatization.
1	Para 1	Steve Nickerson, Jacob Howley	"its productivity has declined in recent years	This would benefit from fuller context. Overall mail volume (hence output) has continued to decline, while the ability to reduce inputs is hampered by the growth in higher-cost-to-deliver packages and continued growth in delivery points. Meanwhile, much of the "low-hanging fruit" in terms of productivity-enhancing measures has already been gleaned in the post-Great-Recession years, and the necessity of deferring capital investment has hindered access to potential new efficiency improvements.
1	Para 2	Steve Nickerson, Jacob Howley	USPS has been unable to make broad changes...because USPS and its stakeholders...	Should say "Congress has not made broad changes..." Major reforms of the type discussed here require legislation, and the lack of stakeholder consensus bears on Congress's willingness to make changes more than the USPS's willingness.
1	Para 3	Jacob Howley	to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; and to be an independent establishment ...	Could cite 39 U.S.C. § 2401 and 39 U.S.C. § 201 (respectively).
4	1st paragraph under "Background"	Jacob Howley	USPS has the mission of providing prompt, reliable, and efficient universal postal service, and federal law requires USPS to "provide postal	Could cite 39 U.S.C. § 101 and 39 U.S.C. § 403(a) (respectively).

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
			services to bind the Nation together through the personal, educational, literary, and business correspondence of the people." USPS is required to serve, as nearly as practicable, the entire population of the United States.	
4	2nd paragraph under "Background"	Jacob Howley	For example, USPS is a key part of the mailing industry, and over time, it has become both a competitor and partner to private companies that also operate in the broader mail and delivery industries. For example, although ...	Should revise so that both sentences aren't "For example."
5	Paragraph below Figure 1	Jacob Howley	At that time, Congress was involved in many aspects of the department's operations, such as selecting postmasters, and setting postal rates and wages. By the late 1960s, the department had several major problems including financial losses, management problems, service breakdowns, and low productivity. Because key postal business decisions were made by Congress through the legislative process, postal management had limited ability to plan and finance department operations and capital investments in accordance with postal needs.	Should also note Presidential control over hiring and firing of Postmasters General, as well as other officials, which the Kappel Commission identified as a source of politicization and discontinuity that hindered efficient, businesslike decision-making. Postal management's relative independence from direct Presidential control was a major innovation of the Postal Reorganization Act.
6	1st paragraph, footnote 10	Jacob Howley		Should cite 39 U.S.C. § 2401. Also, the main text to which this footnote pertains discusses the footing on which Congress placed the USPS in 1970. In that light, it should be mentioned that Congress provided for appropriations to support rural service, which were scaled down to \$460 million by the early 1980s. That appropriation remains authorized, but the USPS has not requested it (and Congress has not appropriated it) since the early 1980s.
6	2nd paragraph, sentence 1	Renee Sheehy	"By the early 2000s, USPS faced a bleak financial outlook that put its mission of providing universal postal service at risk."	Remove sentence. While the early 2000s were a challenging time for the Postal Service because of the advertising recession and the volume drop due to September 11 and the anthrax attacks, the Postal Service's overall financial position

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
				was relatively strong given it was on track to overfund its pension program and mail volume continued to grow through 2006. Moreover, the cost-of-service regulatory format provided automatic rightsizing of revenue to costs.
6	2nd paragraph, last sentence	Jacob Howley	PAEA provided USPS additional pricing flexibility for mail products, ¹² but balanced this with provisions for increased transparency, oversight, and accountability, among other things.	Should say “PAEA provided USPS with some additional pricing flexibility concerning its competitive products, but also imposed a price cap on most of its volumes and new unfunded mandates and constraints, as well as provisions for increased transparency, oversight, and accountability.” (The draft text makes it seem like we got a largely free hand with pricing, when much of it – particularly for “mail products” – actually became subject to a rigid price cap. And given the constraints’ overwhelming influence on the USPS’s finances since the PAEA, “balanced” gives the wrong impression.)
6	Final para, 1st sentence	Jacob Howley	Specifically, PAEA gave USPS broader latitude to change postal rates in a more streamlined process that included review by the newly created Postal Regulatory Commission (PRC). ¹³	While the USPS got some broader latitude and review was streamlined, it must also be acknowledged that most USPS revenues were subjected to a rigid price cap for at least the first ten years. The price cap is discussed later, but some mention should be made here that the PAEA constrained pricing, in addition to liberalizing it to some small degree. Also, the footnote should cite 39 U.S.C. §§ 3622 and 3632, which set forth the rate-regulation processes.
7	1 st full para	Steve Nickerson, Jacob Howley	USPS’s current business model is not financially sustainable due to declining mail volumes, increased compensation and benefits costs...	Further context should be given to avoid the misimpression that rising costs are the USPS’s fault. Compensation and benefits are largely the result of high-cost federal benefits programs (in which the USPS is legislatively mandated to participate), the requirement for binding arbitration on labor contracts, and the USO mandate. Also, a fourth contributor is missing: the rigid price cap on most USPS revenue, which prevents the USPS from

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
				raising prices faster than the rate of inflation to stabilize revenue amid volume declines.
7	2 nd full paragraph	Keith Weidner	USPS continues to face decreases in mail volume, its primary revenue source, as online communication and e-commerce have expanded.	It is not clear what is meant by e-commerce in this context. Typically that means purchasing goods over the internet, which has in fact had a positive impact on our volumes by increasing package volume.
8	Top of page, 1 st full sentence	Renee Sheehy	Due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices.	Replace with "As a compromise effort to right-size the retail network and due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices." The current discussion makes it sound like the hour reductions were completely independent of the earlier plan when in reality it was an alternative approach in a sustained effort to find a way to cut retail costs.
8	1 st para	Steve Nickerson	...but did not fully implement this initiative following opposition from various stakeholders, including postal labor unions.	Delete "including postal labor unions". Many other stakeholders objected to closing facilities; it seems unfair to single out one group.
8	1 st para	Jacob Howley		The Postal Service has also been able to restrain the growth in the cost of its workforce by obtaining agreements or arbitration decisions with its unions to implement lower-cost classes of employees and expand the use of noncareer employees.
8	Last bullet on page – second sentence	Jacob Howley	Specifically, USPS is required to provide 6 day a week delivery and to operate postal facilities across the country.	Should cite annual appropriations bill and 39 U.S.C. §§ 101(b) and 403(b)(3).
9	First bullet	Jacob Howley, Keith Weidner	Postal products and pricing: USPS's pricing flexibility is limited by a price cap on market-dominant products that generally limits rate increases for these products to inflation. Each competitive product is required to cover its attributable costs, competitive products collectively are required to recover their attributable costs, and	Citations for each sentence (respectively): - 39 U.S.C. § 3622(d)(1)(A), (C). [It should be noted that this price cap applies for at least the first ten years after the PAEA, and may now be modified by the Postal Regulatory Commission if necessary to achieve certain statutory criteria.]

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
			competitive products collectively are required to cover a PRC-specified minimum of USPS's institutional costs. In addition, USPS is prohibited from providing new non-postal products and services.	- 39 U.S.C. § 3633. - 39 U.S.C. § 404(e). Also, while the price cap and nonpostal restrictions undoubtedly impact the Postal Service's ability to generate revenue, it is unclear why the report cites the rules that set a price floor for competitive products as having that same effect.
9	1 st full para	Steve Nickerson, Jacob Howley	While mail volumes have decreased, USPS's compensation and benefits costs for current employees have been increasing since 2014.	This implies that USPS has been failing to control costs in line with volumes. But because of the USO, many of our costs are fixed and should not be expected to vary with volume. (E.g., we have to visit nearly every address every day regardless of volume.) And within our cost base, factors outside our control account for inflation, from changes in our benefits due to health-care cost inflation and external actuarial determinations, to step increases, layoff protections, and inflation-based COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration) and increases in normal cost contributions to the Federal Employees Retirement System (FERS). The draft report later gives context about collective bargaining, arbitration, and the USPS's cost-reduction efforts. Hence, it might be helpful to either reframe the statement here to make it seem like less of a (potentially blameworthy) contradiction (e.g., "Despite significant cost-reduction efforts, USPS's compensation and benefits costs have risen even as mail volumes have decreased..."), or else reserve it until after the necessary context has been established.
9	1 st full paragraph, sentence 4	Renee Sheehy	The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing.	Add something that acknowledges that overtime can be a less expensive way to achieve work hours than hiring additional staff such as "The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing, although using

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
				regular overtime is less expensive than hiring additional employees.”
9	1 st full para, last sentence	Steve Nickerson, Tony Mazzei, Jacob Howley	According to USPS, total compensation and benefits costs increased by almost \$1 billion in fiscal year 2019 alone.	The increase in compensation and benefits was 2.1%, only slightly higher than CPI growth of 1.7%. Unsurprisingly, given the overlap with general inflation, major drivers of the \$1 billion increase in compensation and benefits were the step increases and COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration).
9	Footnote 22, 2 nd sentence	Renee Sheehy	Non-career employees are generally considered temporary and hired, for example, during times of large mail volume such as holidays.	Replace with “Non-career employees include those with lower-paid positions such as city carrier assistants and postal support employees and temporary employees hired during times of large mail volume such as holidays.” (Many non-career employees are not temporary.)
11	First full sentence	Jacob Howley	Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP) which covers current employees and retirees.	Should be expanded: “Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP), which covers current employees and retirees, as well as federal pension and workers’ compensation programs.” (These programs impose substantially greater costs on the USPS than private-sector counterparts. GAO has previously studied the disparity as to FECA costs.)
11	Last paragraph	Jacob Howley	USPS’s unfunded liabilities and debt ... [were] 226 percent of its fiscal year 2019 revenues. ³⁵ At the end of fiscal year 2019, USPS’s unfunded liabilities and debt totaled ... more than double its annual revenues (see figure 2).	Consider eliminating the redundancy between these two sentences: “226 percent” is the same as “more than double.”
12	First sentence	Tony Mazzei, Jacob Howley	Total unfunded liabilities and debt have risen in part due to USPS not making payments to fund its retiree health and pension benefits.	Some explanation of GAO’s use of “unfunded liabilities” is in order. Also, debt should not be included here: defaulting on benefits payments is not why debt has increased. (Defaults conserve cash; borrowing also increases cash.

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
				It would be different if the USPS were defaulting in order to pay down debt.) In fact, both measures are due to the Board's decision to maintain cash on hand in furtherance of the USPS's primary service mission.
13	1st paragraph, 3rd sentence	Jacob Howley	USPS is required to prefund its share of health benefits for its retirees and under PAEA, the first 10 years of prefunding payments were fixed—ranging from \$5.4 billion to \$5.8 billion annually from fiscal years 2007 to 2016.	The comma is incorrect punctuation. Given that the next sentence discusses another type of RHB payment, there should probably be a sentence break there.
13	1st paragraph, 4th sentence	Jacob Howley	From fiscal years 2007 through 2016, USPS was also required to continue “pay-as-you-go” payments for its share of premiums for current retirees.	Mention should be made of the fact that the USPS is no longer required to pay RHB premiums; these are now paid out of the RHB Fund unless/until it is depleted, whereupon the USPS will resume paying premiums on a pay-as-you-go basis. (See 5 U.S.C. § 8906(g)(2)(A).)
13	1st paragraph, 6th sentence	Jacob Howley	As we previously reported, survey data we reviewed indicated that most companies do not offer retiree health benefits and that the number of companies providing such benefits is decreasing over time.	Mention should be made of the fact that the rest of the Federal Government (other than Tricare) does not prefund RHB at all, and that Tricare RHB is funded to a much smaller degree than USPS RHB, with funds appropriated by Congress.
13	1 st paragraph, 2 nd to last sentence	Renee Sheehy, Jacob Howley	Many companies that have retained their retiree health benefits have done so by making changes to control costs, including tightening eligibility and restructuring benefits.	Replace with “The few companies that have retained their retiree health benefits have nearly universally done so by requiring eligible participants to enroll in Medicare and by making changes to control costs, including tightening eligibility and restructuring benefits.” Employers that do provide retiree benefits require participation in Medicare, which should be mentioned.
13	2nd paragraph	Jacob Howley		Mention should be made of the fact that the rest of the Federal Government's pension accounts are substantially less well-funded than the USPS's.
13	overall	Jacob Howley		Mention should be made of the fact that all companies with post-retirement benefits invest those assets in funds that are more diversified and higher-yielding (over the long run, notwithstanding short-term risks) than the low-yield Treasuries in which the USPS's funds are invested. This reduces the need for annual contributions to the funds.

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16	1 st paragraph and Footnote 48	Renee Sheehy	[large text and the comment is more global]	The footnote discusses work rules and how they can affect productivity, but as a whole the paragraph does not make clear that some changes can increase productivity while others such as wage and benefit cuts have no effect on productivity.
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33	Table 1, column 2, row 4 and 5	Renee Sheehy	Postal revenues	Replace with “Postal revenues, including increased revenues from services currently mandated to be supplied free or at a discount” There is no reason to think that as a government corporation or government sponsored enterprise, the Postal Service should be expected to finance using its own revenues services required by the government such as “Free Mail for the Blind and Overseas Voters.”

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33	Table 1, column 2, row 6	Renee Sheehy, Jacob Howley	Postal and other revenues, such as logistics or banking.	Replace with “Postal and other revenues, such as logistics or banking and revenues, including increased revenues from services currently mandated to be supplied free or at a discount” A private company is even less likely to provide services or discounts for free to the government without reimbursement. Also, any of the other models could also have other revenue streams, depending on what Congress allows. This is not unique to a private company.
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				including the extent to which appropriations are provided (and for what purposes).
34	2 nd bullet	Jacob Howley, Steve Nickerson, Renee Sheehy		Eliminate, unless more substance can be provided to distinguish this model from the status quo. The draft text here does not explain how a government corporation or GSE model would differ in substance from an independent establishment, let alone why the redesignation would increase efficiency incentives. After all, the original idea of reorganizing the USPS as an independent establishment (with material changes in substantive powers and freedoms) was to do the very thing purported here: “providing a public service with a predominantly business nature.” If that is all there is to being a GSE, then that’s the same as what the USPS is today.
35	1st bullet	Jacob Howley	If USPS were to be a private company—an option that is increasingly common among postal operators in other countries—...	It should be acknowledged that, though increasing, this business model represents only a small handful of the world’s postal operators – even a small handful among industrialized countries.
35	1 st bullet	Keith Weidner	USPS told us that as a private company its primary incentive would be to maximize profits and that, in its view, private shareholders would be most focused on short term financial outcomes	Replace “would” with “could”, consistent with terminology used in the rest of this section

U.S Postal Service
Statement of Facts / Draft Report Technical Comments

Review Of: Congressional Action to Enable a Sustainable Business Model is Essential (GAO-20-385)

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Highlights, p. 1	Main text, 1 st para	Jacob Howley	USPS's work force had increased from 617,700 in fiscal year 2013 to about 630,000 in fiscal year 2019.	This selective period focuses only on an interim increase in headcount, but a fuller perspective (see page 9) shows that headcount remains significantly lower than before the PAEA. Also, it should be mentioned that the USPS has achieved compensation reforms that lower the cost of new hires.
Highlights, p. 1	Sidebar, 1 st paragraph	Tony Mazzei, Jacob Howley	While USPS is to be self-sustaining, it lost about \$78 billion from fiscal years 2007 through 2019 due primarily to declining mail volumes and increased costs.	Should say "due primarily to declining mail volumes, increased costs, and new, unfunded legislative mandates and constraints." (That would encompass RHB as well as the price cap and product limitations.)
Highlights, p. 1	Main text, 2 nd paragraph	Tony Mazzei, Jacob Howley	To address these challenges, USPS has taken actions such as providing increased self-service options and reducing facility hours.	These are certainly things we've done, but hardly the most significant measures. More salient things to mention would be deferring capital investments, rationalizing the mail processing and delivery networks, creating new tiers of employees, utilizing significantly higher levels of non-career employees, and securing approval for a rate surcharge to recover some of the revenue lost during the Great Recession. Despite these efforts, the Postal Service has been forced to default on pension and RHB payments in order to preserve liquidity to maintain operations.
Highlights, p. 1	Main text, 2 nd paragraph	Jacob Howley	However, statutory requirements limit USPS's ability to make changes in areas such as certain service offerings and its employee compensation and benefits.	Add "pricing" as an area of significant statutory constraint.
Highlights, p. 2	Sidebar, 1 st paragraph	Jacob Howley	"... (2) five countries—Australia, France, Germany, New Zealand, and the United Kingdom. The businesses and countries had	This should probably read "foreign posts in five countries... The business and foreign posts... For each of these businesses and foreign posts..." (The countries

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			characteristics similar to USPS... For each of these businesses and countries..."	themselves do not have characteristics similar to the USPS, for instance.)
Highlights, p. 2	Main text, bullet list	Jacob Howley		Bullets should be added for (1) pricing flexibility and (2) government assumption of liabilities. Germany, UK, and France all liberalized their price caps in ways that allowed for significant above-inflation price increases, and Australia Post was allowed to make similar above-inflation price increases. Regarding legacy costs, the UK government assumed Royal Mail's pension liability and operation of the post office network prior to privatization.
1	Para 1	Steve Nickerson, Jacob Howley	"its productivity has declined in recent years	This would benefit from fuller context. Overall mail volume (hence output) has continued to decline, while the ability to reduce inputs is hampered by the growth in higher-cost-to-deliver packages and continued growth in delivery points. Meanwhile, much of the "low-hanging fruit" in terms of productivity-enhancing measures has already been gleaned in the post-Great-Recession years, and the necessity of deferring capital investment has hindered access to potential new efficiency improvements.
1	Para 2	Steve Nickerson, Jacob Howley	USPS has been unable to make broad changes...because USPS and its stakeholders...	Should say "Congress has not made broad changes..." Major reforms of the type discussed here require legislation, and the lack of stakeholder consensus bears on Congress's willingness to make changes more than the USPS's willingness.
1	Para 3	Jacob Howley	to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; and to be an independent establishment ...	Could cite 39 U.S.C. § 2401 and 39 U.S.C. § 201 (respectively).
4	1st paragraph under "Background"	Jacob Howley	USPS has the mission of providing prompt, reliable, and efficient universal postal service, and federal law requires USPS to "provide postal	Could cite 39 U.S.C. § 101 and 39 U.S.C. § 403(a) (respectively).

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			services to bind the Nation together through the personal, educational, literary, and business correspondence of the people." USPS is required to serve, as nearly as practicable, the entire population of the United States.	
4	2nd paragraph under "Background"	Jacob Howley	For example, USPS is a key part of the mailing industry, and over time, it has become both a competitor and partner to private companies that also operate in the broader mail and delivery industries. For example, although ...	Should revise so that both sentences aren't "For example."
5	Paragraph below Figure 1	Jacob Howley	At that time, Congress was involved in many aspects of the department's operations, such as selecting postmasters, and setting postal rates and wages. By the late 1960s, the department had several major problems including financial losses, management problems, service breakdowns, and low productivity. Because key postal business decisions were made by Congress through the legislative process, postal management had limited ability to plan and finance department operations and capital investments in accordance with postal needs.	Should also note Presidential control over hiring and firing of Postmasters General, as well as other officials, which the Kappel Commission identified as a source of politicization and discontinuity that hindered efficient, businesslike decision-making. Postal management's relative independence from direct Presidential control was a major innovation of the Postal Reorganization Act.
6	1st paragraph, footnote 10	Jacob Howley		Should cite 39 U.S.C. § 2401. Also, the main text to which this footnote pertains discusses the footing on which Congress placed the USPS in 1970. In that light, it should be mentioned that Congress provided for appropriations to support rural service, which were scaled down to \$460 million by the early 1980s. That appropriation remains authorized, but the USPS has not requested it (and Congress has not appropriated it) since the early 1980s.
6	2nd paragraph, sentence 1	Renee Sheehy	"By the early 2000s, USPS faced a bleak financial outlook that put its mission of providing universal postal service at risk."	Remove sentence. While the early 2000s were a challenging time for the Postal Service because of the advertising recession and the volume drop due to September 11 and the anthrax attacks, the Postal Service's overall financial position

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				was relatively strong given it was on track to overfund its pension program and mail volume continued to grow through 2006. Moreover, the cost-of-service regulatory format provided automatic rightsizing of revenue to costs.
6	2nd paragraph, last sentence	Jacob Howley	PAEA provided USPS additional pricing flexibility for mail products, ¹² but balanced this with provisions for increased transparency, oversight, and accountability, among other things.	Should say “PAEA provided USPS with some additional pricing flexibility concerning its competitive products, but also imposed a price cap on most of its volumes and new unfunded mandates and constraints, as well as provisions for increased transparency, oversight, and accountability.” (The draft text makes it seem like we got a largely free hand with pricing, when much of it – particularly for “mail products” – actually became subject to a rigid price cap. And given the constraints’ overwhelming influence on the USPS’s finances since the PAEA, “balanced” gives the wrong impression.)
6	Final para, 1st sentence	Jacob Howley	Specifically, PAEA gave USPS broader latitude to change postal rates in a more streamlined process that included review by the newly created Postal Regulatory Commission (PRC). ¹³	While the USPS got some broader latitude and review was streamlined, it must also be acknowledged that most USPS revenues were subjected to a rigid price cap for at least the first ten years. The price cap is discussed later, but some mention should be made here that the PAEA constrained pricing, in addition to liberalizing it to some small degree. Also, the footnote should cite 39 U.S.C. §§ 3622 and 3632, which set forth the rate-regulation processes.
7	1 st full para	Steve Nickerson, Jacob Howley	USPS’s current business model is not financially sustainable due to declining mail volumes, increased compensation and benefits costs...	Further context should be given to avoid the misimpression that rising costs are the USPS’s fault. Compensation and benefits are largely the result of high-cost federal benefits programs (in which the USPS is legislatively mandated to participate), the requirement for binding arbitration on labor contracts, and the USO mandate. Also, a fourth contributor is missing: the rigid price cap on most USPS revenue, which prevents the USPS from

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				raising prices faster than the rate of inflation to stabilize revenue amid volume declines.
7	2 nd full paragraph	Keith Weidner	USPS continues to face decreases in mail volume, its primary revenue source, as online communication and e-commerce have expanded.	It is not clear what is meant by e-commerce in this context. Typically that means purchasing goods over the internet, which has in fact had a positive impact on our volumes by increasing package volume.
8	Top of page, 1 st full sentence	Renee Sheehy	Due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices.	Replace with "As a compromise effort to right-size the retail network and due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices." The current discussion makes it sound like the hour reductions were completely independent of the earlier plan when in reality it was an alternative approach in a sustained effort to find a way to cut retail costs.
8	1 st para	Steve Nickerson	...but did not fully implement this initiative following opposition from various stakeholders, including postal labor unions.	Delete "including postal labor unions". Many other stakeholders objected to closing facilities; it seems unfair to single out one group.
8	1 st para	Jacob Howley		The Postal Service has also been able to restrain the growth in the cost of its workforce by obtaining agreements or arbitration decisions with its unions to implement lower-cost classes of employees and expand the use of noncareer employees.
8	Last bullet on page – second sentence	Jacob Howley	Specifically, USPS is required to provide 6 day a week delivery and to operate postal facilities across the country.	Should cite annual appropriations bill and 39 U.S.C. §§ 101(b) and 403(b)(3).
9	First bullet	Jacob Howley, Keith Weidner	Postal products and pricing: USPS's pricing flexibility is limited by a price cap on market-dominant products that generally limits rate increases for these products to inflation. Each competitive product is required to cover its attributable costs, competitive products collectively are required to recover their attributable costs, and	Citations for each sentence (respectively): - 39 U.S.C. § 3622(d)(1)(A), (C). [It should be noted that this price cap applies for at least the first ten years after the PAEA, and may now be modified by the Postal Regulatory Commission if necessary to achieve certain statutory criteria.]

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			competitive products collectively are required to cover a PRC-specified minimum of USPS's institutional costs. In addition, USPS is prohibited from providing new non-postal products and services.	- 39 U.S.C. § 3633. - 39 U.S.C. § 404(e). Also, while the price cap and nonpostal restrictions undoubtedly impact the Postal Service's ability to generate revenue, it is unclear why the report cites the rules that set a price floor for competitive products as having that same effect.
9	1 st full para	Steve Nickerson, Jacob Howley	While mail volumes have decreased, USPS's compensation and benefits costs for current employees have been increasing since 2014.	This implies that USPS has been failing to control costs in line with volumes. But because of the USO, many of our costs are fixed and should not be expected to vary with volume. (E.g., we have to visit nearly every address every day regardless of volume.) And within our cost base, factors outside our control account for inflation, from changes in our benefits due to health-care cost inflation and external actuarial determinations, to step increases, layoff protections, and inflation-based COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration) and increases in normal cost contributions to the Federal Employees Retirement System (FERS). The draft report later gives context about collective bargaining, arbitration, and the USPS's cost-reduction efforts. Hence, it might be helpful to either reframe the statement here to make it seem like less of a (potentially blameworthy) contradiction (e.g., "Despite significant cost-reduction efforts, USPS's compensation and benefits costs have risen even as mail volumes have decreased..."), or else reserve it until after the necessary context has been established.
9	1 st full paragraph, sentence 4	Renee Sheehy	The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing.	Add something that acknowledges that overtime can be a less expensive way to achieve work hours than hiring additional staff such as "The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing, although using

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				regular overtime is less expensive than hiring additional employees.”
9	1 st full para, last sentence	Steve Nickerson, Tony Mazzei, Jacob Howley	According to USPS, total compensation and benefits costs increased by almost \$1 billion in fiscal year 2019 alone.	The increase in compensation and benefits was 2.1%, only slightly higher than CPI growth of 1.7%. Unsurprisingly, given the overlap with general inflation, major drivers of the \$1 billion increase in compensation and benefits were the step increases and COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration).
9	Footnote 22, 2 nd sentence	Renee Sheehy	Non-career employees are generally considered temporary and hired, for example, during times of large mail volume such as holidays.	Replace with “Non-career employees include those with lower-paid positions such as city carrier assistants and postal support employees and temporary employees hired during times of large mail volume such as holidays.” (Many non-career employees are not temporary.)
11	First full sentence	Jacob Howley	Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP) which covers current employees and retirees.	Should be expanded: “Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP), which covers current employees and retirees, as well as federal pension and workers’ compensation programs.” (These programs impose substantially greater costs on the USPS than private-sector counterparts. GAO has previously studied the disparity as to FECA costs.)
11	Last paragraph	Jacob Howley	USPS’s unfunded liabilities and debt ... [were] 226 percent of its fiscal year 2019 revenues. ³⁵ At the end of fiscal year 2019, USPS’s unfunded liabilities and debt totaled ... more than double its annual revenues (see figure 2).	Consider eliminating the redundancy between these two sentences: “226 percent” is the same as “more than double.”
12	First sentence	Tony Mazzei, Jacob Howley	Total unfunded liabilities and debt have risen in part due to USPS not making payments to fund its retiree health and pension benefits.	Some explanation of GAO’s use of “unfunded liabilities” is in order. Also, debt should not be included here: defaulting on benefits payments is not why debt has increased. (Defaults conserve cash; borrowing also increases cash.

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				It would be different if the USPS were defaulting in order to pay down debt.) In fact, both measures are due to the Board's decision to maintain cash on hand in furtherance of the USPS's primary service mission.
13	1st paragraph, 3rd sentence	Jacob Howley	USPS is required to prefund its share of health benefits for its retirees and under PAEA, the first 10 years of prefunding payments were fixed—ranging from \$5.4 billion to \$5.8 billion annually from fiscal years 2007 to 2016.	The comma is incorrect punctuation. Given that the next sentence discusses another type of RHB payment, there should probably be a sentence break there.
13	1st paragraph, 4th sentence	Jacob Howley	From fiscal years 2007 through 2016, USPS was also required to continue “pay-as-you-go” payments for its share of premiums for current retirees.	Mention should be made of the fact that the USPS is no longer required to pay RHB premiums; these are now paid out of the RHB Fund unless/until it is depleted, whereupon the USPS will resume paying premiums on a pay-as-you-go basis. (See 5 U.S.C. § 8906(g)(2)(A).)
13	1st paragraph, 6th sentence	Jacob Howley	As we previously reported, survey data we reviewed indicated that most companies do not offer retiree health benefits and that the number of companies providing such benefits is decreasing over time.	Mention should be made of the fact that the rest of the Federal Government (other than Tricare) does not prefund RHB at all, and that Tricare RHB is funded to a much smaller degree than USPS RHB, with funds appropriated by Congress.
13	1 st paragraph, 2 nd to last sentence	Renee Sheehy, Jacob Howley	Many companies that have retained their retiree health benefits have done so by making changes to control costs, including tightening eligibility and restructuring benefits.	Replace with “The few companies that have retained their retiree health benefits have nearly universally done so by requiring eligible participants to enroll in Medicare and by making changes to control costs, including tightening eligibility and restructuring benefits.” Employers that do provide retiree benefits require participation in Medicare, which should be mentioned.
13	2nd paragraph	Jacob Howley		Mention should be made of the fact that the rest of the Federal Government's pension accounts are substantially less well-funded than the USPS's.
13	overall	Jacob Howley		Mention should be made of the fact that all companies with post-retirement benefits invest those assets in funds that are more diversified and higher-yielding (over the long run, notwithstanding short-term risks) than the low-yield Treasuries in which the USPS's funds are invested. This reduces the need for annual contributions to the funds.

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32	Top of page	Jacob Howley	... ensuring fair competition between USPS and the private sector.	Note that financial support for legal mandates such as the USO or pension/RHB obligations that are inflated relative to private companies would not seem to create “fair competition” concerns at all, and that in general fair competition can be assured through mechanisms such as cost coverage requirements for competitive products.
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33	Bullet point	Steve Nickerson, Keith Weidner	USPS further stated that changing it to a typical government agency could reduce incentives...	While USPS did not disagree with the statement in the SOF that that changing from the current structure to a full government agency could theoretically have this impact or that other stakeholders might make that argument, we do not agree that our incentive to be efficient would change as a result of our institutional form, whatever that might be. For that reason, GAO should present this as a general criticism that could be levied against such a change in institutional structure by stakeholders, without ascribing it specifically to the Postal Service. To the contrary, as a practical matter, the Postal Service has been operating for years in a manner that seeks to drive efficiencies, and it is part of our DNA. Particularly given the alternatives that our customers have to using the Postal Service to send their mail and packages, even if we move to being a typical agency there will still be a strong incentive to keep operations as efficient as possible. Efficient operation is simply a part of our culture. Second, even as a theoretical matter, the effect of such a change on Postal Service incentives would depend on the precise statutory structure that Congress creates,

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				including the extent to which appropriations are provided (and for what purposes).
34	2 nd bullet	Jacob Howley, Steve Nickerson, Renee Sheehy		Eliminate, unless more substance can be provided to distinguish this model from the status quo. The draft text here does not explain how a government corporation or GSE model would differ in substance from an independent establishment, let alone why the redesignation would increase efficiency incentives. After all, the original idea of reorganizing the USPS as an independent establishment (with material changes in substantive powers and freedoms) was to do the very thing purported here: “providing a public service with a predominantly business nature.” If that is all there is to being a GSE, then that’s the same as what the USPS is today.
35	1st bullet	Jacob Howley	If USPS were to be a private company—an option that is increasingly common among postal operators in other countries—...	It should be acknowledged that, though increasing, this business model represents only a small handful of the world’s postal operators – even a small handful among industrialized countries.
35	1 st bullet	Keith Weidner	USPS told us that as a private company its primary incentive would be to maximize profits and that, in its view, private shareholders would be most focused on short term financial outcomes	Replace “would” with “could”, consistent with terminology used in the rest of this section

U.S Postal Service
Statement of Facts / Draft Report Technical Comments

Review Of: Congressional Action to Enable a Sustainable Business Model is Essential (GAO-20-385)

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Highlights, p. 1	Main text, 1 st para	Jacob Howley	USPS's work force had increased from 617,700 in fiscal year 2013 to about 630,000 in fiscal year 2019.	This selective period focuses only on an interim increase in headcount, but a fuller perspective (see page 9) shows that headcount remains significantly lower than before the PAEA. Also, it should be mentioned that the USPS has achieved compensation reforms that lower the cost of new hires.
Highlights, p. 1	Sidebar, 1 st paragraph	Tony Mazzei, Jacob Howley	While USPS is to be self-sustaining, it lost about \$78 billion from fiscal years 2007 through 2019 due primarily to declining mail volumes and increased costs.	Should say "due primarily to declining mail volumes, increased costs, and new, unfunded legislative mandates and constraints." (That would encompass RHB as well as the price cap and product limitations.)
Highlights, p. 1	Main text, 2 nd paragraph	Tony Mazzei, Jacob Howley	To address these challenges, USPS has taken actions such as providing increased self-service options and reducing facility hours.	These are certainly things we've done, but hardly the most significant measures. More salient things to mention would be deferring capital investments, rationalizing the mail processing and delivery networks, creating new tiers of employees, utilizing significantly higher levels of non-career employees, and securing approval for a rate surcharge to recover some of the revenue lost during the Great Recession. Despite these efforts, the Postal Service has been forced to default on pension and RHB payments in order to preserve liquidity to maintain operations.
Highlights, p. 1	Main text, 2 nd paragraph	Jacob Howley	However, statutory requirements limit USPS's ability to make changes in areas such as certain service offerings and its employee compensation and benefits.	Add "pricing" as an area of significant statutory constraint.
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1	Para 1	Steve Nickerson, Jacob Howley	"its productivity has declined in recent years	This would benefit from fuller context. Overall mail volume (hence output) has continued to decline, while the ability to reduce inputs is hampered by the growth in higher-cost-to-deliver packages and continued growth in delivery points. Meanwhile, much of the "low-hanging fruit" in terms of productivity-enhancing measures has already been gleaned in the post-Great-Recession years, and the necessity of deferring capital investment has hindered access to potential new efficiency improvements.
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1	Para 3	Jacob Howley	to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; and to be an independent establishment ...	Could cite 39 U.S.C. § 2401 and 39 U.S.C. § 201 (respectively).
4	1st paragraph under "Background"	Jacob Howley	USPS has the mission of providing prompt, reliable, and efficient universal postal service, and federal law requires USPS to "provide postal	Could cite 39 U.S.C. § 101 and 39 U.S.C. § 403(a) (respectively).

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			services to bind the Nation together through the personal, educational, literary, and business correspondence of the people." USPS is required to serve, as nearly as practicable, the entire population of the United States.	
4	2nd paragraph under "Background"	Jacob Howley	For example, USPS is a key part of the mailing industry, and over time, it has become both a competitor and partner to private companies that also operate in the broader mail and delivery industries. For example, although ...	Should revise so that both sentences aren't "For example."
5	Paragraph below Figure 1	Jacob Howley	At that time, Congress was involved in many aspects of the department's operations, such as selecting postmasters, and setting postal rates and wages. By the late 1960s, the department had several major problems including financial losses, management problems, service breakdowns, and low productivity. Because key postal business decisions were made by Congress through the legislative process, postal management had limited ability to plan and finance department operations and capital investments in accordance with postal needs.	Should also note Presidential control over hiring and firing of Postmasters General, as well as other officials, which the Kappel Commission identified as a source of politicization and discontinuity that hindered efficient, businesslike decision-making. Postal management's relative independence from direct Presidential control was a major innovation of the Postal Reorganization Act.
6	1st paragraph, footnote 10	Jacob Howley		Should cite 39 U.S.C. § 2401. Also, the main text to which this footnote pertains discusses the footing on which Congress placed the USPS in 1970. In that light, it should be mentioned that Congress provided for appropriations to support rural service, which were scaled down to \$460 million by the early 1980s. That appropriation remains authorized, but the USPS has not requested it (and Congress has not appropriated it) since the early 1980s.
6	2nd paragraph, sentence 1	Renee Sheehy	"By the early 2000s, USPS faced a bleak financial outlook that put its mission of providing universal postal service at risk."	Remove sentence. While the early 2000s were a challenging time for the Postal Service because of the advertising recession and the volume drop due to September 11 and the anthrax attacks, the Postal Service's overall financial position

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				was relatively strong given it was on track to overfund its pension program and mail volume continued to grow through 2006. Moreover, the cost-of-service regulatory format provided automatic rightsizing of revenue to costs.
6	2nd paragraph, last sentence	Jacob Howley	PAEA provided USPS additional pricing flexibility for mail products, ¹² but balanced this with provisions for increased transparency, oversight, and accountability, among other things.	Should say “PAEA provided USPS with some additional pricing flexibility concerning its competitive products, but also imposed a price cap on most of its volumes and new unfunded mandates and constraints, as well as provisions for increased transparency, oversight, and accountability.” (The draft text makes it seem like we got a largely free hand with pricing, when much of it – particularly for “mail products” – actually became subject to a rigid price cap. And given the constraints’ overwhelming influence on the USPS’s finances since the PAEA, “balanced” gives the wrong impression.)
6	Final para, 1st sentence	Jacob Howley	Specifically, PAEA gave USPS broader latitude to change postal rates in a more streamlined process that included review by the newly created Postal Regulatory Commission (PRC). ¹³	While the USPS got some broader latitude and review was streamlined, it must also be acknowledged that most USPS revenues were subjected to a rigid price cap for at least the first ten years. The price cap is discussed later, but some mention should be made here that the PAEA constrained pricing, in addition to liberalizing it to some small degree. Also, the footnote should cite 39 U.S.C. §§ 3622 and 3632, which set forth the rate-regulation processes.
7	1 st full para	Steve Nickerson, Jacob Howley	USPS’s current business model is not financially sustainable due to declining mail volumes, increased compensation and benefits costs...	Further context should be given to avoid the misimpression that rising costs are the USPS’s fault. Compensation and benefits are largely the result of high-cost federal benefits programs (in which the USPS is legislatively mandated to participate), the requirement for binding arbitration on labor contracts, and the USO mandate. Also, a fourth contributor is missing: the rigid price cap on most USPS revenue, which prevents the USPS from

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				raising prices faster than the rate of inflation to stabilize revenue amid volume declines.
7	2 nd full paragraph	Keith Weidner	USPS continues to face decreases in mail volume, its primary revenue source, as online communication and e-commerce have expanded.	It is not clear what is meant by e-commerce in this context. Typically that means purchasing goods over the internet, which has in fact had a positive impact on our volumes by increasing package volume.
8	Top of page, 1 st full sentence	Renee Sheehy	Due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices.	Replace with "As a compromise effort to right-size the retail network and due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices." The current discussion makes it sound like the hour reductions were completely independent of the earlier plan when in reality it was an alternative approach in a sustained effort to find a way to cut retail costs.
8	1 st para	Steve Nickerson	...but did not fully implement this initiative following opposition from various stakeholders, including postal labor unions.	Delete "including postal labor unions". Many other stakeholders objected to closing facilities; it seems unfair to single out one group.
8	1 st para	Jacob Howley		The Postal Service has also been able to restrain the growth in the cost of its workforce by obtaining agreements or arbitration decisions with its unions to implement lower-cost classes of employees and expand the use of noncareer employees.
8	Last bullet on page – second sentence	Jacob Howley	Specifically, USPS is required to provide 6 day a week delivery and to operate postal facilities across the country.	Should cite annual appropriations bill and 39 U.S.C. §§ 101(b) and 403(b)(3).
9	First bullet	Jacob Howley, Keith Weidner	Postal products and pricing: USPS's pricing flexibility is limited by a price cap on market-dominant products that generally limits rate increases for these products to inflation. Each competitive product is required to cover its attributable costs, competitive products collectively are required to recover their attributable costs, and	Citations for each sentence (respectively): - 39 U.S.C. § 3622(d)(1)(A), (C). [It should be noted that this price cap applies for at least the first ten years after the PAEA, and may now be modified by the Postal Regulatory Commission if necessary to achieve certain statutory criteria.]

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			competitive products collectively are required to cover a PRC-specified minimum of USPS's institutional costs. In addition, USPS is prohibited from providing new non-postal products and services.	- 39 U.S.C. § 3633. - 39 U.S.C. § 404(e). Also, while the price cap and nonpostal restrictions undoubtedly impact the Postal Service's ability to generate revenue, it is unclear why the report cites the rules that set a price floor for competitive products as having that same effect.
9	1 st full para	Steve Nickerson, Jacob Howley	While mail volumes have decreased, USPS's compensation and benefits costs for current employees have been increasing since 2014.	This implies that USPS has been failing to control costs in line with volumes. But because of the USO, many of our costs are fixed and should not be expected to vary with volume. (E.g., we have to visit nearly every address every day regardless of volume.) And within our cost base, factors outside our control account for inflation, from changes in our benefits due to health-care cost inflation and external actuarial determinations, to step increases, layoff protections, and inflation-based COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration) and increases in normal cost contributions to the Federal Employees Retirement System (FERS). The draft report later gives context about collective bargaining, arbitration, and the USPS's cost-reduction efforts. Hence, it might be helpful to either reframe the statement here to make it seem like less of a (potentially blameworthy) contradiction (e.g., "Despite significant cost-reduction efforts, USPS's compensation and benefits costs have risen even as mail volumes have decreased..."), or else reserve it until after the necessary context has been established.
9	1 st full paragraph, sentence 4	Renee Sheehy	The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing.	Add something that acknowledges that overtime can be a less expensive way to achieve work hours than hiring additional staff such as "The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing, although using

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				regular overtime is less expensive than hiring additional employees.”
9	1 st full para, last sentence	Steve Nickerson, Tony Mazzei, Jacob Howley	According to USPS, total compensation and benefits costs increased by almost \$1 billion in fiscal year 2019 alone.	The increase in compensation and benefits was 2.1%, only slightly higher than CPI growth of 1.7%. Unsurprisingly, given the overlap with general inflation, major drivers of the \$1 billion increase in compensation and benefits were the step increases and COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration).
9	Footnote 22, 2 nd sentence	Renee Sheehy	Non-career employees are generally considered temporary and hired, for example, during times of large mail volume such as holidays.	Replace with “Non-career employees include those with lower-paid positions such as city carrier assistants and postal support employees and temporary employees hired during times of large mail volume such as holidays.” (Many non-career employees are not temporary.)
11	First full sentence	Jacob Howley	Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP) which covers current employees and retirees.	Should be expanded: “Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP), which covers current employees and retirees, as well as federal pension and workers’ compensation programs.” (These programs impose substantially greater costs on the USPS than private-sector counterparts. GAO has previously studied the disparity as to FECA costs.)
11	Last paragraph	Jacob Howley	USPS’s unfunded liabilities and debt ... [were] 226 percent of its fiscal year 2019 revenues. ³⁵ At the end of fiscal year 2019, USPS’s unfunded liabilities and debt totaled ... more than double its annual revenues (see figure 2).	Consider eliminating the redundancy between these two sentences: “226 percent” is the same as “more than double.”
12	First sentence	Tony Mazzei, Jacob Howley	Total unfunded liabilities and debt have risen in part due to USPS not making payments to fund its retiree health and pension benefits.	Some explanation of GAO’s use of “unfunded liabilities” is in order. Also, debt should not be included here: defaulting on benefits payments is not why debt has increased. (Defaults conserve cash; borrowing also increases cash.

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				It would be different if the USPS were defaulting in order to pay down debt.) In fact, both measures are due to the Board's decision to maintain cash on hand in furtherance of the USPS's primary service mission.
13	1st paragraph, 3rd sentence	Jacob Howley	USPS is required to prefund its share of health benefits for its retirees and under PAEA, the first 10 years of prefunding payments were fixed—ranging from \$5.4 billion to \$5.8 billion annually from fiscal years 2007 to 2016.	The comma is incorrect punctuation. Given that the next sentence discusses another type of RHB payment, there should probably be a sentence break there.
13	1st paragraph, 4th sentence	Jacob Howley	From fiscal years 2007 through 2016, USPS was also required to continue “pay-as-you-go” payments for its share of premiums for current retirees.	Mention should be made of the fact that the USPS is no longer required to pay RHB premiums; these are now paid out of the RHB Fund unless/until it is depleted, whereupon the USPS will resume paying premiums on a pay-as-you-go basis. (See 5 U.S.C. § 8906(g)(2)(A).)
13	1st paragraph, 6th sentence	Jacob Howley	As we previously reported, survey data we reviewed indicated that most companies do not offer retiree health benefits and that the number of companies providing such benefits is decreasing over time.	Mention should be made of the fact that the rest of the Federal Government (other than Tricare) does not prefund RHB at all, and that Tricare RHB is funded to a much smaller degree than USPS RHB, with funds appropriated by Congress.
13	1 st paragraph, 2 nd to last sentence	Renee Sheehy, Jacob Howley	Many companies that have retained their retiree health benefits have done so by making changes to control costs, including tightening eligibility and restructuring benefits.	Replace with “The few companies that have retained their retiree health benefits have nearly universally done so by requiring eligible participants to enroll in Medicare and by making changes to control costs, including tightening eligibility and restructuring benefits.” Employers that do provide retiree benefits require participation in Medicare, which should be mentioned.
13	2nd paragraph	Jacob Howley		Mention should be made of the fact that the rest of the Federal Government's pension accounts are substantially less well-funded than the USPS's.
13	overall	Jacob Howley		Mention should be made of the fact that all companies with post-retirement benefits invest those assets in funds that are more diversified and higher-yielding (over the long run, notwithstanding short-term risks) than the low-yield Treasuries in which the USPS's funds are invested. This reduces the need for annual contributions to the funds.

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16	1 st paragraph and Footnote 48	Renee Sheehy	[large text and the comment is more global]	The footnote discusses work rules and how they can affect productivity, but as a whole the paragraph does not make clear that some changes can increase productivity while others such as wage and benefit cuts have no effect on productivity.
19	2nd bullet	Jacob Howley	("new GM")	Defining this term is unnecessary, because it's not used anywhere else in the report.
21	1st full paragraph	Jacob Howley	For example, Royal Mail raised postal rates above the rate of inflation after relaxation of its price cap.	In contrast with the more specific accounts for other countries, this text is vague and belies how dramatic the UK price increases really were. Royal Mail's price increases were substantially above inflation (basic letter rates rose 30-40% in 2012) and generally rose with inflation thereafter, although I believe the most recent increase was again above-inflation. Some mention should be made of this.
21	1st full paragraph	Jacob Howley	In France, the postal regulator established a price cap in 2018 of 5 percent annual rate increases (including inflation) for 2019 through 2022 for letter mail and packages considered to be part of universal postal service. This price cap allows La Poste more price flexibility than the previous one.	France actually has a longer history of above-inflation price increases. The 2013-2014 price cap was CPI+1% per year. The 2015-2018 price cap was CPI+3.5% per year, with half of the overall increase front-loaded into the first year.
21	1st full paragraph	Jacob Howley	Likewise, Australia Post implemented an above-inflation rate increase in January 2020, citing the need to generate revenues to offset growing financial pressures from declining letter mail volume.	Mention should be made of the more dramatic pricing history in Australia. In 2015, Australia Post raised the basic letter rate 16.7% (vs. 5.9% inflation since the prior rate increase). In 2016, it split its letter product, such that the slower service stayed at the same rate, but to get the same level of service, one would pay 42.9% more (vs. 1.8% inflation).
22	1st bullet	Jacob Howley	Royal Mail and La Poste reduced the number of mail sorting centers by about 40 percent over the past two decades.	This should be double-checked for Royal Mail. According to this study (p. 12), Royal Mail closed 43% of its mail sorting centers (30 out of 69) between 2008 and 2015 alone, not counting earlier changes in the "past two decades."
23	1st bullet	Jacob Howley	For example, Royal Mail has reduced the number of sorting centers from 69 to 37 since 2007, and Deutsche Post officials stated they had streamlined their parcel sorting process and went from 140 parcel sorting centers in 1990 to 34 in 2019.	This point seems to belong with the other posts' mail-sorting-center consolidations in the earlier "Infrastructure" bullet.

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27	1 st full paragraph, 2 nd sentence	Renee Sheehy	Currently, many members of Congress support the preservation of both 6-day and door-to-door delivery, and some mailer groups support one or both of these positions.	Replace with “Currently, many members of Congress support the preservation of both 6-day and door-to-door delivery for addresses that have it, and some mailer groups support one or both of these positions.” Most households do not receive door delivery today.
29	1 st para	Steve Nickerson, Jacob Howley	As we have also reported...	This remark would benefit from (1) being tied more closely to the next paragraph about binding arbitration and (2) acknowledgment of external cost drivers, such as federal benefit programs and the USO.
29	Last para	Jacob Howley	We also reported that while reducing USPS’s delivery frequency...	This and the next sentence seem out of place in this paragraph, the rest of which relates to proposals to change collective bargaining.
31	1st para below bullets	Jacob Howley	Moreover, reliance on federal funding would mean that USPS would be exposed to the uncertainty inherent in the annual appropriations process.	Replace with “Moreover, reliance on appropriations would ...” (This is true only of the first two bullets, which involve direct appropriations. Debt forgiveness or assumption of pension/RHB liabilities would likely be a one-time event outside of annual appropriations.)
32	Top of page	Jacob Howley	... ensuring fair competition between USPS and the private sector.	Note that financial support for legal mandates such as the USO or pension/RHB obligations that are inflated relative to private companies would not seem to create “fair competition” concerns at all, and that in general fair competition can be assured through mechanisms such as cost coverage requirements for competitive products.
33	Table 1, column 2, row 4 and 5	Renee Sheehy	Postal revenues	Replace with “Postal revenues, including increased revenues from services currently mandated to be supplied free or at a discount” There is no reason to think that as a government corporation or government sponsored enterprise, the Postal Service should be expected to finance using its own revenues services required by the government such as “Free Mail for the Blind and Overseas Voters.”

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33	Table 1, column 2, row 6	Renee Sheehy, Jacob Howley	Postal and other revenues, such as logistics or banking.	Replace with “Postal and other revenues, such as logistics or banking and revenues, including increased revenues from services currently mandated to be supplied free or at a discount” A private company is even less likely to provide services or discounts for free to the government without reimbursement. Also, any of the other models could also have other revenue streams, depending on what Congress allows. This is not unique to a private company.
33	Bullet point	Steve Nickerson, Keith Weidner	USPS further stated that changing it to a typical government agency could reduce incentives...	While USPS did not disagree with the statement in the SOF that that changing from the current structure to a full government agency could theoretically have this impact or that other stakeholders might make that argument, we do not agree that our incentive to be efficient would change as a result of our institutional form, whatever that might be. For that reason, GAO should present this as a general criticism that could be levied against such a change in institutional structure by stakeholders, without ascribing it specifically to the Postal Service. To the contrary, as a practical matter, the Postal Service has been operating for years in a manner that seeks to drive efficiencies, and it is part of our DNA. Particularly given the alternatives that our customers have to using the Postal Service to send their mail and packages, even if we move to being a typical agency there will still be a strong incentive to keep operations as efficient as possible. Efficient operation is simply a part of our culture. Second, even as a theoretical matter, the effect of such a change on Postal Service incentives would depend on the precise statutory structure that Congress creates,

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				including the extent to which appropriations are provided (and for what purposes).
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35	1 st bullet	Keith Weidner	USPS told us that as a private company its primary incentive would be to maximize profits and that, in its view, private shareholders would be most focused on short term financial outcomes	Replace “would” with “could”, consistent with terminology used in the rest of this section

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			services to bind the Nation together through the personal, educational, literary, and business correspondence of the people." USPS is required to serve, as nearly as practicable, the entire population of the United States.	
4	2nd paragraph under "Background"	Jacob Howley	For example, USPS is a key part of the mailing industry, and over time, it has become both a competitor and partner to private companies that also operate in the broader mail and delivery industries. For example, although ...	Should revise so that both sentences aren't "For example."
5	Paragraph below Figure 1	Jacob Howley	At that time, Congress was involved in many aspects of the department's operations, such as selecting postmasters, and setting postal rates and wages. By the late 1960s, the department had several major problems including financial losses, management problems, service breakdowns, and low productivity. Because key postal business decisions were made by Congress through the legislative process, postal management had limited ability to plan and finance department operations and capital investments in accordance with postal needs.	Should also note Presidential control over hiring and firing of Postmasters General, as well as other officials, which the Kappel Commission identified as a source of politicization and discontinuity that hindered efficient, businesslike decision-making. Postal management's relative independence from direct Presidential control was a major innovation of the Postal Reorganization Act.
6	1st paragraph, footnote 10	Jacob Howley		Should cite 39 U.S.C. § 2401. Also, the main text to which this footnote pertains discusses the footing on which Congress placed the USPS in 1970. In that light, it should be mentioned that Congress provided for appropriations to support rural service, which were scaled down to \$460 million by the early 1980s. That appropriation remains authorized, but the USPS has not requested it (and Congress has not appropriated it) since the early 1980s.
6	2nd paragraph, sentence 1	Renee Sheehy	"By the early 2000s, USPS faced a bleak financial outlook that put its mission of providing universal postal service at risk."	Remove sentence. While the early 2000s were a challenging time for the Postal Service because of the advertising recession and the volume drop due to September 11 and the anthrax attacks, the Postal Service's overall financial position

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
				was relatively strong given it was on track to overfund its pension program and mail volume continued to grow through 2006. Moreover, the cost-of-service regulatory format provided automatic rightsizing of revenue to costs.
6	2nd paragraph, last sentence	Jacob Howley	PAEA provided USPS additional pricing flexibility for mail products, ¹² but balanced this with provisions for increased transparency, oversight, and accountability, among other things.	Should say “PAEA provided USPS with some additional pricing flexibility concerning its competitive products, but also imposed a price cap on most of its volumes and new unfunded mandates and constraints, as well as provisions for increased transparency, oversight, and accountability.” (The draft text makes it seem like we got a largely free hand with pricing, when much of it – particularly for “mail products” – actually became subject to a rigid price cap. And given the constraints’ overwhelming influence on the USPS’s finances since the PAEA, “balanced” gives the wrong impression.)
6	Final para, 1st sentence	Jacob Howley	Specifically, PAEA gave USPS broader latitude to change postal rates in a more streamlined process that included review by the newly created Postal Regulatory Commission (PRC). ¹³	While the USPS got some broader latitude and review was streamlined, it must also be acknowledged that most USPS revenues were subjected to a rigid price cap for at least the first ten years. The price cap is discussed later, but some mention should be made here that the PAEA constrained pricing, in addition to liberalizing it to some small degree. Also, the footnote should cite 39 U.S.C. §§ 3622 and 3632, which set forth the rate-regulation processes.
7	1 st full para	Steve Nickerson, Jacob Howley	USPS’s current business model is not financially sustainable due to declining mail volumes, increased compensation and benefits costs...	Further context should be given to avoid the misimpression that rising costs are the USPS’s fault. Compensation and benefits are largely the result of high-cost federal benefits programs (in which the USPS is legislatively mandated to participate), the requirement for binding arbitration on labor contracts, and the USO mandate. Also, a fourth contributor is missing: the rigid price cap on most USPS revenue, which prevents the USPS from

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
				raising prices faster than the rate of inflation to stabilize revenue amid volume declines.
7	2 nd full paragraph	Keith Weidner	USPS continues to face decreases in mail volume, its primary revenue source, as online communication and e-commerce have expanded.	It is not clear what is meant by e-commerce in this context. Typically that means purchasing goods over the internet, which has in fact had a positive impact on our volumes by increasing package volume.
8	Top of page, 1 st full sentence	Renee Sheehy	Due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices.	Replace with "As a compromise effort to right-size the retail network and due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices." The current discussion makes it sound like the hour reductions were completely independent of the earlier plan when in reality it was an alternative approach in a sustained effort to find a way to cut retail costs.
8	1 st para	Steve Nickerson	...but did not fully implement this initiative following opposition from various stakeholders, including postal labor unions.	Delete "including postal labor unions". Many other stakeholders objected to closing facilities; it seems unfair to single out one group.
8	1 st para	Jacob Howley		The Postal Service has also been able to restrain the growth in the cost of its workforce by obtaining agreements or arbitration decisions with its unions to implement lower-cost classes of employees and expand the use of noncareer employees.
8	Last bullet on page – second sentence	Jacob Howley	Specifically, USPS is required to provide 6 day a week delivery and to operate postal facilities across the country.	Should cite annual appropriations bill and 39 U.S.C. §§ 101(b) and 403(b)(3).
9	First bullet	Jacob Howley, Keith Weidner	Postal products and pricing: USPS's pricing flexibility is limited by a price cap on market-dominant products that generally limits rate increases for these products to inflation. Each competitive product is required to cover its attributable costs, competitive products collectively are required to recover their attributable costs, and	Citations for each sentence (respectively): - 39 U.S.C. § 3622(d)(1)(A), (C). [It should be noted that this price cap applies for at least the first ten years after the PAEA, and may now be modified by the Postal Regulatory Commission if necessary to achieve certain statutory criteria.]

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
			competitive products collectively are required to cover a PRC-specified minimum of USPS's institutional costs. In addition, USPS is prohibited from providing new non-postal products and services.	- 39 U.S.C. § 3633. - 39 U.S.C. § 404(e). Also, while the price cap and nonpostal restrictions undoubtedly impact the Postal Service's ability to generate revenue, it is unclear why the report cites the rules that set a price floor for competitive products as having that same effect.
9	1 st full para	Steve Nickerson, Jacob Howley	While mail volumes have decreased, USPS's compensation and benefits costs for current employees have been increasing since 2014.	This implies that USPS has been failing to control costs in line with volumes. But because of the USO, many of our costs are fixed and should not be expected to vary with volume. (E.g., we have to visit nearly every address every day regardless of volume.) And within our cost base, factors outside our control account for inflation, from changes in our benefits due to health-care cost inflation and external actuarial determinations, to step increases, layoff protections, and inflation-based COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration) and increases in normal cost contributions to the Federal Employees Retirement System (FERS). The draft report later gives context about collective bargaining, arbitration, and the USPS's cost-reduction efforts. Hence, it might be helpful to either reframe the statement here to make it seem like less of a (potentially blameworthy) contradiction (e.g., "Despite significant cost-reduction efforts, USPS's compensation and benefits costs have risen even as mail volumes have decreased..."), or else reserve it until after the necessary context has been established.
9	1 st full paragraph, sentence 4	Renee Sheehy	The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing.	Add something that acknowledges that overtime can be a less expensive way to achieve work hours than hiring additional staff such as "The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing, although using

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
				regular overtime is less expensive than hiring additional employees.”
9	1 st full para, last sentence	Steve Nickerson, Tony Mazzei, Jacob Howley	According to USPS, total compensation and benefits costs increased by almost \$1 billion in fiscal year 2019 alone.	The increase in compensation and benefits was 2.1%, only slightly higher than CPI growth of 1.7%. Unsurprisingly, given the overlap with general inflation, major drivers of the \$1 billion increase in compensation and benefits were the step increases and COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration).
9	Footnote 22, 2 nd sentence	Renee Sheehy	Non-career employees are generally considered temporary and hired, for example, during times of large mail volume such as holidays.	Replace with “Non-career employees include those with lower-paid positions such as city carrier assistants and postal support employees and temporary employees hired during times of large mail volume such as holidays.” (Many non-career employees are not temporary.)
11	First full sentence	Jacob Howley	Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP) which covers current employees and retirees.	Should be expanded: “Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP), which covers current employees and retirees, as well as federal pension and workers’ compensation programs.” (These programs impose substantially greater costs on the USPS than private-sector counterparts. GAO has previously studied the disparity as to FECA costs.)
11	Last paragraph	Jacob Howley	USPS’s unfunded liabilities and debt ... [were] 226 percent of its fiscal year 2019 revenues. ³⁵ At the end of fiscal year 2019, USPS’s unfunded liabilities and debt totaled ... more than double its annual revenues (see figure 2).	Consider eliminating the redundancy between these two sentences: “226 percent” is the same as “more than double.”
12	First sentence	Tony Mazzei, Jacob Howley	Total unfunded liabilities and debt have risen in part due to USPS not making payments to fund its retiree health and pension benefits.	Some explanation of GAO’s use of “unfunded liabilities” is in order. Also, debt should not be included here: defaulting on benefits payments is not why debt has increased. (Defaults conserve cash; borrowing also increases cash.

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
				It would be different if the USPS were defaulting in order to pay down debt.) In fact, both measures are due to the Board's decision to maintain cash on hand in furtherance of the USPS's primary service mission.
13	1st paragraph, 3rd sentence	Jacob Howley	USPS is required to prefund its share of health benefits for its retirees and under PAEA, the first 10 years of prefunding payments were fixed—ranging from \$5.4 billion to \$5.8 billion annually from fiscal years 2007 to 2016.	The comma is incorrect punctuation. Given that the next sentence discusses another type of RHB payment, there should probably be a sentence break there.
13	1st paragraph, 4th sentence	Jacob Howley	From fiscal years 2007 through 2016, USPS was also required to continue “pay-as-you-go” payments for its share of premiums for current retirees.	Mention should be made of the fact that the USPS is no longer required to pay RHB premiums; these are now paid out of the RHB Fund unless/until it is depleted, whereupon the USPS will resume paying premiums on a pay-as-you-go basis. (See 5 U.S.C. § 8906(g)(2)(A).)
13	1st paragraph, 6th sentence	Jacob Howley	As we previously reported, survey data we reviewed indicated that most companies do not offer retiree health benefits and that the number of companies providing such benefits is decreasing over time.	Mention should be made of the fact that the rest of the Federal Government (other than Tricare) does not prefund RHB at all, and that Tricare RHB is funded to a much smaller degree than USPS RHB, with funds appropriated by Congress.
13	1 st paragraph, 2 nd to last sentence	Renee Sheehy, Jacob Howley	Many companies that have retained their retiree health benefits have done so by making changes to control costs, including tightening eligibility and restructuring benefits.	Replace with “The few companies that have retained their retiree health benefits have nearly universally done so by requiring eligible participants to enroll in Medicare and by making changes to control costs, including tightening eligibility and restructuring benefits.” Employers that do provide retiree benefits require participation in Medicare, which should be mentioned.
13	2nd paragraph	Jacob Howley		Mention should be made of the fact that the rest of the Federal Government's pension accounts are substantially less well-funded than the USPS's.
13	overall	Jacob Howley		Mention should be made of the fact that all companies with post-retirement benefits invest those assets in funds that are more diversified and higher-yielding (over the long run, notwithstanding short-term risks) than the low-yield Treasuries in which the USPS's funds are invested. This reduces the need for annual contributions to the funds.

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
16	1 st paragraph and Footnote 48	Renee Sheehy	[large text and the comment is more global]	The footnote discusses work rules and how they can affect productivity, but as a whole the paragraph does not make clear that some changes can increase productivity while others such as wage and benefit cuts have no effect on productivity.
19	2nd bullet	Jacob Howley	("new GM")	Defining this term is unnecessary, because it's not used anywhere else in the report.
21	1st full paragraph	Jacob Howley	For example, Royal Mail raised postal rates above the rate of inflation after relaxation of its price cap.	In contrast with the more specific accounts for other countries, this text is vague and belies how dramatic the UK price increases really were. Royal Mail's price increases were substantially above inflation (basic letter rates rose 30-40% in 2012) and generally rose with inflation thereafter, although I believe the most recent increase was again above-inflation. Some mention should be made of this.
21	1st full paragraph	Jacob Howley	In France, the postal regulator established a price cap in 2018 of 5 percent annual rate increases (including inflation) for 2019 through 2022 for letter mail and packages considered to be part of universal postal service. This price cap allows La Poste more price flexibility than the previous one.	France actually has a longer history of above-inflation price increases. The 2013-2014 price cap was CPI+1% per year. The 2015-2018 price cap was CPI+3.5% per year, with half of the overall increase front-loaded into the first year.
21	1st full paragraph	Jacob Howley	Likewise, Australia Post implemented an above-inflation rate increase in January 2020, citing the need to generate revenues to offset growing financial pressures from declining letter mail volume.	Mention should be made of the more dramatic pricing history in Australia. In 2015, Australia Post raised the basic letter rate 16.7% (vs. 5.9% inflation since the prior rate increase). In 2016, it split its letter product, such that the slower service stayed at the same rate, but to get the same level of service, one would pay 42.9% more (vs. 1.8% inflation).
22	1st bullet	Jacob Howley	Royal Mail and La Poste reduced the number of mail sorting centers by about 40 percent over the past two decades.	This should be double-checked for Royal Mail. According to this study (p. 12), Royal Mail closed 43% of its mail sorting centers (30 out of 69) between 2008 and 2015 alone, not counting earlier changes in the "past two decades."
23	1st bullet	Jacob Howley	For example, Royal Mail has reduced the number of sorting centers from 69 to 37 since 2007, and Deutsche Post officials stated they had streamlined their parcel sorting process and went from 140 parcel sorting centers in 1990 to 34 in 2019.	This point seems to belong with the other posts' mail-sorting-center consolidations in the earlier "Infrastructure" bullet.

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
27	1 st full paragraph, 2 nd sentence	Renee Sheehy	Currently, many members of Congress support the preservation of both 6-day and door-to-door delivery, and some mailer groups support one or both of these positions.	Replace with “Currently, many members of Congress support the preservation of both 6-day and door-to-door delivery for addresses that have it, and some mailer groups support one or both of these positions.” Most households do not receive door delivery today.
29	1 st para	Steve Nickerson, Jacob Howley	As we have also reported...	This remark would benefit from (1) being tied more closely to the next paragraph about binding arbitration and (2) acknowledgment of external cost drivers, such as federal benefit programs and the USO.
29	Last para	Jacob Howley	We also reported that while reducing USPS’s delivery frequency...	This and the next sentence seem out of place in this paragraph, the rest of which relates to proposals to change collective bargaining.
31	1st para below bullets	Jacob Howley	Moreover, reliance on federal funding would mean that USPS would be exposed to the uncertainty inherent in the annual appropriations process.	Replace with “Moreover, reliance on appropriations would ...” (This is true only of the first two bullets, which involve direct appropriations. Debt forgiveness or assumption of pension/RHB liabilities would likely be a one-time event outside of annual appropriations.)
32	Top of page	Jacob Howley	... ensuring fair competition between USPS and the private sector.	Note that financial support for legal mandates such as the USO or pension/RHB obligations that are inflated relative to private companies would not seem to create “fair competition” concerns at all, and that in general fair competition can be assured through mechanisms such as cost coverage requirements for competitive products.
33	Table 1, column 2, row 4 and 5	Renee Sheehy	Postal revenues	Replace with “Postal revenues, including increased revenues from services currently mandated to be supplied free or at a discount” There is no reason to think that as a government corporation or government sponsored enterprise, the Postal Service should be expected to finance using its own revenues services required by the government such as “Free Mail for the Blind and Overseas Voters.”

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
33	Table 1, column 2, row 6	Renee Sheehy, Jacob Howley	Postal and other revenues, such as logistics or banking.	Replace with “Postal and other revenues, such as logistics or banking and revenues, including increased revenues from services currently mandated to be supplied free or at a discount” A private company is even less likely to provide services or discounts for free to the government without reimbursement. Also, any of the other models could also have other revenue streams, depending on what Congress allows. This is not unique to a private company.
33	Bullet point	Steve Nickerson, Keith Weidner	USPS further stated that changing it to a typical government agency could reduce incentives...	While USPS did not disagree with the statement in the SOF that that changing from the current structure to a full government agency could theoretically have this impact or that other stakeholders might make that argument, we do not agree that our incentive to be efficient would change as a result of our institutional form, whatever that might be. For that reason, GAO should present this as a general criticism that could be levied against such a change in institutional structure by stakeholders, without ascribing it specifically to the Postal Service. To the contrary, as a practical matter, the Postal Service has been operating for years in a manner that seeks to drive efficiencies, and it is part of our DNA. Particularly given the alternatives that our customers have to using the Postal Service to send their mail and packages, even if we move to being a typical agency there will still be a strong incentive to keep operations as efficient as possible. Efficient operation is simply a part of our culture. Second, even as a theoretical matter, the effect of such a change on Postal Service incentives would depend on the precise statutory structure that Congress creates,

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
				including the extent to which appropriations are provided (and for what purposes).
34	2 nd bullet	Jacob Howley, Steve Nickerson, Renee Sheehy		Eliminate, unless more substance can be provided to distinguish this model from the status quo. The draft text here does not explain how a government corporation or GSE model would differ in substance from an independent establishment, let alone why the redesignation would increase efficiency incentives. After all, the original idea of reorganizing the USPS as an independent establishment (with material changes in substantive powers and freedoms) was to do the very thing purported here: “providing a public service with a predominantly business nature.” If that is all there is to being a GSE, then that’s the same as what the USPS is today.
35	1st bullet	Jacob Howley	If USPS were to be a private company—an option that is increasingly common among postal operators in other countries—...	It should be acknowledged that, though increasing, this business model represents only a small handful of the world’s postal operators – even a small handful among industrialized countries.
35	1 st bullet	Keith Weidner	USPS told us that as a private company its primary incentive would be to maximize profits and that, in its view, private shareholders would be most focused on short term financial outcomes	Replace “would” with “could”, consistent with terminology used in the rest of this section

- I'd like to start reviewing the specific information we are sending and make sure all the folks understand what the data represents.

- Volume information:

- § First Class Single Piece volumes represents the change in mail volume versus last year that is stamped by individuals and entered into mail boxes, as well as meter mail volume that is typically mailed by larger companies that possess a meter. This volume represents approximately 30% of total First Class Mail volume.
 - § Entered Presort First Class Mail represents the change in mail volume versus last year that is entered by large commercial mailers into the mail stream. This volume represents approximately 70% of First-Class Mail volume. I will note that this volume also includes one-time mailings of Census, as well as Stimulus checks and notices.
 - § Entered USPS Marketing mail represents the change in mail volume versus last year that is entered by large commercial mailers into the mail stream. This mail volume is typically advertising in nature and is dependent upon economic activity. The pandemic has greatly impacted the amount of marketing mail volume within the system.
 - § Entered Periodicals represents the change in mail volume versus last year that is entered by large commercial mailers, as well as smaller newspapers. This mail volume includes local and county newspapers, as well as monthly and weekly magazines. This category has proven to be extremely volatile during this pandemic period, and is representative of some of the issues that are occurring within the economy.
 - § Total Delivered Mail volume represents the change in total mail volume versus last year that has been delivered. This includes all letter and flat categories, mail and flats.
 - § Delivered Package volume represents the change in package volume versus last year that was delivered by the Postal Service. This includes all package mail classes including network volume that has gone through the Postal Service network, as well as last mile product that is entered directly at the Post Office.
 - § International and Military Packages represents the change in package volume versus last year that was delivered by the Postal Service.

Commented [MTJ-WD1]: Does this category represent only inbound/delivered volume?

- Revenue Information:

- § The revenue data provided is our daily operating sales. This excludes the majority of accounting adjustments which include PIHOP (Postage in the Hands of the Public), Mail in transit (which is a measurement of how much mail is still in the system versus delivered) in order to get a sense as to the daily revenue changes.
 - § The actual column represents the total cash sales over that week period.
 - § The plan column represents the pre-COVID plan amount we expected. This revenue amount includes what we assumed we would earn over this time period in the absence of COVID. This is based on trends, econometric models, price changes, as well as known one-time events, such as the census mailings.
 - § The Plan variance column represents the difference between what we actually earned versus what he had planned for in a pre-COVID world. This column represents the impact COVID is having on our business
 - § The Like-Date column represents the total amount of sales for the previous year for the same date range.
 - § The Like-date variance column represents the difference between what we actually earned versus the sales level in the previous year.
 - § A couple of points I'd like to make on the revenue trends
 - The best way to understand the impact that COVID is having on the Postal Service is to look at the actual versus what we had planned for. The plan incorporates normal volume changes we experience, price changes that have

taken place, the elasticity effects of those price changes, as well as one-time events, such as census.

- While comparing to the previous year is helpful, that will ~~does~~-not provide a good sense as to what the actual COVID impact is because all of those items mentioned above weren't in last year's data.
- Finally, the bottom section was created to try and isolate those one-time events that we have been able to quantify, specifically census and the stimulus check mailings. We had planned for the census mailings, but we had not planned for the stimulus checks (since that was an unknown event).
 - So, for example, without the stimulus checks we would have been worse-off versus the plan.
 - Similarly, without the stimulus checks and census, we would have been worse-off versus last year.
 - The reason we are isolating these one-time events is to understand how things may look moving forward and the true impact of the economic impact of COVID on the business.

- **Also, I want to make it clear that as time progresses, systems update and data reconciles, so numbers may be updated from previous weeks as our systems get final updates, accounting adjustments are made and data is received from rural offices.**

- We are in the midst of closing the books for the month of April, but from preliminary revenue information we are currently seeing a \$225M reduction from last year's levels which is \$380.9M worse than our pre-COVID plan (since revenue growth over last year was planned). The reason for the difference between these two numbers is we had planned for increased revenue associated with the one-time Census mailings which have taken place across the country which generated was-approximately \$23.7M in revenue in April. In addition, the economic stimulus check mailings led to a one-time increase in revenue of \$19.3M for the month of April.
- We are also beginning to see an increase in expenses due to the impact of COVID. COVID has led to an increase in paid leave versus last year's levels, as the CARES Act leave policies which are not reimbursable to the Postal Service as it is for all other entities have been utilized by our impacted employees. In addition, the Postal Service has had to shift a significant amount of the volume that used to fly via commercial air carriers to more expensive air cargo networks as commercial air carriers have significantly reduced flights. Finally, we have seen a large increase related to supplies and services to support the purchase of Personal Protective Equipment to support our employees and contract cleaners to sanitize facilities and Post Offices that have had incidences of positive COVID-19 diagnosis'es present. We are in the midst of quantifying these impacts now for April and do not have the final numbers.
- In terms of the trends we are seeing right now:
 - So far we have not seen the significant revenue reduction for this first month of the quarter that we projected based on the limited information available at the time we developed the projections.
 - Mail volumes have not declined quite as precipitously as we expected, and package volumes have grown more than anticipated and thus far such growth is continuing.
 - As noted in our letter dated April 17th which articulated our thinking at the time as to how we derived our initial estimates, given the economic uncertainty underlying all of this, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy.
 - The new information will necessitate updates to our forecast, and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

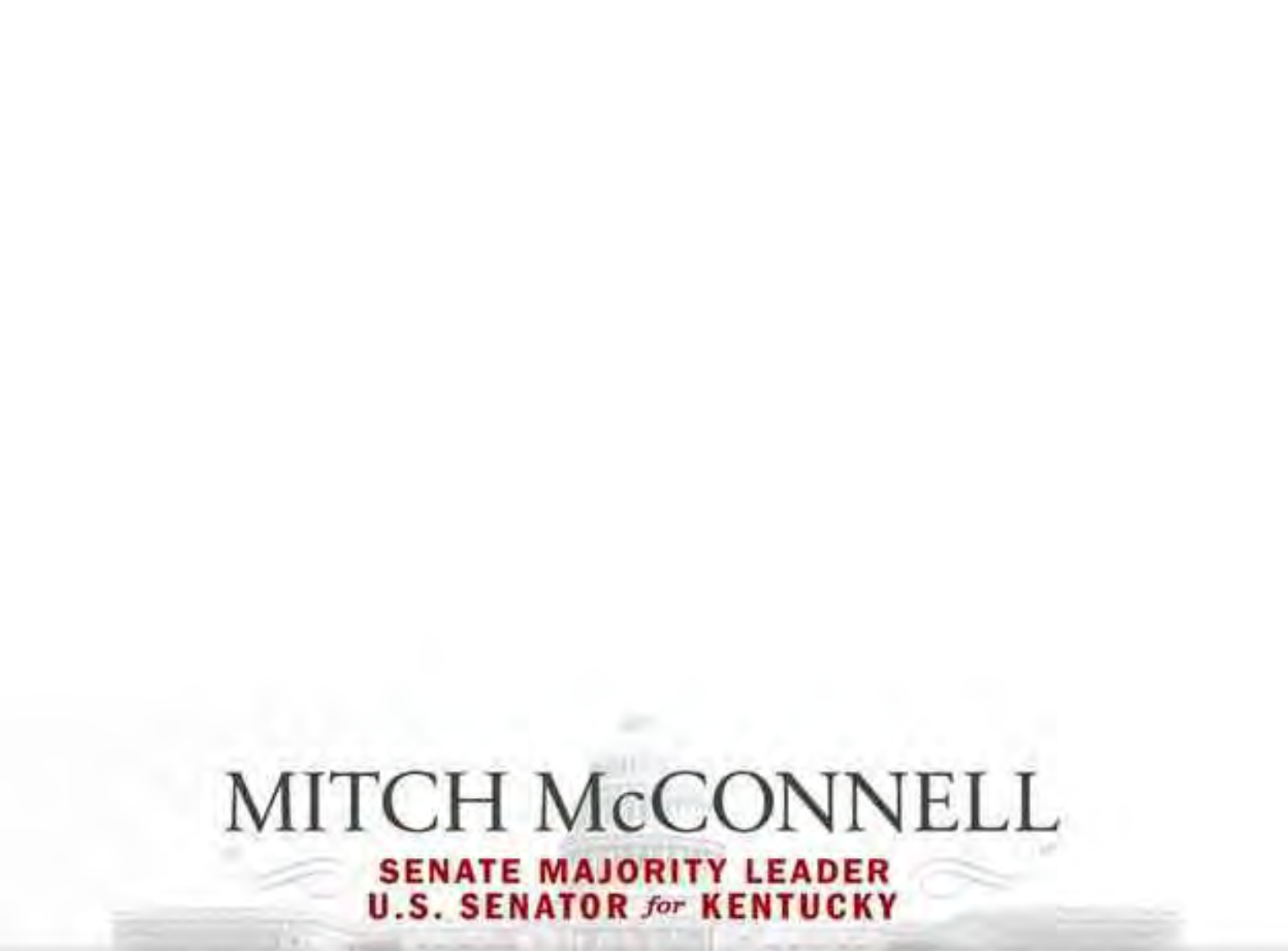
- The specific new information that has come to light over the last few weeks includes a significant increase in package volumes and revenues as stay at home orders have been put in place across the country and consumers have looked to e-commerce to provide them with goods.
 - § Much of this growth is also tied to challenges shippers have had across the delivery markets, with some fulfillment organizations not allowing consumers to ship through them and thus these shippers have turned to the Postal Service to continue shipping.
 - § While this recent growth in packages has provided the organization with some revenue lift and has helped to replace some of the revenue lost on the mail side, we have significant concern that this package growth will only be a short-term lift to our revenues and will not be sustained in the long-run as States reopen their economies and customers return to purchasing goods at stores.
 - § The likely economic impact of the pandemic on consumer incomes could dampen consumer spending on goods in the future which will also lead to a decrease in packages.
 - § In addition, we have seen in past recessions that mail volume declines typically are lagged from the beginning of a recession, in particular First Class mail, so we still believe more precipitously mail volume declines are likely.
- Tremendous uncertainty underlies any prediction of the future. Given the tremendous uncertainty underlying the economy right now due to the pandemic and its current and eventual impact on mail and package volume and revenue, we will continue to assess our financial condition and inform the committee, but we are not prepared to revise our projections.

Michael Best



**UNITED STATES
POSTAL SERVICE**

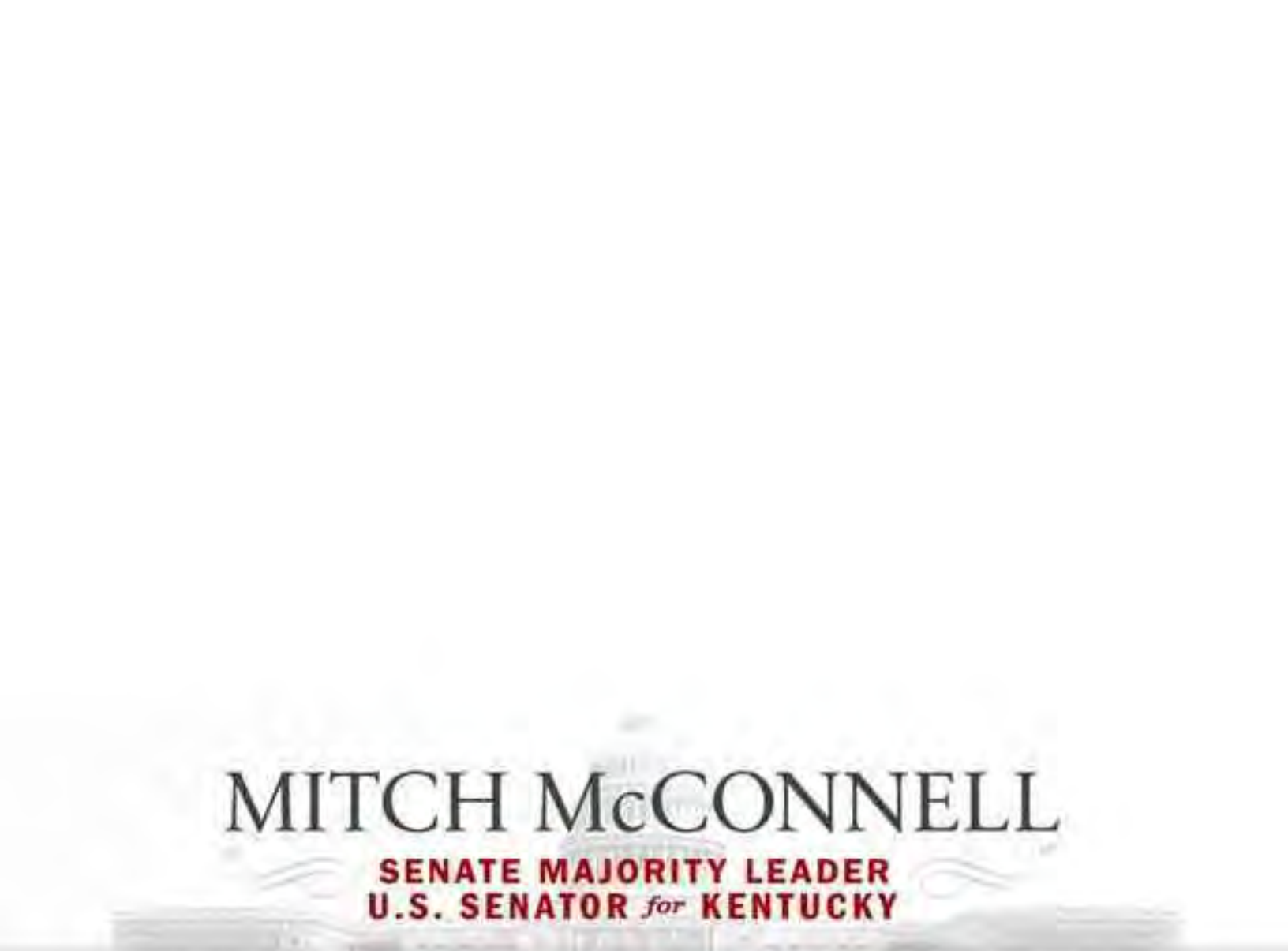
	Firms Considered	Interest	Proposing	Proposal (due 5/1/20)	Comments
Tier 1	KPMG	Yes	No		Did not propose because of too much risk associated with their clients and their brand for this initiative.
	Oliver Wyman	Yes	No		Did not propose because of too much risk associated with their clients for this initiative.
	Cognizant Technology Solutions	No	No		Non-responsive to phone calls and contact sheet on their website.
	Grant Thornton	Yes	No		Initially did not want to propose. However, during timeline extension, mentioned that if they are able to deploy a team soon they will propose. After pre-proposal conference they decided not to propose.
	BDO	Yes	No		Issues with NDA prevented them from applying during the first round. Legal meetings on NDA concluded and NDA signed 4/24. BDO will be included in the 2 nd round of RFPs. Withdrew from proposing because of management not onboard due to ethical concerns.
Tier 2	FTI Consulting	Yes	Yes	X	Proposal received. Technical review - in progress.
	Stetson Consulting	Yes	No		Withdrew from proposing with no explanation. They decided not to propose because it is politically charged.
	Huron Consulting	Yes	No		Withdrew with no specifics as to the reason.
	Ankura Consulting	Yes			Contacted Kimberli Cornell at Ankura Consulting on 4/27 via e-mail with read receipt. They did not respond as of 4/30. Reached out to Josh.Johnston@ankura.com 4/30; POC provided by Gov. Bloom. 5/1 Connected with Ankura and they are interested but no guarantee that they will propose until they see the RFP. Will provide NDA for signature and release RFP today.
	PwC	No	No		In 2018, PwC sold its Public Sector Practice which became Guidehouse. Their Postal task orders were moved to under Guidehouse. In addition, with the sale of PwC's Public Sector Practice in 2018, a non-compete clause is in place for some number of years whereby PwC cannot do business in the Public Sector (Federal, State and Local governments, including quasi-governmental and independent agencies).



MITCH McCONNELL

SENATE MAJORITY LEADER
U.S. SENATOR *for* KENTUCKY

Michael Best



MITCH McCONNELL

SENATE MAJORITY LEADER
U.S. SENATOR *for* KENTUCKY

Michael Best

Michael Best

Michael Best

Brookfield

National Daily Retail Walk-In Revenue April FY2020 vs. Like-Day SPLY

Date	Day Of Week	Values		Variance	Sum of VAR %
		SAFR Actual Revenue	Like-Day SPLY		
04/01/20	WEDNESDAY	\$33,650,846	\$36,276,962	(\$2,626,115)	-7.2%
04/02/20	THURSDAY	\$32,008,472	\$33,067,116	(\$1,058,644)	-3.2%
04/03/20	FRIDAY	\$36,295,225	\$34,178,921	\$2,116,303	6.2%
04/04/20	SATURDAY	\$15,199,111	\$15,175,945	\$23,165	0.2%
04/05/20	SUNDAY	\$1,144,600	\$956,260	\$188,339	19.7%
04/06/20	MONDAY	\$46,613,342	\$41,901,416	\$4,711,926	11.2%
04/07/20	TUESDAY	\$38,494,771	\$37,187,693	\$1,307,078	3.5%
04/08/20	WEDNESDAY	\$35,070,366	\$35,793,457	(\$723,091)	-2.0%
04/09/20	THURSDAY	\$32,011,234	\$33,943,190	(\$1,931,956)	-5.7%
04/10/20	FRIDAY	\$29,935,660	\$37,929,466	(\$7,993,806)	-21.1%
04/11/20	SATURDAY	\$12,568,846	\$18,157,595	(\$5,588,749)	-30.8%
04/12/20	SUNDAY	\$717,267	\$1,357,262	(\$639,995)	-47.2%
04/13/20	MONDAY	\$34,692,486	\$53,954,526	(\$19,262,040)	-35.7%
04/14/20	TUESDAY	\$34,745,854	\$39,405,152	(\$4,659,298)	-11.8%
04/15/20	WEDNESDAY	\$34,509,994	\$34,240,113	\$269,880	0.8%
04/16/20	THURSDAY	\$32,247,808	\$30,033,244	\$2,214,564	7.4%
04/17/20	FRIDAY	\$33,533,891	\$26,368,410	\$7,165,481	27.2%
04/18/20	SATURDAY	\$13,782,220	\$11,382,761	\$2,399,459	21.1%
04/19/20	SUNDAY	\$1,057,623	\$529,374	\$528,250	99.8%
04/20/20	MONDAY	\$40,697,738	\$32,730,529	\$7,967,209	24.3%
04/21/20	TUESDAY	\$33,970,317	\$30,933,279	\$3,037,038	9.8%
04/22/20	WEDNESDAY	\$31,743,152	\$28,877,414	\$2,865,737	9.9%
04/23/20	THURSDAY	\$29,820,738	\$27,633,242	\$2,187,496	7.9%
04/24/20	FRIDAY	\$31,471,124	\$28,633,495	\$2,837,629	9.9%
04/25/20	SATURDAY	\$13,159,014	\$12,565,072	\$593,942	4.7%
Grand Total		\$679,141,697	\$683,211,895	(\$4,070,198)	-0.6%

National Daily Retail Walk-In Revenue April FY2020 vs. Like-Day SPLY

Date	Day Of Week	Values		Variance	Sum of VAR %
		SAFR Actual Revenue	Like-Day SPLY		
04/01/20	WEDNESDAY	\$33,650,846	\$36,276,962	(\$2,626,115)	-7.2%
04/02/20	THURSDAY	\$32,008,472	\$33,067,116	(\$1,058,644)	-3.2%
04/03/20	FRIDAY	\$36,295,225	\$34,178,921	\$2,116,303	6.2%
04/04/20	SATURDAY	\$15,199,111	\$15,175,945	\$23,165	0.2%
04/05/20	SUNDAY	\$1,144,600	\$956,260	\$188,339	19.7%
04/06/20	MONDAY	\$46,613,342	\$41,901,416	\$4,711,926	11.2%
04/07/20	TUESDAY	\$38,494,771	\$37,187,693	\$1,307,078	3.5%
04/08/20	WEDNESDAY	\$35,070,366	\$35,793,457	(\$723,091)	-2.0%
04/09/20	THURSDAY	\$32,011,234	\$33,943,190	(\$1,931,956)	-5.7%
04/10/20	FRIDAY	\$29,935,660	\$37,929,466	(\$7,993,806)	-21.1%
04/11/20	SATURDAY	\$12,568,846	\$18,157,595	(\$5,588,749)	-30.8%
04/12/20	SUNDAY	\$717,267	\$1,357,262	(\$639,995)	-47.2%
04/13/20	MONDAY	\$34,692,486	\$53,954,526	(\$19,262,040)	-35.7%
04/14/20	TUESDAY	\$34,745,854	\$39,405,152	(\$4,659,298)	-11.8%
04/15/20	WEDNESDAY	\$34,509,994	\$34,240,113	\$269,880	0.8%
04/16/20	THURSDAY	\$32,247,808	\$30,033,244	\$2,214,564	7.4%
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Date	Day Of Week	Values		Variance	Sum of VAR %
		SAFR Actual Revenue	Like-Day SPLY		
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LIVE: POTUS holds a roundtable with industry executives



 **The White House**  @WhiteHouse
LIVE: POTUS holds a roundtable with industry executives
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4:18 PM · Apr 29, 2020 · [Periscope](#)

 **2.4K** Retweets  **12.1K** Likes

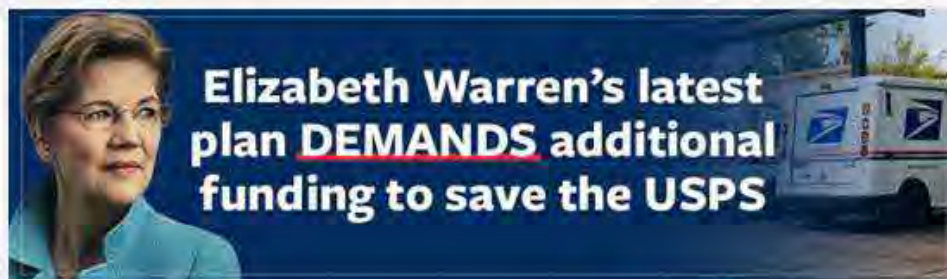
Michael Best

Michael Best

Brookfield

Michael Best

Elizabeth Warren is SOUNDING the alarm:



She's absolutely right -- additional funding would bring the USPS back from the brink of extinction.

But we're still **\$19,291** short of our goal to fund our ad campaign to save the USPS.

Democrats are helping us reach this milestone goal by 4X-MATCHING all gifts -- so chip in \$5 right NOW:

FUND OUR AD CAMPAIGN: SAVE THE USPS

ALL DONATIONS 400%-MATCHED

GOAL: \$30,000 | DEADLINE: WEDNESDAY 11:59 PM | 36% TO GOAL



400%-MATCH: \$5 >>

400%-MATCH: \$25 >>

**400%-MATCH:
Custom Amount >>**

We're sick and tired of Trump slashing essential services in favor of Special Interests. **The USPS could shut down by June 1st if Trump has his way!**

The USPS is the ONLY mail carrier in the country that is required to deliver to every address in the country.

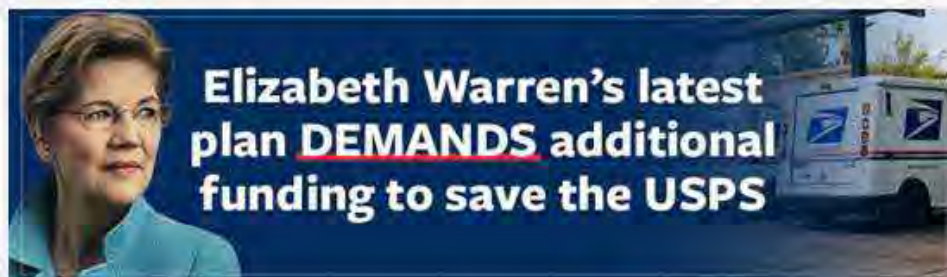
Millions of Americans would be left without essential goods!

So if we fail to meet our goal to launch our national ad campaign to save the USPS, it'll be a devastating loss.

And Elizabeth Warren will be so disappointed.

So stand with Elizabeth Warren. Help fund our ad campaign - **rush \$5 now:**

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Michael Best

Michael Best

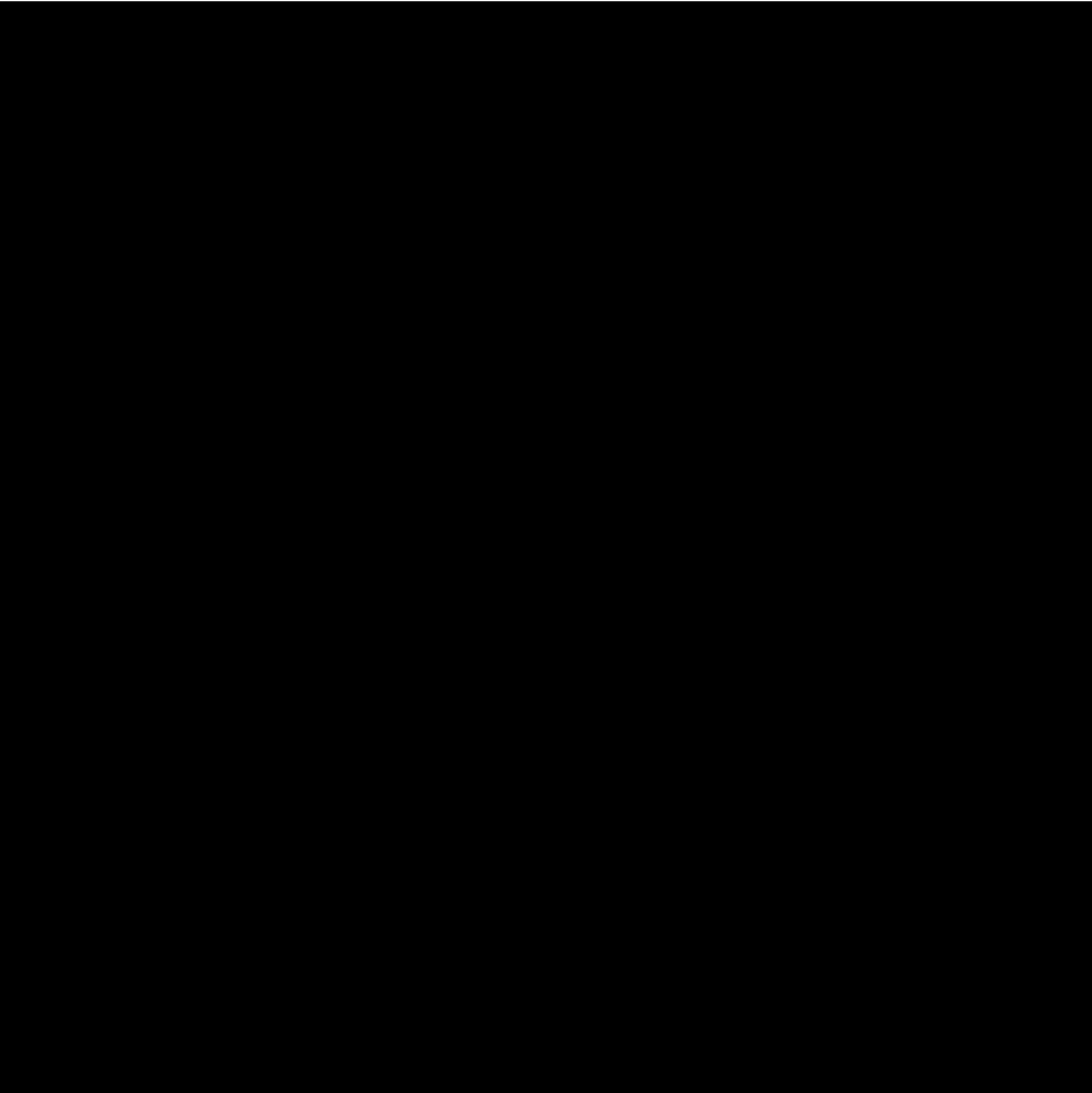
Michael Best

WADCHQSF15 > shr_HQ_HQ_PMG > PMG > PMG > BOG Presentations > 2020 > 2020 04 08 Closed

Name	Date modified	Type	Size
 2020 04 08 1 Call to Order Title.pdf	4/8/2020 6:12 AM	Adobe Acrobat D...	57 KB
 2020 04 08 2 Waiver Title.pdf	4/8/2020 6:12 AM	Adobe Acrobat D...	51 KB
 2020 04 08 3 PMG Items Title.pdf	4/8/2020 6:13 AM	Adobe Acrobat D...	58 KB
 2020 04 08 4 Legislative Update Title.pdf	4/8/2020 6:13 AM	Adobe Acrobat D...	56 KB
 2020 04 08 5 COVID-19 Legislative Reques...	4/8/2020 6:13 AM	Adobe Acrobat D...	275 KB
 2020 04 08 6 Strategies Title.pdf	4/8/2020 6:14 AM	Adobe Acrobat D...	59 KB
 2020 04 08 7 Closure Title.pdf	4/8/2020 6:14 AM	Adobe Acrobat D...	51 KB
 2020 04 08 8 Adjournment Title.pdf	4/8/2020 6:15 AM	Adobe Acrobat D...	50 KB
 2020 04 08 Agenda BoG Special Meeting....	4/8/2020 5:52 AM	Microsoft Word D...	28 KB
 2020 04 08 Closed Presentation.pdf	4/8/2020 6:16 AM	Adobe Acrobat D...	300 KB
 2020 04 08 Closed Presentation.pptx	4/8/2020 6:16 AM	Microsoft PowerP...	2,995 KB

Michael Best

COVID-19 Resource Center



COVID-19 Resource Center

Week	Entered Commercial Letters % SPLY	Entered Commercial Flats % SPLY	Entered Presort FCM % SPLY	Entered Mktg Mail % SPLY	DPS 2nd Pass % SPLY	Total Delivered Mail Volume %SPLY	Total Delivered Packages % SPLY
Week of 3/21	-6.80%	-22.70%	9.00%	-21.60%	2.00%	-5.30%	-1.00%
Week of 3/28	-21.00%	-23.70%	5.10%	-35.50%	-6.00%	-7.50%	5.00%
Week of 4/4	-32.40%	-34.20%	-15.70%	-42.00%	-20.80%	-21.30%	10.50%

Data in Millions

REVENUE						
Date	Total Revenue 2020	Total Revenue 2019	Percent Change by day YOY	Cumulative 2020	Cumulative 2019	Cumulative Percent YOY
4/1/2020	\$ 148	\$ 170	-12.5%	\$ 148	\$ 170	-12.5%
4/2/2020	\$ 150	\$ 175	-14.5%	\$ 298	\$ 345	-13.5%
4/3/2020	\$ 176	\$ 199	-11.7%	\$ 474	\$ 544	-12.9%
4/4/2020	\$ 118	\$ 105	12.3%	\$ 592	\$ 649	-8.8%
4/5/2020	\$ 10	\$ 6	70.8%	\$ 602	\$ 655	-8.1%
4/6/2020	\$ 177	\$ 176	0.7%	\$ 779	\$ 831	-6.2%
4/7/2020	\$ 128	\$ 146	-12.4%	\$ 907	\$ 977	-7.1%
4/8/2020	\$ 161	\$ 172	-6.7%	\$ 1,068	\$ 1,149	-7.1%
4/9/2020	\$ 166	\$ 161	3.3%	\$ 1,234	\$ 1,310	-5.8%
4/10/2020	\$ 197	\$ 210	-6.1%	\$ 1,431	\$ 1,519	-5.8%
4/11/2020	\$ 126	\$ 104	20.9%	\$ 1,557	\$ 1,624	-4.1%
4/12/2020	\$ 11	\$ 6	81.1%	\$ 1,568	\$ 1,630	-3.8%
4/13/2020	\$ 173	\$ 191	-9.5%	\$ 1,741	\$ 1,821	-4.4%
4/14/2020	\$ 125	\$ 156	-19.6%	\$ 1,866	\$ 1,977	-5.6%
4/15/2020	\$ 159	\$ 173	-7.9%	\$ 2,026	\$ 2,150	-5.8%
4/16/2020	\$ 176	\$ 179	-2.0%	\$ 2,201	\$ 2,329	-5.5%
4/17/2020	\$ 205	\$ 213	-4.0%	\$ 2,406	\$ 2,542	-5.4%
4/18/2020	\$ 126	\$ 100	25.8%	\$ 2,531	\$ 2,642	-4.2%
4/19/2020	\$ 12	\$ 6	106.5%	\$ 2,543	\$ 2,648	-3.9%
4/20/2020	\$ 196	\$ 178	10.5%	\$ 2,740	\$ 2,825	-3.0%
4/21/2020	\$ 140	\$ 139	1.4%	\$ 2,880	\$ 2,964	-2.8%
4/22/2020	\$ 169	\$ 169	-0.3%	\$ 3,049	\$ 3,133	-2.7%
4/23/2020	\$ 176	\$ 171	2.6%	\$ 3,225	\$ 3,304	-2.4%
4/24/2020	\$ 211	\$ 205	3.0%	\$ 3,436	\$ 3,510	-2.1%
4/25/2020	\$ 130	\$ 100	30.1%	\$ 3,566	\$ 3,609	-1.2%
4/26/2020	\$ 11	\$ 6	94.2%	\$ 3,577	\$ 3,615	-1.1%

Data in Millions

CONTRIBUTION						
Date	Total Contribution 2020	Total Contribution 2019	% by Day YOY	Cumulative 2020	Cumulative 2019	Cumulative Percent YOY
4/1/2020	\$ 61	\$ 70	-13.8%	\$ 61	\$ 70	-13.8%
4/2/2020	\$ 62	\$ 71	-12.5%	\$ 123	\$ 141	-13.2%
4/3/2020	\$ 69	\$ 79	-12.7%	\$ 192	\$ 221	-13.0%
4/4/2020	\$ 51	\$ 44	16.3%	\$ 243	\$ 265	-8.1%
4/5/2020	\$ 5	\$ 3	78.8%	\$ 248	\$ 267	-7.2%
4/6/2020	\$ 70	\$ 65	8.1%	\$ 318	\$ 332	-4.3%
4/7/2020	\$ 60	\$ 64	-5.4%	\$ 378	\$ 396	-4.4%
4/8/2020	\$ 69	\$ 69	0.3%	\$ 447	\$ 465	-3.7%
4/9/2020	\$ 68	\$ 66	3.9%	\$ 515	\$ 530	-2.8%
4/10/2020	\$ 75	\$ 79	-5.1%	\$ 590	\$ 609	-3.1%
4/11/2020	\$ 53	\$ 43	22.5%	\$ 643	\$ 652	-1.4%
4/12/2020	\$ 5	\$ 3	90.3%	\$ 648	\$ 655	-1.0%
4/13/2020	\$ 65	\$ 65	-1.1%	\$ 713	\$ 720	-1.0%
4/14/2020	\$ 57	\$ 66	-13.0%	\$ 770	\$ 786	-2.0%
4/15/2020	\$ 67	\$ 68	-2.3%	\$ 837	\$ 854	-2.0%
4/16/2020	\$ 70	\$ 72	-2.0%	\$ 907	\$ 926	-2.0%
4/17/2020	\$ 74	\$ 76	-2.4%	\$ 981	\$ 1,002	-2.1%
4/18/2020	\$ 53	\$ 42	24.4%	\$ 1,034	\$ 1,044	-1.0%
4/19/2020	\$ 6	\$ 3	115.0%	\$ 1,040	\$ 1,047	-0.7%
4/20/2020	\$ 75	\$ 64	16.4%	\$ 1,114	\$ 1,111	0.3%
4/21/2020	\$ 64	\$ 58	10.1%	\$ 1,178	\$ 1,169	0.8%
4/22/2020	\$ 71	\$ 67	5.4%	\$ 1,250	\$ 1,237	1.0%
4/23/2020	\$ 72	\$ 66	9.6%	\$ 1,322	\$ 1,303	1.5%
4/24/2020	\$ 83	\$ 73	12.5%	\$ 1,404	\$ 1,376	2.1%
4/25/2020	\$ 54	\$ 44	23.3%	\$ 1,458	\$ 1,420	2.7%
4/26/2020	\$ 5	\$ 3	102.1%	\$ 1,463	\$ 1,422	2.9%

Data in Millions

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4/5/2020	\$ 10	\$ 6	70.8%	\$ 602	\$ 655	-8.1%
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4/21/2020	\$ 140	\$ 139	1.4%	\$ 2,880	\$ 2,964	-2.8%
4/22/2020	\$ 169	\$ 169	-0.3%	\$ 3,049	\$ 3,133	-2.7%
4/23/2020	\$ 176	\$ 171	2.6%	\$ 3,225	\$ 3,304	-2.4%
4/24/2020	\$ 211	\$ 205	3.0%	\$ 3,436	\$ 3,510	-2.1%
4/25/2020	\$ 130	\$ 100	30.1%	\$ 3,566	\$ 3,609	-1.2%
4/26/2020	\$ 11	\$ 6	94.2%	\$ 3,577	\$ 3,615	-1.1%

Data in Millions

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4/8/2020	\$ 69	\$ 69	0.3%	\$ 447	\$ 465	-3.7%
4/9/2020	\$ 68	\$ 66	3.9%	\$ 515	\$ 530	-2.8%
4/10/2020	\$ 75	\$ 79	-5.1%	\$ 590	\$ 609	-3.1%
4/11/2020	\$ 53	\$ 43	22.5%	\$ 643	\$ 652	-1.4%
4/12/2020	\$ 5	\$ 3	90.3%	\$ 648	\$ 655	-1.0%
4/13/2020	\$ 65	\$ 65	-1.1%	\$ 713	\$ 720	-1.0%
4/14/2020	\$ 57	\$ 66	-13.0%	\$ 770	\$ 786	-2.0%
4/15/2020	\$ 67	\$ 68	-2.3%	\$ 837	\$ 854	-2.0%
4/16/2020	\$ 70	\$ 72	-2.0%	\$ 907	\$ 926	-2.0%
4/17/2020	\$ 74	\$ 76	-2.4%	\$ 981	\$ 1,002	-2.1%
4/18/2020	\$ 53	\$ 42	24.4%	\$ 1,034	\$ 1,044	-1.0%
4/19/2020	\$ 6	\$ 3	115.0%	\$ 1,040	\$ 1,047	-0.7%
4/20/2020	\$ 75	\$ 64	16.4%	\$ 1,114	\$ 1,111	0.3%
4/21/2020	\$ 64	\$ 58	10.1%	\$ 1,178	\$ 1,169	0.8%
4/22/2020	\$ 71	\$ 67	5.4%	\$ 1,250	\$ 1,237	1.0%
4/23/2020	\$ 72	\$ 66	9.6%	\$ 1,322	\$ 1,303	1.5%
4/24/2020	\$ 83	\$ 73	12.5%	\$ 1,404	\$ 1,376	2.1%
4/25/2020	\$ 54	\$ 44	23.3%	\$ 1,458	\$ 1,420	2.7%
4/26/2020	\$ 5	\$ 3	102.1%	\$ 1,463	\$ 1,422	2.9%

Data in Millions

REVENUE						
Date	Total Revenue 2020	Total Revenue 2019	Percent Change by day YOY	Cumulative 2020	Cumulative 2019	Cumulative Percent YOY
4/1/2020	\$ 148	\$ 170	-12.5%	\$ 148	\$ 170	-12.5%
4/2/2020	\$ 150	\$ 175	-14.5%	\$ 298	\$ 345	-13.5%
4/3/2020	\$ 176	\$ 199	-11.7%	\$ 474	\$ 544	-12.9%
4/4/2020	\$ 118	\$ 105	12.3%	\$ 592	\$ 649	-8.8%
4/5/2020	\$ 10	\$ 6	70.8%	\$ 602	\$ 655	-8.1%
4/6/2020	\$ 177	\$ 176	0.7%	\$ 779	\$ 831	-6.2%
4/7/2020	\$ 128	\$ 146	-12.4%	\$ 907	\$ 977	-7.1%
4/8/2020	\$ 161	\$ 172	-6.7%	\$ 1,068	\$ 1,149	-7.1%
4/9/2020	\$ 166	\$ 161	3.3%	\$ 1,234	\$ 1,310	-5.8%
4/10/2020	\$ 197	\$ 210	-6.1%	\$ 1,431	\$ 1,519	-5.8%
4/11/2020	\$ 126	\$ 104	20.9%	\$ 1,557	\$ 1,624	-4.1%
4/12/2020	\$ 11	\$ 6	81.1%	\$ 1,568	\$ 1,630	-3.8%
4/13/2020	\$ 173	\$ 191	-9.5%	\$ 1,741	\$ 1,821	-4.4%
4/14/2020	\$ 125	\$ 156	-19.6%	\$ 1,866	\$ 1,977	-5.6%
4/15/2020	\$ 159	\$ 173	-7.9%	\$ 2,026	\$ 2,150	-5.8%
4/16/2020	\$ 176	\$ 179	-2.0%	\$ 2,201	\$ 2,329	-5.5%
4/17/2020	\$ 205	\$ 213	-4.0%	\$ 2,406	\$ 2,542	-5.4%
4/18/2020	\$ 126	\$ 100	25.8%	\$ 2,531	\$ 2,642	-4.2%
4/19/2020	\$ 12	\$ 6	106.5%	\$ 2,543	\$ 2,648	-3.9%
4/20/2020	\$ 196	\$ 178	10.5%	\$ 2,740	\$ 2,825	-3.0%
4/21/2020	\$ 140	\$ 139	1.4%	\$ 2,880	\$ 2,964	-2.8%
4/22/2020	\$ 169	\$ 169	-0.3%	\$ 3,049	\$ 3,133	-2.7%
4/23/2020	\$ 176	\$ 171	2.6%	\$ 3,225	\$ 3,304	-2.4%
4/24/2020	\$ 211	\$ 205	3.0%	\$ 3,436	\$ 3,510	-2.1%
4/25/2020	\$ 130	\$ 100	30.1%	\$ 3,566	\$ 3,609	-1.2%
4/26/2020	\$ 11	\$ 6	94.2%	\$ 3,577	\$ 3,615	-1.1%

Data in Millions

CONTRIBUTION						
Date	Total Contribution 2020	Total Contribution 2019	% by Day YOY	Cumulative 2020	Cumulative 2019	Cumulative Percent YOY
4/1/2020	\$ 61	\$ 70	-13.8%	\$ 61	\$ 70	-13.8%
4/2/2020	\$ 62	\$ 71	-12.5%	\$ 123	\$ 141	-13.2%
4/3/2020	\$ 69	\$ 79	-12.7%	\$ 192	\$ 221	-13.0%
4/4/2020	\$ 51	\$ 44	16.3%	\$ 243	\$ 265	-8.1%
4/5/2020	\$ 5	\$ 3	78.8%	\$ 248	\$ 267	-7.2%
4/6/2020	\$ 70	\$ 65	8.1%	\$ 318	\$ 332	-4.3%
4/7/2020	\$ 60	\$ 64	-5.4%	\$ 378	\$ 396	-4.4%
4/8/2020	\$ 69	\$ 69	0.3%	\$ 447	\$ 465	-3.7%
4/9/2020	\$ 68	\$ 66	3.9%	\$ 515	\$ 530	-2.8%
4/10/2020	\$ 75	\$ 79	-5.1%	\$ 590	\$ 609	-3.1%
4/11/2020	\$ 53	\$ 43	22.5%	\$ 643	\$ 652	-1.4%
4/12/2020	\$ 5	\$ 3	90.3%	\$ 648	\$ 655	-1.0%
4/13/2020	\$ 65	\$ 65	-1.1%	\$ 713	\$ 720	-1.0%
4/14/2020	\$ 57	\$ 66	-13.0%	\$ 770	\$ 786	-2.0%
4/15/2020	\$ 67	\$ 68	-2.3%	\$ 837	\$ 854	-2.0%
4/16/2020	\$ 70	\$ 72	-2.0%	\$ 907	\$ 926	-2.0%
4/17/2020	\$ 74	\$ 76	-2.4%	\$ 981	\$ 1,002	-2.1%
4/18/2020	\$ 53	\$ 42	24.4%	\$ 1,034	\$ 1,044	-1.0%
4/19/2020	\$ 6	\$ 3	115.0%	\$ 1,040	\$ 1,047	-0.7%
4/20/2020	\$ 75	\$ 64	16.4%	\$ 1,114	\$ 1,111	0.3%
4/21/2020	\$ 64	\$ 58	10.1%	\$ 1,178	\$ 1,169	0.8%
4/22/2020	\$ 71	\$ 67	5.4%	\$ 1,250	\$ 1,237	1.0%
4/23/2020	\$ 72	\$ 66	9.6%	\$ 1,322	\$ 1,303	1.5%
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4/26/2020	\$ 5	\$ 3	102.1%	\$ 1,463	\$ 1,422	2.9%

Michael Best

Michael Best

	Contract	Effective Date	Most Recent Amendment Date	Expiration Date
1	Parcel Select	10/30/13	May 2017	10/29/23
2	Parcel Return Service	10/30/13	May 2017	10/29/23
3	Priority Mail Outbound	11/05/15	February 2020	11/4/19, amended through 5/1/20; Successor under re-negotiation
4	First-Class Package Service- Outbound (Not To Exceed) 15.99oz	01/02/18	N/A	01/01/21
5	Amazon Transportation for Merchants First- Class Package Service, Priority Mail	05/02/15	June 2019	12/31/19 (expired); Successor under renegotiation

CARES Act Relief Resource Center

Unable to Process

CARES Act Relief Resource Center



COVID-19 Resource Center

CARES Act Relief Resource Center



FTI Annual Report.pdf

COVID-19 Resource Center

CARES Act Relief Resource Center

Brookfield

Brookfield

March 22, 2020

To Whom It May Concern,

This letter is to provide information regarding the functions being performed by the mailing and printing industry in support of the essential government services being provided by the United States Postal Service to the American people.

The Postal Service's provision of postal services throughout the United States is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic. The Postal Service is an entity of the Federal Government, and the provision of postal services to the American people is designated as an essential function under federal law during times of emergency. The postal system is used to deliver, among other things, important governmental information and benefits, mail that is essential to the functioning of our economy, elections materials, and packages containing vital necessities, including medicines and other goods, and is a part of the nation's critical infrastructure.

Postal and shipping workers, including those in the private sector, are also considered essential critical infrastructure workers under recent guidance issued by the Department of Homeland Security. White House and CDC guidance has also stated that such industries have a special responsibility to maintain normal work schedules.

The functioning of the postal system depends critically on the mailing and printing industry. Members of the mailing and printing industry work with the public and private sector to create, print, and enter essential mail into the postal system. The industry also serves a vital role in ensuring that packages are able to be efficiently shipped from sender to recipient.

Therefore, the Postal Service considers that the continued operations of the mailing and printing industry in enabling the delivery of critical mail and packages is vital to the Postal Service's continued performance of its essential functions.

March 22, 2020

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Therefore, the Postal Service considers that the continued operations of the mailing and printing industry in enabling the delivery of critical mail and packages is vital to the Postal Service's continued performance of its essential functions.

<AUTODATE>

To Whom It May Concern,

This letter is to provide information ~~to you~~ regarding the functions being performed by the mailing and printing industry~~(insert industry member name)~~ in support of the essential government services being provided by the United States Postal Service to the American people.

The Postal Service's provision of postal services throughout the United States is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic. The Postal Service is an entity of the Federal Government, and the provision of postal services to the American people is designated as an essential function under federal law during times of emergency. The postal system is used to deliver, among other things, important governmental information and benefits, mail that is essential to the functioning of our economy, elections materials, and packages containing vital necessities, including medicines and other goods, and is a part of the nation's critical infrastructure.

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Therefore, the Postal Service considers that the continued operations of the mailing and printing industry to the extent it~~enables~~enabling the delivery of critical mail and packages is vital to the Postal Service's continued performance of its essential functions.

~~Questions regarding this letter may be directed to the Postal Service at (insert phone number).~~

March 22, 2020

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The Postal Service's provision of postal services throughout the United States is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic. The Postal Service is an entity of the Federal Government, and the provision of postal services to the American people is designated as an essential function under federal law during times of emergency. The postal system is used to deliver, among other things, important governmental information and benefits, mail that is essential to the functioning of our economy, elections materials, and packages containing vital necessities, including medicines and other goods, and is a part of the nation's critical infrastructure.

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Therefore, the Postal Service considers that the continued operations of the mailing and printing industry in enabling the delivery of critical mail and packages is vital to the Postal Service's continued performance of its essential functions.

Talking points for Concerning Legislative Strategy for the Fourth Stimulus Bill
April 1, 2020

- We need to start preparing immediately for the fourth stimulus bill.
- Based upon everything we have heard, the vote on the fourth stimulus bill, which will originate in the House, will occur on or about April 20, 2020. That is two and one half weeks away.
- In addition, we have a meeting scheduled with Congressman Connelly next week, and we fully expect that he will ask us for our legislative ask.
- Further, Democratic staffers from both our House and Senate Oversight Committees have scheduled an exploratory call with Ron Stroman later this afternoon.
- **As an initial matter, we need to agree on what our legislative ask will be.**
 - Initial Board approved legislative ask (\$44.5B)
 - Subsequent Board approved ask in response to a request from the Speaker (\$15B plus elimination of our debt, as the minimum prudent amount necessary to hedge against the substantial risk that the Postal Service will lose all of our liquidity this fiscal year)
 - Support the provisions in the Speaker's draft bill (\$25B/debt forgiveness/\$15B loan)
 - Support the deal approved by Chairman Johnson/Peters (\$13B)
 - Develop a broader set of legislative asks
 - Negotiate directly with POTUS and/or the Treasury Secretary
- In making our decision in this regard, one fact I should point out is that during our meeting yesterday with our union leadership, they stressed that they are hearing that any legislative asks need to be closely tied to COVID-19 issues, and that broader reform requests would not be looked upon favorably.
- While we recognize that this may be in the self-interests of the Unions, we note that Speaker Pelosi was widely criticized by Republicans on the Senate floor with regard to the last stimulus bill, and she has stated publically that she would like a quick consensus bill here.
- She has stated that while the bill should be COVID-19 related, she also wants it to be economic stimulus oriented, which could work in our favor.
- Once we have agreed upon our legislative request, we need to move out quickly. I believe that personal outreach by the Governors to certain key political figures

can help reframe the narrative about the Postal Service as a part of the nation's critical infrastructure that will be needed to perform essential services for the American people.

- Where the Governors can provide the most help in this round is to be focused on changing the Administration's views.
- There seems to be a growing consensus amongst the Board that the best way to do this would be through a direct meeting with POTUS. I am not opposed to this and would be happy to participate in any way I can.
- That said, I still have some concerns that the only way an appropriation for the Postal Service ultimately gets support in the Senate is for the Governors to reach an agreement on a legislative package with the Treasury Secretary, and we may not have sufficient time to make the connections between POTUS and the Secretary.
- In that regard, in a conversation that Ron Stroman had with Chairman Johnson's Chief of Staff, he advised Ron that we needed to be negotiating with the Treasury Secretary.
- Therefore we should think through whether we can have a meaningful dialogue with POTUS that will result in him giving instructions to the Secretary, or whether we should proceed on parallel tracks with the Secretary.
- Assuming parallel tracks are in order, I would suggest the following meetings/calls in an effort to change the Administration's view.
- We would recommend that Reince Priebus arrange a call for Governors Barger and Bloom with POTUS, and I could try to do the same through Peter Navarro. I would also be happy to participate in the call if it would be helpful.
- We would recommend that Chairman Duncan and Governor Martinez arrange a call with the Treasury Secretary to try to determine his issues with providing relief to the Postal Service. I still believe such a call could be important as a hedge strategy in case we can't make enough progress with POTUS, since in that instance the Secretary's views will have outsized influence on the process.
- We would recommend that Reince Priebus arrange a call for Chairman Duncan and Governor Barger with the Chief of Staff to the President, Mark Meadows.
- Assuming some of these conversations bear fruit, and that we reach an accommodation with POTUS and/or Secretary Mnuchin, we would recommend

outreach to our key legislative oversight leaders to inform them that we have such accommodation.

- We would recommend that Reince Priebus set up a call with Chairman Ron Johnson.
- Also, we would recommend that Governor Bloom arrange a call with Chairperson Maloney.
- We would recommend Governor Williams reach out to Majority Leader Steny Hoyer

As I noted, time is of the essence.

Talking points for Concerning Legislative Strategy for the Fourth Stimulus Bill
March 31, 2020

- Thank you Mr. Chairman, and I certainly agree with your point that we need to start preparing immediately for the fourth stimulus bill.
- I appreciate the willingness of the Governors to get personally involved since I believe the primary work that we need to do will be with the Administration, the political access that the Governors have will be invaluable.
- I fully agree with the Chairman's statement that where the Governors can provide the most help in this round is to be focused on changing the Administration's views.
- As the Chairman noted, the financial relief provided through the last stimulus bill was substantially undercut when the Administration would only support a loan, and that loan may come with terms and conditions that are not acceptable to the Postal Service.
- **As an initial matter, we need to agree on what our legislative ask will be.**
 - Initial Board approved legislative ask (\$44.5B)
 - Subsequent Board approved ask in response to a request from the Speaker (\$15B plus elimination of our debt, as the minimum prudent amount necessary to hedge against the substantial risk that the Postal Service will lose all of our liquidity this fiscal year)
 - Support the provisions in the Speaker's draft bill (\$25B/debt forgiveness/\$15B loan)
 - Support the deal approved by Chairman Johnson/Peters (\$13B)
 - Develop a broader set of legislative asks
 - Negotiate directly with the Treasury Secretary
- Once we reach a collective resolution of this issue, I believe there are two primary areas where the personal participation of the Governors will help most.
- First, as the Chairman indicated, it would be very helpful, if we can reach agreement this week, we need to finish the 10-year strategy document. Both the Treasury Secretary and the President's Chief of Staff have let us know that they expect to see our plan, and our credibility would be markedly enhanced I don't think we can develop credibility with the Administration, even for short term relief, if they don't have faith that we have a longer term plan that is more in line with the Administration's expectations.

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- That said, given the pace with which the fourth stimulus bill is moving, we cannot afford to wait beyond this week to reach a consensus on the 10-year strategy document. To put it bluntly, time is of the essence. We need to map out an integrated political strategy that includes a holistic view of the manner we intend to portray the Postal Service, both in response to the present crisis, and for the future.
- Once we have agreed upon our legislative request, we need to move out quickly. are ready to roll out; I believe that personal outreach by the Governors to certain key political figures can help reframe the narrative about the Postal Service as a part of the nation's critical infrastructure that will be need to perform as essential service for the American people.
- We believe the only way an appropriation for the Postal Service gets support in the Senate is for the Governor to reach an agreement on a legislative package with the Treasury Secretary. For that reason, the single most important activity that needs to occur is a discussion with the Secretary, as soon as it can be arranged.
- In that regard, once we are ready to go, I would suggest the following meetings/calls in an effort to change the Administration's view
- We would recommend that Chairman Duncan and Governor Martinez arrange a call with the Treasury Secretary to work out a legislative package that could get support in the Senate. I can't emphasize enough the importance of this call, since the Secretary's views will inform all of our other activities we will purpose to get legislation, given that we believe he has outsized influence on the process.
- We would recommend that Reince Priebus arrange a call for Chairman Duncan and Governor Barger with the Chief of Staff to the President, Mark Meadows.
- Assuming some of these conversations bear fruit, and that we reach an accommodation with Secretary Mnuchin, we would recommend outreach to our key legislative oversight leaders to inform them that we have such accomodation.
- We would recommend that Reince Priebus set up a call with Chairman Ron Johnson.
- Also, we would recommend that Governor Bloom arrange a call with Chairperson Maloney.
- We would recommend Governor Williams reach out to Majority Leader Steny Hoyer

• As I noted, Time is of the essence – given what we're hearing – I'll ask Ron to provide some insight on timing.

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Congress of the United States

Washington, DC 20510

April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with urgent concerns regarding the financial condition of the U.S. Postal Service and the \$10 billion loan Congress authorized the Department of the Treasury to provide to the Postal Service in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.¹ The Coronavirus emergency and resulting decline in economic activity have jeopardized the Postal Service's ability to continue providing essential services to every American. We urge you to make this loan as soon as possible, with terms that respect the Postal Service's status and authorities as an independent establishment of the executive branch. We cannot afford to lose this vital infrastructure at a time when it is most needed to continue delivering prescription drugs, critical packages to households and businesses, Coronavirus-related information, vote-by-mail materials, testing kits, medical equipment, and eventually vaccines across this nation.

On March 20, the Postal Service notified our Committees that due to the Coronavirus emergency it will "run out of cash due to a potential decline in revenue of \$8-\$10 billion and may have to limit or cease operations by the end of this fiscal year." The Postal Service subsequently provided revenue projections indicating that it could lose up to \$12.6 billion in revenues this fiscal year as a result of the pandemic. During the Coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including costs of additional facility cleanings, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs.²

Meanwhile, the Postal Service continues to provide universal, essential services in every community across the nation, delivering medications, emergency information, home supplies, and more. The Postal Service is a lifeline for seniors and for people in rural areas, who often have less access to other services, particularly during this crisis. Postal workers deliver mail and packages to over 159 million households and businesses each day, including over 1 billion prescriptions last year. Businesses rely on the Postal Service to carry their packages the last

¹ Pub. L. No. 116-136 (2020).

² See, for example, U.S. Postal Service, *How Can We Help?: USPS Coronavirus Updates for Residential Customers* (Mar. 24, 2020) (faq.usps.com/s/article/USPS-Coronavirus-Updates-for-Residential-Customers).

mile, particularly in remote and rural areas, as the only carrier that delivers to every single address. Furthermore, the Postal Service is at the center of a \$1.4 trillion mailing industry that employs more than 7.5 million people.³

Enacted on March 27, the CARES Act authorizes the Postal Service to borrow up to an additional \$10 billion from the Department of the Treasury (Treasury) “if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money.” The terms of this loan are to be “mutually agreed upon by the Secretary and the Postal Service.”⁴ In discussions with Senate authorizers regarding these provisions, you indicated that a loan would be made “at the Treasury rate.” This compromise was made with the understanding that Treasury would act swiftly to provide immediate, necessary financial relief to the Postal Service with a loan under practical, commonsense financial terms.

We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the CARES Act, and with respect to the proper authorities delegated to the Postal Service. Congress maintains the authority to set the policies by which the Postal Service operates, delegated by statute to the Postal Service Board of Governors and the Postmaster General. The Board of Governors has the exclusive authority to direct the exercise of “the power of the Postal Service,”⁵ appoint or remove the Postmaster General, and “direct and control the expenditures and review the practices and policies of the Postal Service.”⁶ We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service’s statutory authorities. We cannot afford to compromise this lifeline for seniors, rural areas, and all Americans.

To ensure the terms and conditions that Treasury intends to negotiate with the Postal Service comply with federal statutes and vested authorities, we ask that you provide us with the following documents within one week after the Postal Service requests a loan under the CARES Act:

- The terms and conditions the Treasury will propose to the Postal Service for the exercise of this borrowing authority, as well as any terms and conditions provisionally agreed upon with the Postal Service, including information about any postal policy and/or operational provisions Treasury intends to improperly include as a condition of borrowing;

³ U.S. Postal Service, *Postal Facts: Sizing It Up* (facts.usps.com/size-and-scope) (accessed Mar. 30, 2020).

⁴ Pub. L. 116-136 (2020).

⁵ 39 U.S.C. § 202(a)(1).

⁶ 39 U.S.C. § 202(c); 39 U.S.C. §205(a).

- A statement of when Treasury will allow the Postal Service to exercise its borrowing authority; and
- For context regarding the current negotiations, all signed or proposed borrowing agreements (Note Purchase Agreements), as well as all “term sheets” and communications regarding these agreements, between the Postal Service and the Treasury Department since 2018. It is our understanding the last permanent agreement expired in September 2018, and an interim agreement expired in August 2019.

Thank you for your attention to this urgent matter.

Sincerely,



Gary C. Peters
Ranking Member
Senate Committee on Homeland
Security and Governmental Affairs



Carolyn B. Maloney
Chairwoman
House Committee on Oversight
and Reform



Tom Carper
Ranking Member
Senate Permanent Subcommittee on
Investigations



Gerald E. Connolly
Chairman
House Subcommittee on Government
Operations



May 5, 2020

The Honorable Robert M. Duncan
Chairman
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable John M. Barger
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable Ron A. Bloom
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable Roman Martinez IV
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

Dear Mr. Chairman and Governors:

On behalf of the Postal Service's 500,000 craft employees, we write to express our appreciation for the leadership you have shown during the current national crisis caused by the COVID-19 pandemic and to urge you to resist inappropriate interference by the Treasury Department in the management and operations of the Postal Service.

As our members across the country in post offices, on delivery routes, and in processing plants and other facilities face down the dangers of providing essential services during a pandemic, we thank you for fighting for the survival of the Postal Service -- a national treasure and a truly essential public service.

We specifically applaud your unanimous endorsement of immediate legislative relief to help the Postal Service survive this crisis so that we can continue to help America fight this pandemic and eventually recover from the deep recession it has caused. Our members are proud to be delivering goods to families that are sheltering in place, medicines and supplies to those who are sick, relief checks to suffering citizens and vital public health information to the entire country. And the industry -- mailers, shippers and suppliers -- is committed to respond to and fulfill these critical public needs, and work with the Postal Service to deliver them as well. The assistance you are seeking from Congress will allow us to serve these vital functions. We want to continue to deliver for the Nation.

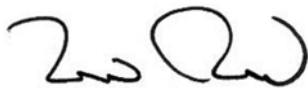
USPS Board of Governors
May 5, 2020
Page 2

We also urge you to continue to resist inappropriate efforts by the Department of Treasury to interfere with the management of the Postal Service or to place conditions on access to credit provided by the Postal Reorganization Act or the CARES Act -- conditions that would weaken the legal authorities of the Board of Governors and the Postal Regulatory Commission. It is the role of a democratically elected Congress to set postal policy in this country, and it is the role of the Board and the PRC to implement that policy with the managerial and regulatory discretion provided by law. The Treasury Department has no authority to re-write the law or impose its policy preferences on the Postal Service – or the country.

In a few years' time, when this pandemic and this economic crisis are behind us, the Postal Service will celebrate its 250th anniversary. If we all work together to preserve the institution that we love and depend upon, on that anniversary we will be able to look back at this time as being among the finest in the long proud history of the Postal Service.

Thanks again for your leadership.

Sincerely,



Fredric V. Rolando
President
National Association of Letter Carriers



Mark Dimondstein
President
American Postal Workers Union



Ronnie Stutts
President
National Rural Letter Carriers Association



Paul Hogrogian
President
National Postal Mail Handlers Union

Cc: Postmaster General Megan Brennan
Deputy Postmaster General Ronald Stroman

This letter responds to your request of April 3, 2020 for information regarding the Postal Service's immediate financial condition following the onset of the Coronavirus Disease 2019 (COVID-19) pandemic, and the Postal Service's plans regarding the additional \$10 billion in borrowing authority recently authorized by Congress in the CARES Act. The requested information is below.

The Postal Service Board of Governors and management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home due to the COVID-19 pandemic. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. Every day, the dedicated men and women of the Postal Service accept, process, transport, and deliver vital mail and packages to communities throughout the Nation.

The Postal Service is fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our critical mailing and shipping services both in the near term, and into the future. However, as I discussed during our teleconference on April 9, 2020 on these matters, and detail further below, the COVID-19 pandemic is having a profoundly negative impact on our financial condition. The result is a liquidity crisis due to the pandemic that requires immediate action by Congress to ensure our continued ability to provide our critical services to the American people in a prompt, reliable, and efficient manner.

1. The most recent financial estimates regarding the Postal Service's finances through the end of the fiscal year, under expected economic conditions, including: projected revenue, expenses, emergency expenses, and cash-on-hand. Such estimates should include information about the attendant economic assumptions. We request that you send a copy of the estimates that will be used in discussions with the Treasury Department about borrowing, and continue to send updated estimates as necessary.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with volumes, the impact of the last great recession on the Postal Service's volume after GDP growth resumed, and what mailers are [communicating to](#)informing the Postal Service regarding their short-term plans.

The first known is what is currently happening with volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. The first week of the COVID-impact (3/16-3/21) the Postal Service saw [total](#) delivered mail volume (consisting of letters and flats) decline by 5.3%. The week of March 22nd total delivered mail [volume](#) declined by 7.5%, the week of March 29th total delivered mail [volume](#) declined by 24.2%, and the week of April 5th total delivered mail [volume](#) declined by 32.2%. Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (3/16-3/21) the Postal Service saw delivered package [volumes](#) decline by 1.0%. The week of March 22nd total delivered package [volumes](#) grew by 5.0%, the week of March 29th total delivered package [volumes](#) increased by 11.8%, and the week of April 5th total delivered package [volumes](#) increased by 20.7%.

Although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading [concerning about](#) our financial condition [and stability](#), and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce

because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During that recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and then reafter returned to n-began-a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and \$9.2B in total revenue were lost during this period, with \$6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

There are three components to the COVID-19 impact that are unknown and make the effects of the pandemic extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the 2008-2009 recession, mail volume never returned and we suffered a permanent 20% decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).¹ In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the recession of 2008-2009 caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the last recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months and the longer-term outlook:

- Short-term impact - Postal Q3 & Q4 (April – September)
 - We expect a Significant significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19
 - which will cause We projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
 - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.

Commented [MTJ-WD1]: Megan has been using this figure, but above we say 20.7%, which is really 21%.

¹ WSJ Survey of Economists - <https://www.wsj.com/graphics/econsurvey/>

- For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels (as noted, current projections by economists suggest this will be worse than the great recession; (when we lost over approximately 20% of volumes), due to the overall economic impact the lock-down is having).
- For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond
 - The longer-term projection suggests a return to a "new normal" of about 755% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declinetrends will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a s-being-conservative, rather than worst case, because it is conceivable that the impact of COVID-19 on mail volumes will be even more dire than we are anticipating.

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Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Depending on the severity and length of the economic lock-down, cOur current projections, which are based upon the assumptions indicated herein, indicate the Postal Service would be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional \$10B Treasury loan under the CARES Act, or alternative funding mechanisms). At thats time, the Postal Service would have less than 1 payroll of cash remaining (payroll is ~\$2B bi-weekly), with a negative cash balance projected for October, when the \$1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extendeddeferred until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~\$1.1B thru September 2020), and our ability to obtain an additional \$3.4B from the Federal Financing Bank pursuant to a short-term lending note that was available to us under our existing statutory borrowingdebt authority of up to \$45B. A portion of this note (\$400M) must be repaid by September 2020, while the remaining \$3B must be repaid by April 2, 2021.

Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by \$22.8B versus previous projections as a directly result of the impacts of due to the COVID-19 pandemic. Based upon our current We are projections, we willed to run out of cash in **April 2021** even if we secure the additional \$10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by \$54.3B versus previous projections directly due to the COVID-19 pandemic.

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The Postal Service will do what it can to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. Due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act (H.R. 6201), our ability to significantly reduce expenses in the short-run is limited. That said, based upon these projected volume reductions, over the next 18 months we would be requiredus to reduce 123 million workhours over the next 18 months by 123 million, which is the equivalent of approximately 69,000 Full-Time positionsEquivalents (FTEs). The savings associated with those reduced workhours, however, are diminished because the new leave provisions of H.R. 6201 added additional costs to the Postal Service that are estimated to be approximately \$600M-\$900M depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over \$100M over the next 6 months.

Given the economic uncertainty underlying all of this, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and

the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

2. A clear public statement from the Postal Service regarding its expected financial condition, to inform its customers about its revenues, expenses, and expected solvency.

On April 10, we issued a public statement on our financial condition and our stimulus needs, which is available at <https://about.usps.com/newsroom/statements/041020-pmg-statement-on-usps-stimulus-needs.htm>.

3. A statement of the amount of funds the Postal Service intends to request from the Treasury Department under the CARES Act, including the terms requested by the Postal Service for the authorized loan.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing, and will update you when those negotiations are completed. However, we anticipate that we will be required to borrow the full \$10 billion that is available, for the reasons noted herein.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 27, 2020

M-20-24

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Russell T. Vought 
Acting Director

SUBJECT: Implementing the Presidential Transition Act

This Memorandum provides guidance to all Executive departments and agencies (“agencies”) on assisting the Presidential transition activities required by the Presidential Transition Act of 1963, as amended (3 U.S.C. § 102 note).

Background

The Presidential Transition Act promotes the orderly transfer of Executive powers in connection with the expiration of the term of office of a President and the inauguration of a new President. The activities required by the Act are also helpful to prepare for leadership transitions that occur between the first and second terms of Administrations.

The Act requires the establishment of a White House Transition Coordinating Council, an Agency Transition Directors Council, and designation of a General Services Administration (GSA) Federal Transition Coordinator. The Act sets up a timetable for agencies to name points of contact to assist with transition efforts and develop succession plans and establishes responsibilities for the Agency Transition Directors Council.

Timetable of Required Agency Actions

1. By May 1, 2020, each agency identified in Enclosure 1 shall name its Agency Transition Director. The Agency Transition Director should be a senior career representative whose responsibilities include leading Presidential transition efforts within the agency. Agencies shall provide the name, title, email address, and telephone number for their Agency Transition Directors to GSA’s Federal Transition Coordinator at PresidentialTransition2020@gsa.gov. These individuals will serve on the Agency Transition Directors Council, co-chaired by the Federal Transition Coordinator and the Deputy Director for Management of the Office of Management and Budget (OMB).

2. By May 1, 2020, each agency identified in Enclosure 2 shall identify a point of contact for communication purposes related to Presidential transition efforts. Agencies shall provide the name, title, email address, and telephone number for their communication coordination to GSA's Federal Transition Coordinator at PresidentialTransition2020@gsa.gov.
3. Not later than September 15, 2020, and in accordance with subchapter III of chapter 33 of title 5, United States Code, the head of each agency¹ shall ensure that a succession plan² is in place for each senior non-career position in the agency.

Responsibilities

The Agency Transition Directors Council shall:

- i. Ensure the Federal Government has an integrated strategy for addressing interagency challenges and responsibilities around Presidential transitions and turnover of non-career appointees;
- ii. Coordinate transition activities among the Executive Office of the President, agencies, and the transition team of eligible candidates and the President-elect and vice-President-elect;
- iii. Draw on guidance provided by the White House Transition Coordinating Council and lessons learned from previous Presidential transitions in carrying out its duties;
- iv. Assist the Federal Transition Coordinator in identifying and carrying out the responsibilities of the Federal Transition Coordinator relating to a Presidential transition;
- v. Provide guidance to agencies in gathering briefing materials and information relating to the Presidential transition that may be requested by eligible candidates;
- vi. Ensure materials and information described in subparagraph (v) above are prepared not later than November 1 of the year during which a Presidential election is held;
- vii. Ensure agencies adequately prepare career employees who are designated to fill non-career positions during a Presidential transition; and
- viii. Consult with the President's Management Council, or any successor thereto, in carrying out its duties.

OMB and GSA intend to hold an Agency Transition Directors Council meeting on May 27, 2020. Calendar invitations will be distributed to the Agency Transition Directors in advance of the meeting.

¹ As used in this memorandum, the term 'agency' means an Executive agency, as defined in section 105 of title 5, United States Code.

² Required pursuant to the Presidential Transition Enhancements Act of 2019 (Pub. L. 116-121).

If you have any questions regarding this Memorandum, please contact Mary Gibert, Federal Transition Coordinator at GSA (mary.gibert@gsa.gov).

Enclosures:

1. List of Agencies to Provide Agency Transition Director
2. List of Agencies to Provide Presidential Transition Communication Point of Contact Information
3. Text of Presidential Transition Act of 1963, as amended (3 U.S.C. 102 note)

Enclosure 1

List of Agencies to Provide Agency Transition Director

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Environmental Protection Agency
National Aeronautics and Space Administration
Office of Personnel Management
Office of Government Ethics
National Archives and Records Administration

List of Agencies to Provide Presidential Transition
Communication Point of Contact Information

Ability One
Access Board
Administrative Conference of the U.S.
Advisory Council on Historic Preservation
African Development Foundation
Alaska Natural Gas
American Battle Monuments Commission
American National Red Cross
Amtrak (National Railroad Passenger Corporation)
Appalachian Regional Commission
Barry Goldwater Scholarship and Excellence in Education Foundation
Broadcasting Board of Governors
Chemical Safety Board
Christopher Columbus Fellowship Foundation
Commission for the Preservation of America's Heritage Abroad
Commission on Civil Rights
Commission on Fine Arts
Commodity Futures and Trading Commission
Consumer Financial Protection Bureau
Consumer Product Safety Commission
Corporation for National and Community Service
Corporation for Public Broadcasting
Council of Governors
Defense Nuclear Facilities Safety Board
Delta Regional Authority
Denali Commission
District of Columbia Commission on Judicial Disabilities and Tenure
Dwight D. Eisenhower Memorial Commission
Election Assistance Commission
Equal Employment Opportunity Commission
Export Import Bank of the United States
Farm Credit Administration
Federal Agricultural Mortgage Corporation (Farmer Mac)
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Election Commission
Federal Energy Regulatory Commission
Federal Housing Finance Agency
Federal Labor Relations Authority
Federal Maritime Commission
Federal Mediation and Conciliation Service

Federal Mine Safety and Health Review Commission
Federal Permitting Improvement Steering Council
Federal Reserve Board
Federal Retirement Thrift Investment Board
Federal Trade Commission
Gulf Coast Ecosystem Restoration Council
Harry S. Truman Scholarship Foundation
Institute of American Indian Arts
Institute of Museum and Library Services
Interagency Council on Homelessness
Inter-American Foundation
Inter-American Tropical Tuna Commission
International Boundary and Water Commission
International Pacific Halibut Commission
Interstate Commission on the Potomac River Basin
J. William Fulbright Foreign Scholarship Board
James Madison Memorial Fellowship Foundation
John F. Kennedy Center for the Performing Arts
Legal Services Corporation
Marine Mammal Commission
Merit Systems Protection Board
Metropolitan Washington Airports Authority
Mickey Leland National Urban Air Toxic Research Committee
Millennium Challenge Corporation
Mississippi River Commission
Morris K. Udall and Stewart L. Udall Foundation
National Capital Planning Commission
National Consumer Cooperative Bank
National Council on Disability
National Credit Union Administration
National Endowment for the Arts
National Endowment for the Humanities
National Indian Gaming Commission
National Institute of Building Sciences
National Labor Relations Board
National Mediation Board
National Science Foundation
National Transportation Safety Board
Northern Border Regional Commission
Nuclear Regulatory Commission
Nuclear Waste Technical Review Board
Occupational Safety and Health Review Commission
Office of Navajo and Hopi Indian Relocation
Office of the Director of National Intelligence
Overseas Private Investment Corporation
Peace Corps

Pension Benefit Guaranty Corporation
Postal Regulatory Commission
President's Commission on White House Fellowships
President's Committee on the Arts and the Humanities
Presidio Trust
Privacy and Civil Liberties Oversight Board
Railroad Retirement Board
Selective Service System
Small Business Administration
Smithsonian Institution
Social Security Administration
Social Security Advisory Board
State Justice Institute
Tennessee Valley Authority
U.S. Agency for International Development
U.S. Institute of Peace
U.S. International Trade Commission
U.S. Mission to the United Nations
U.S. Office of Special Counsel
U.S. Postal Service
U.S. Securities and Exchange Commission
U.S. Trade and Development Agency
United Service Organizations
United States Commission on International Religious Freedom
United States Holocaust Memorial Museum
United States Patent & Trademark Office
Utah Reclamation Mitigation and Conservation Commission
Vietnam Education Foundation
Woodrow Wilson International Center for Scholars (Board of Trustees)
World War I Centennial Commission

Enclosure 3

Text of Presidential Transition Act of 1963, as amended (3 U.S.C. 102 note)

<https://www.govinfo.gov/content/pkg/PLAW-114publ136/pdf/PLAW-114publ136.pdf>

Public Law 114–136
114th Congress

An Act

To improve the process of presidential transition.

Mar. 18, 2016

[S. 1172]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Edward ‘Ted’ Kaufman and Michael Leavitt Presidential Transitions Improvements Act of 2015”.

Edward ‘Ted’
Kaufman and
Michael Leavitt
Presidential
Transitions
Improvements
Act of 2015.
5 USC 101 note.

SEC. 2. PRESIDENTIAL TRANSITION IMPROVEMENTS.

(a) IN GENERAL.—The Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

- (1) by redesignating sections 4, 5, and 6 as sections 5, 6, and 7, respectively; and
- (2) by inserting after section 3 the following:

“SEC. 4. TRANSITION SERVICES AND ACTIVITIES BEFORE ELECTION.

“(a) DEFINITIONS.—In this section—

“(1) the term ‘Administrator’ means the Administrator of General Services;

“(2) the term ‘agency’ means an Executive agency, as defined in section 105 of title 5, United States Code;

“(3) the term ‘eligible candidate’ has the meaning given that term in section 3(h)(4); and

“(4) the term ‘Presidential election’ means a general election held to determine the electors of President and Vice President under section 1 or 2 of title 3, United States Code.

“(b) GENERAL DUTIES.—The President shall take such actions as the President determines necessary and appropriate to plan and coordinate activities by the Executive branch of the Federal Government to facilitate an efficient transfer of power to a successor President, including by—

“(1) establishing and operating a White House transition coordinating council in accordance with subsection (d); and

“(2) establishing and operating an agency transition directors council in accordance with subsection (e).

“(c) FEDERAL TRANSITION COORDINATOR.—The Administrator shall designate an employee of the General Services Administration who is a senior career appointee to—

Designation.

“(1) carry out the duties and authorities of the General Services Administration relating to Presidential transitions under this Act or any other provision of law;

“(2) serve as the Federal Transition Coordinator with responsibility for coordinating transition planning across agencies, including through the agency transition directors council established under subsection (e);

“(3) ensure agencies comply with all statutory requirements relating to transition planning and reporting; and

“(4) act as a liaison to eligible candidates.

“(d) WHITE HOUSE TRANSITION COORDINATING COUNCIL.—

Deadline.

“(1) ESTABLISHMENT.—Not later than 6 months before the date of a Presidential election, the President shall establish a White House transition coordinating council for purposes of facilitating the Presidential transition.

“(2) DUTIES.—The White House transition coordinating council shall—

“(A) provide guidance to agencies and the Federal Transition Coordinator regarding preparations for the Presidential transition, including succession planning and preparation of briefing materials;

“(B) facilitate communication and information sharing between the transition representatives of eligible candidates and senior employees in agencies and the Executive Office of the President; and

“(C) prepare and host interagency emergency preparedness and response exercises.

“(3) MEMBERSHIP.—The members of the White House transition coordinating council shall include—

“(A) senior employees of the Executive branch selected by the President, which may include the Chief of Staff to the President, any Cabinet officer, the Director of the Office of Management and Budget, the Administrator, the Director of the Office of Personnel Management, the Director of the Office of Government Ethics, and the Archivist of the United States;

“(B) the Federal Transition Coordinator;

“(C) the transition representative for each eligible candidate, who shall serve in an advisory capacity; and

“(D) any other individual the President determines appropriate.

“(4) CHAIRPERSON.—The Chairperson of the White House transition coordinating council shall be a senior employee in the Executive Office of the President, designated by the President.

“(e) AGENCY TRANSITION DIRECTORS COUNCIL.—

Establishment.

“(1) IN GENERAL.—The President shall establish and operate an agency transition directors council, which shall—

“(A) ensure the Federal Government has an integrated strategy for addressing interagency challenges and responsibilities around Presidential transitions and turnover of noncareer appointees;

“(B) coordinate transition activities between the Executive Office of the President, agencies, and the transition team of eligible candidates and the President-elect and Vice-President-elect; and

“(C) draw on guidance provided by the White House transition coordinating council and lessons learned from previous Presidential transitions in carrying out its duties.

“(2) DUTIES.—As part of carrying out the responsibilities under paragraph (1), the agency transition directors council shall—

“(A) assist the Federal Transition Coordinator in identifying and carrying out the responsibilities of the Federal Transition Coordinator relating to a Presidential transition;

“(B) provide guidance to agencies in gathering briefing materials and information relating to the Presidential transition that may be requested by eligible candidates;

“(C) ensure materials and information described in subparagraph (B) are prepared not later than November 1 of a year during which a Presidential election is held;

“(D) ensure agencies adequately prepare career employees who are designated to fill non-career positions under subsection (f) during a Presidential transition; and

“(E) consult with the President’s Management Council, or any successor thereto, in carrying out the duties of the agency transition directors council.

“(3) MEMBERSHIP.—The members of the agency transition directors council shall include—

“(A) the Federal Transition Coordinator and the Deputy Director for Management of the Office of Management and Budget, who shall serve as Co-Chairpersons of the agency transition directors council;

“(B) other senior employees serving in the Executive Office of the President, as determined by the President;

“(C) a senior representative from each agency described in section 901(b)(1) of title 31, United States Code, the Office of Personnel Management, the Office of Government Ethics, and the National Archives and Records Administration whose responsibilities include leading Presidential transition efforts within the agency;

“(D) a senior representative from any other agency determined by the Co-Chairpersons to be an agency that has significant responsibilities relating to the Presidential transition process; and

“(E) during a year during which a Presidential election will be held, a transition representative for each eligible candidate, who shall serve in an advisory capacity.

“(4) MEETINGS.—The agency transition directors council shall meet—

“(A) subject to subparagraph (B), not less than once per year; and

“(B) during the period beginning on the date that is 6 months before a Presidential election and ending on the date on which the President-elect is inaugurated, on a regular basis as necessary to carry out the duties and authorities of the agency transition directors council.

“(f) INTERIM AGENCY LEADERSHIP FOR TRANSITIONS.—

“(1) OVERSIGHT AND IMPLEMENTATION OF TRANSITION.—Not later than 6 months before the date of a Presidential election, the head of each agency shall designate a senior career employee of the agency and a senior career employee of each major component and subcomponent of the agency to oversee and implement the activities of the agency, component, or subcomponent relating to the Presidential transition.

Time periods.

Deadlines.

Designation.

Deadline.

“(2) ACTING OFFICERS.—Not later than September 15 of a year during which a Presidential election occurs, and in accordance with subchapter III of chapter 33 of title 5, United States Code, for each noncareer position in an agency that the head of the agency determines is critical, the head of the agency shall designate a qualified career employee to serve in the position in an acting capacity if the position becomes vacant.

Deadline.

“(g) MEMORANDUMS OF UNDERSTANDING.—

“(1) IN GENERAL.—Not later than November 1 of a year during which a Presidential election occurs, the President (acting through the Federal Transition Coordinator) shall, to the maximum extent practicable, negotiate a memorandum of understanding with the transition representative of each eligible candidate, which shall include, at a minimum, the conditions of access to employees, facilities, and documents of agencies by transition staff.

“(2) EXISTING RESOURCES.—To the maximum extent practicable, the memorandums of understanding negotiated under paragraph (1) shall be based on memorandums of understanding from previous Presidential transitions.

“(h) EQUITY IN ASSISTANCE.—Any information or other assistance provided to eligible candidates under this section shall be offered on an equal basis and without regard to political affiliation.

“(i) REPORTS.—

“(1) IN GENERAL.—The President, acting through the Federal Transition Coordinator, shall submit to the Committee on Oversight and Government Reform of the House of Representatives and the Committee on Homeland Security and Governmental Affairs of the Senate reports describing the activities undertaken by the President and agencies to prepare for the transfer of power to a new President.

“(2) TIMING.—The reports under paragraph (1) shall be provided 6 months and 3 months before the date of a Presidential election.”

(b) OTHER IMPROVEMENTS.—Section 3 of the Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

(1) in subsection (a)—

(A) in paragraph (8)—

(i) in subparagraph (A)(i)—

(I) by inserting “and during the term of a President” after “during the transition”; and

(II) by striking “after inauguration”; and

(ii) in subparagraph (B), by inserting “or Executive agencies (as defined in section 105 of title 5, United States Code)” before the period; and

(B) in paragraph (10), by inserting “including, to the greatest extent practicable, human resource management system software compatible with the software used by the incumbent President and likely to be used by the President-elect and Vice President-elect” before the period;

(2) in subsection (b)(2), by striking “30 days” and inserting “180 days”;

(3) in subsection (g), by inserting “except for activities under subsection (a)(8)(A),” before “there shall be no”; and

(4) in subsection (h)(2), by adding at the end the following:

“(D) An eligible candidate shall have a right to the services and facilities described in this paragraph until the date on which the Administrator is able to determine the apparent successful candidates for the office of President and Vice President.”.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 3 of the Pre-Election Presidential Transition Act of 2010 (3 U.S.C. 102 note) is repealed.

(2) The Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

(A) in section 3—

(i) in subsection (a)(4)(B), by striking “section 6” and inserting “section 7”;

(ii) in subsection (b), in the matter preceding paragraph (1), by striking “section 3 of this Act” and inserting “this section”; and

(iii) in subsection (h)(3)(B)(iii), by striking “section 5” each place it appears and inserting “section 6”;

(B) in section 6, as redesignated by subsection (a) of this section, by striking “section 6(a)(1)” each place it appears and inserting “section 7(a)(1)”; and

(C) in section 7(a)(2), as redesignated by subsection (a) of this section, by striking “section 4” and inserting “section 5”.

(3) Section 8331(1)(K) of title 5, United States Code, is amended by striking “section 4” and inserting “section 5”.

(4) Section 8701(a)(10) of title 5, United States Code, is amended by striking “section 4” and inserting “section 5”.

(5) Section 8901(1)(I) of title 5, United States Code, is amended by striking “section 4” and inserting “section 5”.

SEC. 3. NATIONAL ARCHIVES PRESIDENTIAL TRANSITION.

Section 2203(g) of title 44, United States Code, is amended—

(1) by redesignating paragraph (3) as paragraph (4); and

(2) by inserting after paragraph (2) the following:

“(3) When the President considers it practicable and in the public interest, the President shall include in the President’s budget transmitted to Congress, for each fiscal year in which the term of office of the President will expire, such funds as may be necessary for carrying out the authorities of this subsection.”.

SEC. 4. REPORTS ON POLITICAL APPOINTEES APPOINTED TO NON-POLITICAL PERMANENT POSITIONS.

5 USC 3101 note

(a) DEFINITIONS.—In this section—

(1) the term “agency” has the meaning given the term “Executive agency” in section 105 of title 5, United States Code;

(2) the term “covered civil service position” means a position in the civil service (as defined in section 2101 of title 5, United States Code) that is not—

(A) a temporary position; or

(B) a political position;

(3) the term “former political appointee” means an individual who—

(A) is not serving in an appointment to a political position; and

(B) served as a political appointee during the 5-year period ending on the date of the request for an appointment to a covered civil service position in any agency;

(4) the term “political appointee” means an individual serving in an appointment to a political position; and

(5) the term “political position” means—

(A) a position described under sections 5312 through 5316 of title 5, United States Code (relating to the Executive Schedule);

(B) a noncareer appointment in the Senior Executive Service, as defined under paragraph (7) of section 3132(a) of title 5, United States Code; or

(C) a position in the executive branch of the Government of a confidential or policy-determining character under schedule C of subpart C of part 213 of title 5, Code of Federal Regulations.

(b) REPORTING ON CURRENT OR RECENT POLITICAL APPOINTEES APPOINTED TO COVERED CIVIL SERVICE POSITIONS.—

(1) ANNUAL REPORT.—Except as provided in paragraph (2), the Director of the Office of Personnel Management shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives an annual report regarding requests by agencies to appoint political appointees or former political appointees to covered civil service positions. Each report shall cover one calendar year and shall—

(A) for each request by an agency that a political appointee be appointed to a covered civil service position during the period covered by the report, provide—

(i) the date on which the request was received by the Office of Personnel Management;

(ii) subject to subsection (c), the name of the individual and the political position held by the individual, including title, office, and agency;

(iii) the date on which the individual was first appointed to a political position in the agency in which the individual is serving as a political appointee;

(iv) the grade and rate of basic pay for the individual as a political appointee;

(v) the proposed covered civil service position, including title, office, and agency, and the proposed grade and rate of basic pay for the individual;

(vi) whether the Office of Personnel Management approved or denied the request; and

(vii) the date on which the individual was appointed to a covered civil service position, if applicable; and

(B) for each request by an agency that a former political appointee be appointed to a covered civil service position during the period covered by the report, provide—

(i) the date on which the request was received by the Office of Personnel Management;

(ii) subject to subsection (c), the name of the individual and the political position held by the individual, including title, office, and agency;

(iii) the date on which the individual was first appointed to any political position;

(iv) the grade and rate of basic pay for the individual as a political appointee;

(v) the date on which the individual ceased to serve in a political position;

(vi) the proposed covered civil service position, including title, office, and agency, and the proposed grade and rate of basic pay for the individual;

(vii) whether the Office of Personnel Management approved or denied the request; and

(viii) the date on which the individual was first appointed to a covered civil service position, if applicable.

(2) **QUARTERLY REPORT IN CERTAIN YEARS.**—In the last year of the term of a President, or, if applicable, the last year of the second consecutive term of a President, the report required under paragraph (1) shall be submitted quarterly and shall cover each quarter of the year, except that the last quarterly report shall also cover January 1 through 20 of the following year.

(c) **NAMES AND TITLES OF CERTAIN APPOINTEES.**—If determined appropriate by the Director of the Office of Personnel Management, a report submitted under subsection (b) may exclude the name or title of a political appointee or former political appointee—

(1) who—

(A) was requested to be appointed to a covered civil service position; and

(B) was not appointed to a covered civil service position;

or

(2) relating to whom a request to be appointed to a covered civil service position is pending at the end of the period covered by that report.

SEC. 5. REPORT ON REGULATIONS PROMULGATED NEAR THE END OF PRESIDENTIAL TERMS.

(a) **DEFINITIONS.**—In this section:

(1) The term “covered presidential transition period” means each of the following:

(A) The 120-day period ending on January 20, 2001.

(B) The 120-day period ending on January 20, 2009.

(C) The 120-day period ending on January 20, 2017.

(2) The term “covered regulation” means a final significant regulatory action promulgated by an Executive department.

(3) The term “significant regulatory action” means any regulatory action that is likely to result in a rule that may—

(A) have an annual effect on the economy of \$100,000,000 or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities;

(B) create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(C) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(D) raise novel legal or policy issues.

(4) The term “Executive department” has the meaning given that term under section 101 of title 5, United States Code.

(b) **REPORT.**—

(1) IN GENERAL.—The Comptroller General of the United States shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives a report regarding covered regulations promulgated during each covered presidential transition period.

(2) CONTENTS OF REPORT.—The report required under paragraph (1) shall, to the extent feasible, for each covered presidential transition period—

Time periods.

(A) compare the number, scope, and impact of, and type of rulemaking procedure used for, covered regulations promulgated during the covered presidential transition period to the number, scope, and impact of, and type of rulemaking procedure used for, covered regulations promulgated during the 120-day periods ending on January 20 of each year after 1996, other than 2001, 2009, and 2017;

Determination.

(B) determine the statistical significance of any differences identified under subparagraph (A) and whether and to what extent such differences indicate any patterns;

Evaluation.

(C) evaluate the size, scope, and effect of the covered regulations promulgated during the covered presidential transition period; and

Assessment.

(D) assess the extent to which the regularly required processes for the promulgation of covered regulations were followed during the covered presidential transition period, including compliance with the requirements under—

(i) chapter 8 of title 5, United States Code (commonly known as the “Congressional Review Act”);

(ii) the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 601 note);

(iii) sections 202, 203, 204, and 205 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1532–1535);

(iv) chapter 6 of title 5, United States Code (commonly known as the “Regulatory Flexibility Act”); and

(v) chapter 35 of title 44, United States Code (commonly known as the “Paperwork Reduction Act”).

SEC. 6. ANALYSIS OF THREATS AND VULNERABILITIES.

Deadline.
Reports.

(a) IN GENERAL.—Not later than February 15, 2016, the Secretary of Homeland Security shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committees on Oversight and Government Reform and Homeland Security of the House of Representatives a report analyzing the threats and vulnerabilities facing the United States during a presidential transition, which—

(1) shall identify and discuss vulnerabilities related to border security and threats related to terrorism, including from weapons of mass destruction;

(2) shall identify steps being taken to address the threats and vulnerabilities during a presidential transition; and

(3) may include recommendations for actions by components and agencies within the Department of Homeland Security.

(b) FORM.—The report submitted under subsection (a) shall be prepared in unclassified form, but may contain a classified annex.

Approved March 18, 2016.

LEGISLATIVE HISTORY—S. 1172:

HOUSE REPORTS: No. 114–384, Pt. 1 (Comm. on Oversight and Government Reform).

SENATE REPORTS: No. 114–94 (Comm. on Homeland Security and Governmental Affairs).

CONGRESSIONAL RECORD:

Vol. 161 (2015): July 30, considered and passed Senate.

Vol. 162 (2016): Feb. 29, considered and passed House, amended.

Mar. 8, Senate concurred in House amendment.



Mr. Michael Plunkett
President & CEO, PostCom
Association for Postal Commerce
1800 Diagonal Road, Suite 600
Alexandria, VA 22314-2840

Mike,

This letter is in response to your March 31, 2020, co-signed letter regarding the impact of the COVID-19 pandemic on the mailing industry.

The Postal Service understands the profound impact that the pandemic is having on our industry, and the economy generally. Indeed, due to the slowdown in economic activity caused by the pandemic, we are experiencing very significant declines in mail volumes. The end result is that the Postal Service faces a near-term liquidity crisis that threatens our ability to continue providing our critical services, which are more important than ever as Americans shelter in place, work from home, or otherwise practice social distancing.

While the \$10 billion of additional borrowing authority provided in the recent CARES Act was a good start, it is not sufficient by itself to address this liquidity crisis, meaning further immediate action on the part of Congress and the Administration is required. The Board of Governors has unanimously approved a set of recommendations to the Administration and Congress for short-term financial relief that is designed to ensure that the Postal Service can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

We have carefully considered each of the proposals in your letter regarding steps you wish the Postal Service to take concerning our prices and payment terms. After this deliberation, management has determined that the Postal Service is not in a position to adopt an across-the-board decrease in prices, to change our requirement that postage be paid at the time of mailing, or to suspend the July increase in self-declared rates for Inbound Letter Post small packets~~any of those proposals at this time~~. Given our dire liquidity situation, our focus is and must be on taking every step we can to protect our ability to continuing providing our essential services to the American people.

Be assured that the Postal Service recognizes the importance of a thriving mailing industry to our long-term financial sustainability. We are analyzing the appropriateness of working on~~potential options to encourage mailers to return to the mail as our situation stabilizes, and would like to include the mailing industry in the development of potential solutions.~~

We sincerely wish you and your members the best as we all navigate these difficult and uncertain times. We are committed to ensuring the Postal Service remains able to provide the mailing industry with the prompt, reliable, and efficient postal services you and your members have come to expect, and that you continue to need now and in the future.

Sincerely,

Megan J. Brennan

Mr. Michael Plunkett
President & CEO, PostCom
Association for Postal Commerce
1800 Diagonal Road, Suite 600
Alexandria, VA 22314-2840

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We sincerely wish you and your members the best as we all navigate these difficult and uncertain times. We are committed to ensuring the Postal Service remains able to provide the mailing industry with the prompt, reliable, and efficient postal services you and your members have come to expect, and that you continue to need now and in the future.

Sincerely,

Megan J. Brennan

March 31, 2020

The Honorable Cory A. Booker
United States Senate
Washington, DC 20510-3007

Dear Senator Booker:

This responds to your March 25 letter to Postmaster General Megan J. Brennan, cosigned by several of your colleagues, regarding postal operations.

I want to assure you that the U.S. Postal Service is marshalling all possible resources to meet the many challenges posed by the COVID-19 pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. The safety and well-being of our employees and our customers is our highest priority. We are closely following the guidance of the Centers for Disease Control and Prevention (CDC) and other public health authorities, and working to provide our employees with the most up-to-date guidance.

In addition to sharing CDC's guidance on ways to avoid contracting and spreading the virus, the Postal Service is providing employees and customers with information regarding the safety of mail and packages. Both the CDC and the World Health Organization (WHO) have indicated there is no evidence the virus is being spread through the mail. According to WHO, the likelihood of an infected person contaminating commercial goods is low, and the risk of catching the virus from a package that has been moved, traveled and exposed to different conditions and temperatures is also low. Surgeon General Jerome M. Adams has also specifically stated there is no evidence that the virus is being spread through the mail.

As an organization of 630,000 employees throughout the country we have had employees test positive for COVID-19 and we are closely tracking those individuals and establishing contacts and a working relationship with local state or municipal Health Departments in those situations. We note that the percentage of postal employees who have tested positive for the virus is consistent with the percentage of Americans nationwide who have tested positive, even though most of our employees cannot shelter in place and must continue to go to work each day. Their attendance enables the Postal Service to carry out its essential function of accepting, processing, transporting, and delivering mail, including important governmental information and benefits such as Census materials, social security checks and materials advising the public about COVID-19; ballots and political mail; transactional mail that is essential to the functioning of our economy; and packages containing vital necessities like prescription medicines and many other goods purchased online.

In addition to delivering for our customers, the Postal Service is working to keep them informed through educational posters in Post Office lobbies, communications on digital message boards at large Post Offices, [service alerts](#) on usps.com, and special messages communicated through Informed Delivery, a notification service that allows residential customers to receive digital previews of their incoming mail.

Please see the following responses to the specific questions in your letter:

1. **What preventative steps is the USPS taking to ensure its employees do not contract COVID-19? How far apart are employees stationed from one another at distribution and processing centers?**

The Postal Service is continuing to provide employees with information to protect themselves during the pandemic, including special internal and external website pages with information sheets from the CDC, videos and other resources. The Postal Service is also regularly updating employees through

Commented [MNG-WD1]: 3/24 Engage Weekly
Newsletter – Issue 201

articles in postal news publications, messages on video monitors inside postal facilities, and by way of Stand-Up talks with our employees, which our managers and supervisors are instructed to provide only in ways that assure proper social distancing between employees.

Commented [MNG-WD2]: 3/24 Engage Weekly Newsletter – Issue 201

The Postal Service also makes gloves, sanitizer, and disinfectant available to our employees. While we have experienced problems in some locations with supply, the Postal Service is constantly monitoring the situation and aggressively restocking these materials. In addition, the Postal Service will provide surgical masks to any employee who requests one. Our managers and supervisors have also been instructed to immediately provide a surgical mask to anyone who is exhibiting symptoms potentially related to COVID-19. If an employee exhibiting such symptoms does not then voluntarily agree to go home and take advantage of our pandemic liberal leave policy, they will be ordered to leave the facility. The CDC has not recommended that healthy individuals should wear masks to protect themselves from COVID-19 and we have therefore not made wearing one mandatory. Universally issuing masks to all our employees would exhaust our existing supply and create a situation in which the Postal Service would need to compete with medical professionals for the scarce supplies that they must utilize in caring for COVID-19 patients.

Commented [MNG-WD3]: 3/20 COVID-19 FAQs

While the majority of Postal Service employees must be physically present to fulfill their duties, we recognize that many of our employees can work remotely. As part of our enterprise-wide effort to increase social distancing to the greatest extent possible, the Postal Service has expanded its telework policy to include a larger number of employees during the pandemic and allowing for up to five days of telework each workweek.

With specific regard to distribution and processing centers we have issued instructions to managers and supervisors to reconfigure operations wherever possible to insure six feet of distance between employees, with specific advice regarding our common manual or machine operations, motorized material moving equipment operations, break areas, common areas, etc. A specific mandatory stand up talk for employees has been issued with regard to their interactions with contractor employees who operate trucks making deliveries and pickups at our docks to insure proper social distancing in those situations. This process of adjusting the complex operations in our many distribution and processing centers around the country in order to meet social distancing guidelines is ongoing. We will continue to monitor and adapt our efforts as we receive further advice from the CDC and others and we are engaging in negotiations with our Unions with regard to temporary changes being made in our collective bargaining agreements that will allow us to more successfully achieve proper social distancing. We are being transparent about all of the ongoing instructions, guidance and related negotiated agreements, posting them on our internal website under a COVID-19 heading that we regularly direct our employees to review. The more our employees become aware of the instructions, guidance and agreements, the more involved they will become in making sure all of our facilities are as safe as possible for everyone.

2. What precautions is the USPS taking for mail that has to be delivered to those who are at a heightened risk, including the elderly and those who are immunocompromised?

We recognize that the close proximity and additional handling that occurs when employees must ask customers for a signature or government issued identification creates heightened health risks during the pandemic. To reduce those risks, we are temporarily modifying customer signature capture procedures for the MDD sign-on-glass feature, PS Form 3811 (Domestic Return Receipt), PS Form 3849 (We ReDeliver for You), and on any hard-copy receipt items usually signed by customers. Effective immediately and until further notice, we have asked our carriers to follow the temporary process below for signature service items:

- Avoid ringing the doorbell when possible. Knock on the customer's door. Avoid areas that may be frequently touched when knocking.
- While maintaining a safe, appropriate distance, request the customer's first initial and last name.

- Using the MDD, scan the mail piece barcode, select Delivered and answer the prompted questions. Enter the customer's first initial and last name when prompted for name.
- When prompted for the customer to sign the MDD's screen, employees are to print their own initials (not a signature), route number and notate C19 on the screen in lieu of the customer's signature.
- For Return Receipts and other hard copy items, enter the customer's first initial and last name in the Signature box of the form.
- For PS Forms 3811 and 3849, employees are to print their own initials (not a signature), route number and notate C19 in the "Received by" or "Printed Name" section, dependent on the form. With the PS Form 3849, scan the completed form following the normal process to finalize the delivery.
- For increased safety, politely ask the customer to step back a safe distance or close the screen door/door so you may leave the item in the mail receptacle or appropriate location by the customer door.
- If there is no response, follow the normal Notice Left process.
- If there are delivery points on your route where social distancing recommendations are difficult to follow, please advise your supervisor so alternative delivery methods can be explored.

Specifically in response to senior centers or other facilities or communities that have chosen to restrict entrance onto their property during the pandemic in some fashion that prevents our letter carriers from delivering to individual boxes, we have designed several alternate means by which the Postal Service is willing to accommodate delivery:

- 1) Customers may opt to redirect to a temporary mail receptacle inside or outside their home or business.
- 2) Customers may place their mail on hold at the Post Office servicing their address. Mail and parcels can be held up to 30 days and will be available for customer pickup.
- 3) Customers may redirect all mail to an alternate location.

3. Will the USPS temporarily close, and deep clean, the appropriate distribution and processing centers as well as carrier cars in the event a USPS employee tests positive for COVID-19?

The CDC recommends cleaning frequently touched surfaces and commonly shared items at least daily with routine cleaning agents (e.g., detergents, spray cleaners, and sanitizers). Based on CDC guidance the Postal Service has issued a Maintenance Management Order (MMO) that details those cleaning requirements, infection-control strategies, and recommended products, as well as the surfaces and areas that require cleaning, and the frequency with which these tasks are required during the pandemic. When an employee who has worked in the facility tests positive a full facility cleaning is conducted by our maintenance staff, again as based on CDC guidance. That cleaning generally does not require us to close the facility given the safe types of cleaning products being used because our maintenance staff can clean the facility section by section in conjunction with our operations. However, if there are issues with the availability of postal maintenance staff needed to complete the full facility cleaning expeditiously, we can and have brought in certified private cleaning companies that we maintain under contract. In those instances we may temporarily close the facilities to accomplish the cleaning efficiently. We continue to monitor all CDC guidance in this area and will adapt the MMO to any updates.

Postal managers are making every effort to have employees utilize the same delivery vehicle daily. Carriers have been advised to clean the frequently touched surfaces in their assigned vehicle using a household disinfecting spray or wipe, to wash/clean their hands before and after driving their vehicle, and to specifically make sure they do so if anyone who has driven or otherwise used their vehicle

Commented [MNG-WD4]: This policy appears to be for Nursing homes and other senior facilities. Does this policy apply to residential customers as well?

Commented [MNG-WD5]: 3/26 SUT Staying Vigilant Customer Interactions for Carriers/accompanying alternative delivery letter.

Commented [MNG-WD6]: 3/20 COVID-19 FAQs

even displays some potential symptoms of COVID-19. Disinfectant cleaner and gloves are made available for this purpose.

Commented [MNG-WD7]: 3/17 SUT Keeping your Vehicle Clean

4. How many employees typically gather together for the USPS's daily service talk on health and safety protocols? Are employees a minimum of six feet apart during these daily huddles?

Following guidance issued by the White House and the CDC on social gatherings, we stagger times for stand up talks with smaller groups if they are held indoors and/or hold them outside for larger groups if possible to insure that social distancing is taking place and we remind everyone to avoid all close contact (no less than six feet) with each other. If necessary we allow stand up talks to take place over intercoms or by other electronic means. A Memorandum of Understanding just completed with the National Letter Carriers allows for the staggering of scheduled route start times in order to allow for smaller group stand up talks; staggered arrivals at timeclocks, staggered departures from office duties to street duties, etc.

Commented [MNG-WD8]: 3/18 SUT Social Gatherings

5. Will USPS agree to provide full pay to high risk individuals, or those who live with high risk individuals, for the duration of the pandemic?

The Postal Service has instituted a liberal leave policy during the Pandemic and is actively encouraging all employees who think they might be sick or that are developing symptoms potentially related to COVID-19 to stay at home and take leave. The liberal leave policy also allows employees to freely utilize leave available to them without fear of reprisal, including if they choose in voluntarily complying with local shelter in place or travel restrictions that they would otherwise be exempt from as part of our workforce. Specific actions have been taken to allow for the use of available sick leave for dependent care leave for purposes of caring for individuals that they live with who are impacted by the pandemic, including children who are out of school. No provision has been made to pay employees who are not at work after their leave has been exhausted.

6. Will the USPS provide emergency sick leave beyond normal accrued leave to all employees, including those who have no contractual right to leave, in the event they contract or are suspected to contract COVID-19?

With the passage of the Families First Coronavirus Response Act (FFCRA) all employees will receive 80 hours of emergency sick leave above and beyond what they otherwise have accrued or have available to them under postal regulations or collective bargaining agreement, to be utilized in all circumstances set forth in the guidance issued by the Department of Labor (DOL), including if they contract or are suspected of contracting COVID-19. DOL guidance also provides that there can be no reprisal for the use of this leave, which would already be true under the Postal Service pandemic leave policy.

Commented [MNG-WD9]: 3/20 COVID-19 FAQs

7. How will the USPS implement new procedures for delivery and pickup that allow employees and customers to avoid direct contact?

As described in detail in the response to Question 2, the Postal Service has implemented a temporary modification to mail handling procedures for mail that requires customer signatures, and provided alternate delivery options for those who choose not to receive their mail in the normal fashion. To practice social distancing in our retail lobbies, we place social distancing signage on the outer and inner lobby doors, utilize every other window station when feasible, and place floor tape in the queue line (6 feet apart) and at the retail counter positions (3 feet away from the counter to create 6 feet of distance between the customer and the window clerk). In addition, our retail associates follow a script and ask customers to help us adhere to CDC guidelines by practicing social distancing of at least 6 feet. Smaller retail offices have customers wait outside in Post Office Box lobby spaces and

enter the retail unit one at a time. We are also now planning for the procurement and deployment of sneeze guards on our counters between clerks and customers.

The Postal Service is committed to ensuring the safety and well-being of our employees and the communities we serve during the COVID-19 pandemic. You may be assured that we will continue to follow the strategies and measures recommended by the CDC and public health departments and continually stay aware of any updates in their guidance and implement them as soon as possible.

If I can be of assistance in other postal matters, please let me know.

Sincerely,

Commented [MNG-WD11]: Are these steps taken in all retail lobbies?

Commented [MNG-WD10]: 3/25 Retail SUT
Practicing Social Distancing

Congress of the United States
Washington, DC 20515

April 28, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
U.S. Capitol H-232
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
U.S. Capitol S-230
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
U.S. Capitol H-204
Washington, DC 20515

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
U.S. Capitol S-221
Washington, DC 20515

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader McConnell, and Minority Leader Schumer:

The coronavirus crisis is wreaking havoc on the U.S. Postal Service. Without immediate help, the Postal Service — a vital staple of American society since 1775 — could cease to function by this summer. This crisis is also affecting the State of New York more than any other. There were 287 confirmed cases of coronavirus and 14 deaths among postal workers in New York as of April 20, 2020.¹

As a direct result of the coronavirus crisis, first class and business mail volume across the country has dropped at an alarming rate. Mail volume is down by more than 30% from the same period last year. Over the next ten years, the Postal Service estimates that losses caused by the coronavirus crisis would be \$54 billion.²

This is a national emergency. The American people rely on the Postal Service to deliver crucial goods and services every day, including more than a billion life-saving medications last year alone, millions of economic stimulus checks and unemployment benefits to help during this crisis, and 2020 Census forms for every household in America.

In New York, the Postal Service delivers to 7.7 million addresses and has more than 1,800 Post Offices. In our state, the Postal Service employed 44,675 people and paid close to \$3

¹ Email from the Office of Congressional and Intergovernmental Affairs, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 20, 2020).

² Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

The Honorable Nancy Pelosi
The Honorable Kevin McCarthy
The Honorable Mitch McConnell
The Honorable Chuck Schumer
Page 2

billion in wages in 2018.³ New York also will rely heavily on the Postal Service to conduct its primary on June 23, 2020, during which no-excuse absentee ballots will be accepted.⁴

The Postal Service is a fundamental component of America's economic infrastructure, providing affordable, universal delivery of mail and e-commerce packages to more than 160 million households and businesses. The Postal Service propels a \$1.6 trillion mailing industry that employs 7.3 million people. It does all of this while operating as a business and receiving next to nothing in taxpayer dollars.⁵

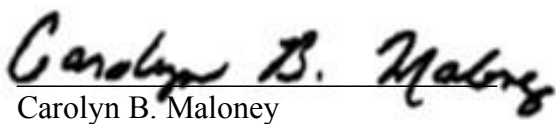
Both Democrats and Republicans supported large infusions of liquidity for other industries and companies that are critical to our nation's economy, and we must do the same now to save the Postal Service.

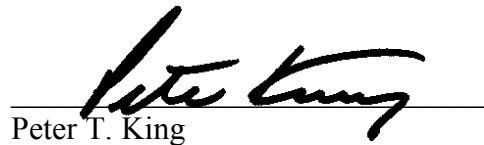
The Postal Board of Governors has asked for a package that includes \$25 billion in emergency appropriations to offset coronavirus-related losses, \$25 billion for “shovel-ready” projects to modernize the Postal Service, and access to \$25 billion in unrestricted borrowing authority from the Treasury.⁶

To be clear, these requests were put forth unanimously by a Board of Governors with a Republican majority—all of whom were appointed by President Trump.

The Postal Service is an indispensable component of America's critical infrastructure, and its workers are on the frontlines every single day delivering information and packages to the American people. We strongly support emergency funding for the Postal Service and urge you to do the same.

Sincerely,


Carolyn B. Maloney


Peter T. King

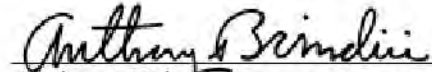
³ U.S. Postal Service, *The United States Postal Service Economic Impact: The State of New York* (July 2019).

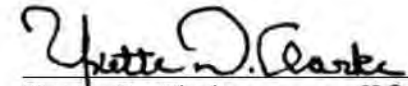
⁴ New York Governor Andrew Cuomo, *Executive Order No. 202.15: Continuing Temporary Suspension and Modification of Laws Relating to the Disaster Emergency* (Apr. 9, 2020) (online at: www.governor.ny.gov/news/no-20215-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency).

⁵ U.S. Postal Service, *Sizing It Up* (online at <https://facts.usps.com/size-and-scope>).

⁶ Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

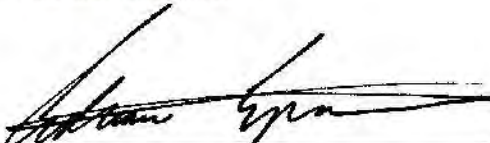
The Honorable Nancy Pelosi
The Honorable Kevin McCarthy
The Honorable Mitch McConnell
The Honorable Chuck Schumer
Page 3


Anthony Brindisi

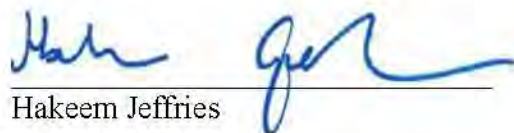

Yvette D. Clarke M.C.


Antonio Delgado


Eliot L. Engel


Adriano Espaillat

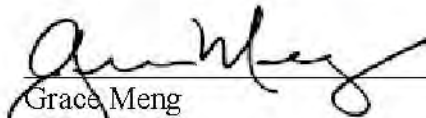

Brian Higgins

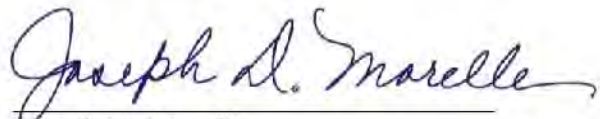

Hakeem Jeffries

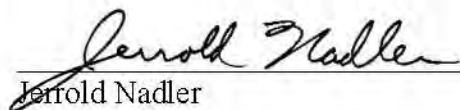

John Katko

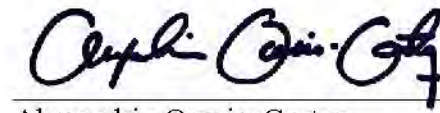

Sean Patrick Maloney


Gregory W. Meeks


Grace Meng

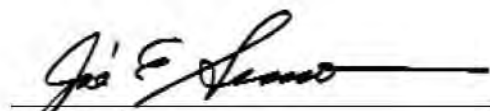

Joseph D. Morelle

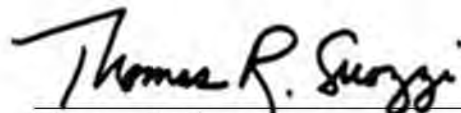

Jerrold Nadler


Alexandria Ocasio-Cortez

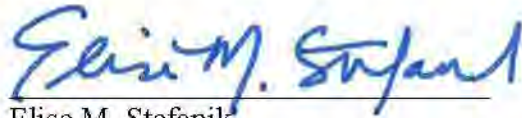

Kathleen M. Rice

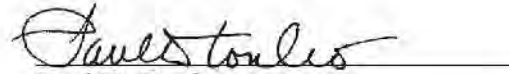

Max Rose

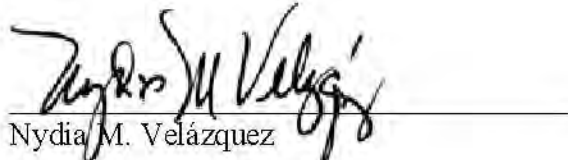

José E. Serrano


Thomas R. Suozzi

The Honorable Nancy Pelosi
The Honorable Kevin McCarthy
The Honorable Mitch McConnell
The Honorable Chuck Schumer
Page 4


Elise M. Stefanik


Paul D. Tonko


Nydia M. Velázquez

cc: The Honorable Nita Lowey, Chairwoman of the House Committee on Appropriations;
The Honorable Kay Granger, Ranking Member of the House Committee on
Appropriations

Unable to Process

SEC. __. UNITED STATES POSTAL SERVICE.

(a) Additional Borrowing Authority.—

(1) IN GENERAL.—Notwithstanding any other provision of law, after the date of enactment of this Act—

(A) the United States Postal Service is authorized to borrow money from the Treasury in an amount not to exceed \$25,000,000,000 (in addition to any other borrowing in which the Postal Service is authorized to engage) to carry out the duties and responsibilities of the Postal Service, including those under title 39, United States Code; and

(B) the Secretary of the Treasury shall lend up to such amount, without charging any administrative fees, at the request of the Postal Service; and

(C) any purchase by the Secretary of the Treasury of obligations issued by the Postal Service, either as required by this subsection or pursuant to section 2006 of title 39, United States Code, shall be subject to the terms and conditions of the note purchase agreement between the Postal Service and the Federal Financing Bank in effect on September 29, 2018 (subject to any modifications on which the Postal Service and the Secretary may mutually agree, pursuant to section 2006(a) of title 39, United States Code), except that no expiration date provided in such note purchase agreement shall apply.

(2) REPEAL OF FISCAL YEAR BORROWING LIMIT.—Section 2005(a)(1) of title 39, United States Code, is amended by striking “In any one fiscal year,” and all that follows through the period.

(b) Prioritization of Delivery for Medical and Other Essential Purposes During COVID–19 Emergency.—Notwithstanding any other provision of law, the United States Postal Service—

(1) shall prioritize delivery of postal products for medical and other essential purposes during the emergency involving Federal primary responsibility determined to exist by the President under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191(b)) with respect to the Coronavirus Disease 2019 (COVID–19);

(2) may establish temporary delivery points, in such form and manner as the Postal Service determines necessary, to protect employees of the Postal Service and individuals receiving deliveries from the Postal Service; and

(3) may institute flexible delivery, similar to the delivery flexibility utilized by the Postal Service after natural disasters or other emergency situations, in such form and manner as the Postal Service determines necessary, in the event operations or employees of the Postal Service are impacted by the COVID–19 emergency described in paragraph (1).

Commented [HJD-WD1]: Given the “Notwithstanding” clause above, it seems that this \$10 billion in new borrowing authority is intended to be additional to, not coextensive with, the normal \$15 billion in borrowing authority under 39 USC 2005(a). But there is some ambiguity, and this language would clarify the apparent intent.

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Commented [HJD-WD2]: As drafted, the language is silent about the terms of borrowing, and so we would presumably have to negotiate with Treasury, which could take some time and could even be inconclusive. To ensure the intended effect (ready access to borrowing), the language here should provide that our most recent borrowing agreement should apply by default, in the event that we can’t agree on alternative terms. We would also propose that this set of default terms apply to normal borrowing from Treasury as well, not just in the context of borrowing under (a)(1)(A) above.

Commented [MTJ-WD3]: These edits are intended to emphasize the essential services that the Postal Service provides as a part of the nation’s critical infrastructure.

Commented [MTJ-WD4]: These edits are intended to convey that this section merely codifies for purposes of the COVID–19 pandemic the delivery flexibility authority that the Postal Service has to deal with natural disasters and other emergency situations.

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(2) may establish temporary delivery points, in such form and manner as the Postal Service determines necessary, to protect employees of the Postal Service and individuals receiving deliveries from the Postal Service; and

(3) may institute flexible delivery, similar to the delivery flexibility utilized by the Postal Service after natural disasters or other emergency situations, in such form and manner as the Postal Service determines necessary, in the event operations or employees of the Postal Service are impacted by the COVID–19 emergency described in paragraph (1), to the extent that normal delivery frequency is no longer feasible.

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Essential Service Talking Points

- The Postal Service is mandated by statute to operate “as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by an Act of Congress, and supported by the people.” 39 U.S.C. §101(a).
- The Postal Service carries out an essential function of the federal government and provides critical government services as part of the National Continuity Policy (established pursuant to a series of Presidential Policy Directives).
 - Under National Security Presidential Directive 51, Departments and Agencies were directed to identify Primary Mission Essential Functions (PMEF) they provide that support the eight National Essential Functions of the federal government which need to continue in any crisis to ensure Continuity of Government (COG).
 - In 2009, the federal government approved the Priority Mission Essential Function of the Postal Service to “deliver postal services to the American public.” This PMEF supports National Essential Function 8 to provide “Critical Government Services.”
 - On January 9, 2020, the National Security Council approved maintaining USPS PMEF#1 “Deliver Postal Services” because it was assessed as critical for the continuous performance of National Essential Function 8 to provide “Critical Government Services.”
 - The Postal Service relies heavily on our contractors, suppliers, and industry partners for operations, and they are likewise critical to the provision of this essential function.
- The Department of Homeland Security’s Cybersecurity and Infrastructure Security Agency (CISA) issued guidance on March 19, 2020, which identifies “postal and shipping workers” as essential to critical infrastructure.
 - CISA explained that promoting the ability of essential critical infrastructure workers “to continue to work during periods of community restriction, access management, social distancing, or closure orders/directives is crucial to community resilience and continuity of essential functions.”
 - White House Guidance further provides that if individuals work in a critical infrastructure industry, as defined by the Department of Homeland Security, they have a responsibility to maintain their normal work schedule, while following CDC guidance to protect individuals’ health at work.

- The DHS guidance is not specific to the Postal Service, but rather postal and shipping workers. This should include our contractors, suppliers, and industry partners.
- Regarding industry:
 - § CISA materials recognize that the postal and shipping industry moves “essential paper transactions” on which other critical infrastructure sectors like commercial facilities and financial services rely.
 - § In addition, the Postal Service is used to deliver important governmental information, such as census and CDC materials, and ballots.
 - § Our mailing and printing industry partners are vital because they print and mail these items, and hence ensure that the government and businesses can access the mail.
 - § Our industry partners are also important in ensuring the efficiency of our package delivery network, through which we deliver vital goods.

Dear Postal Executives:

These are challenging and unprecedented times for our Nation, and I want to first express my gratitude for your leadership and unwavering commitment to the Postal Service and the American people. I ~~am deeply inspired and moved remain in awe of by the~~ unending the resolve of all of our employees under such adverse circumstance. ~~Their dedication to ensure to continue to~~ ensure that the Postal Service meets the critical needs of the American public during ~~this~~ unprecedented COVID-19 pandemic is what makes us all proud to be part of the Postal team. As we lead our organization to deliver through this challenge, it is important to remember ~~the~~ overarching principles that must guide our decision-making over the coming weeks.

~~It is imperative that we~~ We all must continue to remember, and reinforce with our employees ~~reiterate to our employees,~~ that together we are providing a vital public service for the American people. The continued provision of postal services during times of emergency is designated as an essential function under federal law. Further, postal workers are designated by the Department of Homeland Security as a part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vitally important mail and packages. Guidance issued by the Administration and the Centers for Disease Control and Prevention (CDC) has stressed the importance and special responsibility that critical infrastructure industries, such as the United States Postal Service, have to maintain normal provision of services ~~work schedules during~~ throughout this emergency. During difficult times like these, the value of the Postal Service's mission to bind the Nation together is never more evident. I am tremendously impressed and grateful for the way our postal family responds during times of crisis, and all who step up to the challenge can be justly proud.

Commented [MTJ-WD1]: I can live with this change, but the deleted language is essentially a quote from the Administration and CDC guidance.

That said, it is equally important to recognize that our collective service in support of our countrymen during these difficult times for our nation is made up of the individual efforts of each of the men and women who work for the Postal Service. We must therefore also remember that achieving our mission depends fundamentally upon the health and well-being of our employees. For that reason, within the context of our critical mission, we must do everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To ensure that we do so, the COVID-19 Command Response team at Headquarters is working closely with the Department of Health and Human Services, the CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include:

- Updating our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have entered into MOUs with the unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19, and have expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country.
- Working to overcome the challenges in the supply chain to ensure that our employees have access to hand sanitizer, and receive surgical masks and gloves upon request. We have shipped 15 million masks throughout the country to ensure that they are

available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforcing workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have suspended the use of mPOS and Lobby Assistants when needed to ensure social distancing. We have changed delivery procedures to eliminate the requirement that customers sign the MDD for delivery.
- Updating our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance relating to this pandemic.
- Expanding the use of telework for those employees who are able to perform their jobs remotely.
- Issuing a daily cadence of Stand-Up Talks, articles, videos, and other communications to ensure employees have the latest information and guidance.

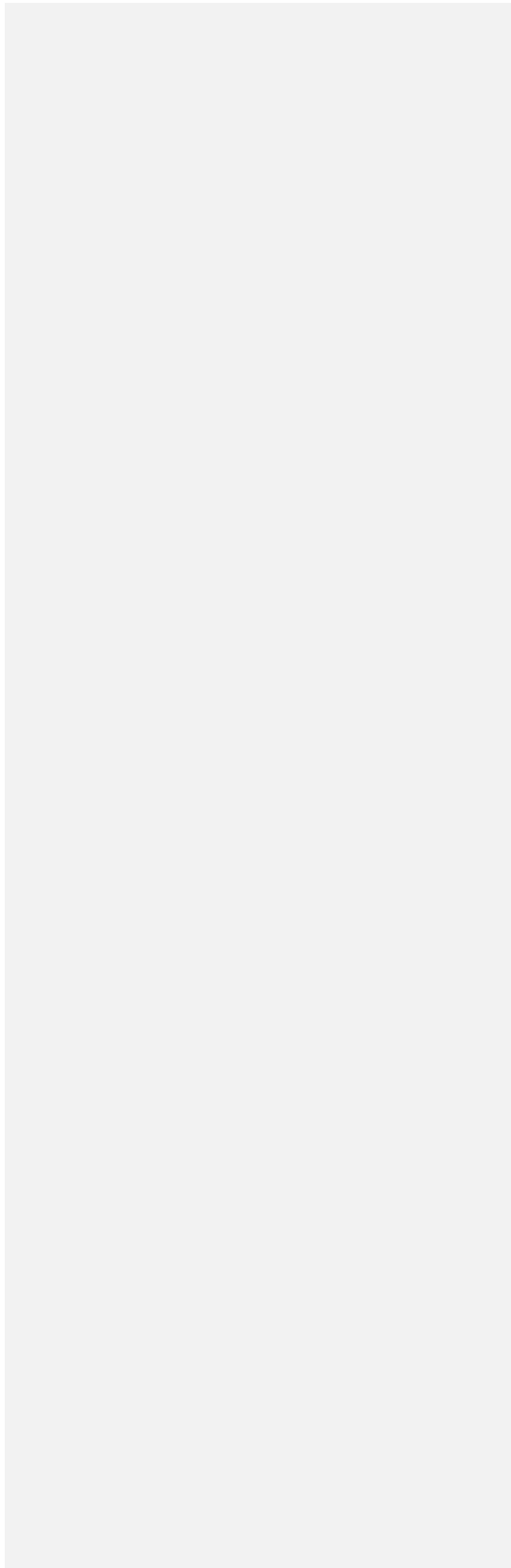
As leaders, it is incumbent on us to ensure that we communicate all of this information to our employees, and that we follow the new guidelines and policies we are establishing. We want to continually reinforce the message to our employees that while ~~together~~ we will continue to provide our essential public service to America as a part of the nation’s critical infrastructure, we are also fully committed within those confines we will to do all we can to keep our people safe.

That said, I recognize that, as the pandemic unfolds, adjusting operations is going to be necessary in many areas. In particular, we anticipate that the need to flex operations may arise to account for absent employees, and that such adjustments will likely have temporary service impacts. You have the same discretion as in any other emergency situation to adjust local operations as you determine necessary to account for such contingencies, and we will rely on your good judgment to manage the day. Follow your localized continuity of operations plans, and remember that we have an obligation to continue providing our normal levels of service to the American people to the maximum extent possible. In this regard, remember that a key strength of our organization is our stabilizing role in a crisis: the public takes confidence from our regular, daily role in their communities.

Our lives have changed dramatically over the last several weeks, and as we adapt to the challenges posed by COVID-19, we cannot forget that in this crisis, like no other, our customers are counting on us as their vital link to the medicines, critical goods, and important information that they will need during these difficult times. I am confident that together we will meet every challenge, and that we will get through this crisis as a team, just as we always have over the past ~~245?~~ 230 years. I am certain that we will protect and maintain our customers’ trust, and that we will make America proud.

Thank you for your continued leadership and dedication as we all confront the realities of this pandemic.

Commented [MTJ-WD2]: I understand this deletion, and can live with it, but my intent here was to counter the argument that some are making that if we really wanted to do all we can to keep people safe we would do things like close retail altogether.



Dear Postal Executives:

These are challenging and unprecedented times for our Nation, and I want to first express my gratitude for your tremendous efforts to ensure that the Postal Service continues to meet the needs of the American public during the COVID-19 pandemic. As we lead our organization, it is important to remember the overarching principles that must guide our decision-making over the coming weeks.

First, it is critical that we continue to remember, and to reiterate to our employees, that we are providing a vital public service for the American people. The continued provision of postal services during times of emergency is designated as an essential function under federal law, and postal workers are part of the nation's critical infrastructure as designated by the Department of Homeland Security. Every day, the men and women of the Postal Service accept, process, transport, and deliver vitally important mail and packages. Guidance issued by the White House and Centers for Disease Control (CDC) has stressed the importance and special responsibility that critical infrastructure industries have to maintain normal work schedules during this emergency. Indeed, it is during difficult times like these where the value of the Postal Service's mission to bind the Nation together is most evident.

Second, we must also remember that achieving our mission depends fundamentally upon the health and well-being of our employees. Given our critical public service mission, we cannot shut down or severely curtail our operations. Rather, within this context, we must do everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To ensure that we do so, the COVID-19 Command Response team at Headquarters is working closely with the Department of Health and Human Services, the CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include:

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- Reinforcing workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization.

As leaders, it is incumbent on us to ensure that we communicate all of this information to our employees, and that we follow the new guidelines and policies we are establishing. We want to continually reinforce the message to our employees that while together we will continue to provide our essential public service to America as a part of the nation's critical infrastructure, within those confines we will do all we can to keep our people safe.

Third, I recognize that, as the pandemic unfolds, adjusting operations is going to be necessary in many areas. In particular, we anticipate that the need to adjust operations may arise to account for absent employees, and that such adjustments will likely have service impacts. You have the same discretion as in any other emergency situation to adjust local operations as you determine necessary to account for such contingencies. Follow your localized continuity of

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Postal Service Efforts and Implementations for COVID-19 Response

- Created employee page for all Postal Service COVID-19 resources available on both Blue and LiteBlue, which also includes links to key CDC posters and information sheets.
- SUTs
 - General staying healthy tips – 1/24/2020
 - Health and hygiene tips based on CDC guidance – 2/11/2020
 - COVID-19 staying healthy CDC guidance – 2/25/2020
 - Interacting with Customers (who request medical screenings) – 3/16/2020
 - Vehicle cleaning – 3/17/2020
 - Social Gatherings (Fewer than 10) – 3/18/2020
 - Retail Lobby and Equipment Changes – 3/19/2020
 - Customer Signature Service – 3/19/2020
 - National coronavirus guidelines mailing – 3/21/2020
 - Letter Carriers COVID-19 Response and Prevention – 3/23/2020
 - Operations Continue (essential services talk) – 3/23/2020
 - Retail Practicing Social Distancing – 3/25/2020
 - EAP Available – 3/25/2020
- Link Articles:
 - Keeping current Catching up with Link's COVID-19 coverage (March 26)
 - Safe and healthy News Quiz: Test your postal knowledge (March 26)
 - Truth be told FEMA site combats COVID-19 rumor mill (March 25)
 - Keeping up Link mobile offers news on coronavirus, other topics (March 25)
 - Hands off Restrictions for shipping sanitizers, wipes (March 24)
 - Paychecks notice Employees encouraged to use direct deposit (March 24)
 - Steadfast service Employees stay upbeat in face of pandemic (March 24)
 - COVID-19 command New group to lead USPS response (March 23)
 - Stamp ceremonies canceled Special dedications may be held later (March 23)
 - By appointment only Passport service change implemented (March 23)
 - COVID-19 cons Watch out for coronavirus scams (March 20)
 - Staying informed Employees can receive alerts during emergencies (March 20)
 - Getting the word out Informed Delivery used for national alert (March 19)
 - Travel limitations USPS to approve only mission-critical business requests (March 19)
 - Rising to the challenge PMG thanks employees for service during pandemic (March 18)
 - NPF canceled Event won't be held in 2020 (March 18)
 - Easy as 1-2-3 Video demonstrates effective handwashing (March 18)
 - Important reminder Employees must provide current info (March 17)
 - Remember Maine Stamp dedication event postponed (March 16)
 - Travel update Written approval now required for requests (March 16)
 - Coronavirus resources Blue, LiteBlue pages to keep workers informed (March 16)
 - Coronavirus update PMG delivers message to employees (March 9)
 - Help is here EAP assists employees in need (March 9)
 - Staying vigilant CDC's coronavirus guidance still being shared (Feb. 24)
 - Coronavirus update Postal Service shares CDC guidance (Feb. 11)
 - Staying healthy Take steps to avoid flu, other illnesses (Jan. 24)
- Videos:
 - PMG Video Update on COVID-19
 - Washing Hands video
- COVID-19 Playbook for Field and Districts
 - Incident Checklist

- Decision Tree
- SUT template (confirmed COVID-19 case)
- Reactive Media Statement template (confirmed COVID-19 case)
- FAQs about COVID-19 and work
- Latest USPS public Statement
- Policy Changes
 - Expanded telework policy to allow five days of telework for non-mission-critical employees with the required technology.
 - § Provided laptops to additional employees to expand telework further.
 - Suspended non-mission-critical travel and training
 - Cleaning MMO to clean facilities consistent with CDC guidance
 - Implemented staggering SUTs, holding them in larger spaces, or doing them over loudspeaker to increase social distancing
 - Opened HQ parking garage for free to all employees reporting to the building to reduce public transportation spread of COVID-19.
 - Provided surgical face masks and gloves to employees upon request
 - Eliminated customer-signature requirement
 - Suspended use of mPOS, Lobby Assistants, and others if social distancing can't be done.
 - Encouraged increasing the cleaning of frequently touched surfaces.
 - Suspended passport fairs. Passports by appointment only.
 - MOUs with unions to give 80 hours of paid leave to noncareer employees for issues related to COVID-19.
 - New Hire / Onboarding precautions of delaying start dates for symptomatic candidates, etc.
- Other Initiatives
 - Management Guidance for both HQ and the Field
 - Real-time updates to COVID-19-related service alerts
 - Remote work support resources and instruction documents
 - Shared public health posters about maintaining social distancing (for customers)
 - Launched COVID-19 alerts via HERO
 - Reemploying annuitants to assist Occupational Health
 - 15 million masks shipped out to operations.
 - Promoting telehealth options available through FEHB plans.

BULLETIN THE JOURNAL OF POSTAL COMMERCE

HIGHLIGHTS

» First-Line Supervisor Retention Gets High Marks

The U.S. Postal Service has done a good job of retaining first-line supervisors, with an average national attrition rate of only 1 percent for fiscal years (FYs) 2016-2018. See Page 2.

» No, Trump Isn't Trying to Kill the Postal Service

Op-ed written by Kevin Kosar, Vice President, Research Partnerships, R Street Institute. Kevin diffuses rumors surrounding the Trump Administration and the demise of the U.S. Postal Service. See Page 3.

» Political Mail In A COVID-19 World

Op-ed written by Mark Fallon, President & CEO of The Berkshire Company. Mark discusses the strong outlook for political mail this year. See Page 4.

PRESIDENT'S CORNER

Rescue Mission

This week's PostCom bulletin includes several guest submissions regarding the future of the Postal Service (see below). There are different perspectives represented, not only because the Postal Service seems to draw interest from all corners, but because there is still so much that nobody knows. What we do know is that the Postal Service is already experiencing significant volume losses and that – at least so far – financial assistance from the government has been limited.

We should expect much more debate about the Postal Service and its future in the coming months. At a virtual House Oversight and Government Reform Committee hearing last week, the Postal Service asked Congress for support including:

- A \$25Bn appropriation to offset expected revenue losses through FY 2021
- A \$25Bn grant for postal modernization investments that likely include new vehicles and facility improvements
- \$25Bn in unrestricted borrowing authority

Even when Congress is spending at unprecedented rates, that is a lot of money; \$75Bn is more – in nominal terms – than the Postal Service has ever generated in a fiscal year. While there is almost a consensus (there is a very important source of [dissent](#)) that the Postal Service is deserving of some support, they're not likely to get everything they ask for.

For one thing, Congress generally does not dole out billions of dollars without expecting something in return. Corporations and industries that are receiving funding from Coronavirus relief spending are having to accept sometimes burdensome [conditions](#). Furthermore, we are approaching the [anniversary](#) of a heated exchange between then-Congressman [Mark Meadows](#) and the PMG over the Postal Service's ten-year plan (link unavailable). If Congress had valid concerns about the future direction of the Postal Service last year, those concerns have probably not lessened in the last twelve months.

Given the looming damage to the US economy from the Coronavirus pandemic, and the importance of the Postal Service, some type of short-

term postal relief is warranted. At the same time, the USPS faces long-term structural challenges that require careful examination and will entail balancing of interests among competing stakeholders.

Emergency spending legislation that attempts to prop up the US economy while simultaneously targeting multiple industries is not the right vehicle to achieve these twin aims. The Postal Service maintains that their recent funding request is separate from their ongoing mission to achieve legislative and regulatory reform. Unfortunately, the decision makers who will shape the next round of economic relief probably won't see it that way, and by asking for so much, USPS risks having its allies on the Hill use the current crisis to enact half-baked postal reform that will buy time but little else.

IN DEPTH
ANALYSIS

First-Line Supervisor Retention Gets High Marks

The U.S. Postal Service has done a good job of retaining first-line supervisors, with an average national attrition rate of only 1 percent for fiscal years (FYs) 2016-2018, but timely hiring and qualifications of new supervisors are issues management should address, according to a new audit report. *First-Line Supervisor Recruitment and Retention*, [19SMG008HR000-R20](#).

First-line supervisors are a significant portion of the USPS workforce: during FY 2018, the Postal Service had 18,433 permanent first-line supervisors — 13,049 in retail facilities and 5,384 in mail processing facilities — with another 4,394 employees detailed to perform supervisory duties and responsibilities.

In one of a series of audits concerning first-line supervisors, the U.S. Postal Service Office of Inspector General (OIG) found that despite the solid retention rate, when vacancies did occur, 88 percent of those examined were open for more than the within-60-days hiring target.

Also, USPS hiring officials did not complete and maintain required supporting documentation for 68 percent of first-line supervisor positions. Missing documentation included signed and dated requirements matrices that determine whether potential hires met qualifications. Because this information was missing, the OIG could not determine whether these first-line supervisors met the qualifications outlined in vacancy announcements.

POSTAL PREVIEWS

Cancelled! June 2 – 3, 2020
[PostCom Study Day and Board Meeting](#) Alexandria, VA *Study Day to become a series of webinars and the Board Meeting to become virtual*

June 8-10, 2020
[MailCom 2020](#) Atlantic City, NJ
Rescheduled

June 23 – 24, 2020
[Leaders in Logistics: Post and Parcel North America](#) VA *PostCom Members receive a 10% discount with code: POSTCOM10*

July 28 – 29, 2020
[Mailers Technical Advisory Committee](#) Washington, DC

September 8-10, 2020
[13th Annual ACMA National Forum](#) Washington, DC
Rescheduled

October 6 – 7, 2020
[PostCom Study Day and Board Meeting](#) Alexandria, VA

October 13 – 15, 2020
[Parcel & Post Expo](#) Vienna, Austria

October 27 – 28, 2020
[Mailers Technical Advisory Committee](#) Washington, DC

December 2-5, 2020
[CRR's 28th Conference on Postal and Delivery Economics](#) Rome, Italy ***Rescheduled and New Location***

Based on this issue, the OIG identified \$16.4 million in unsupported questioned costs related to the pay increase for promotion to first-line supervisor. The watchdog group recommended USPS management develop controls to ensure timely hiring and that district and facility officials prepare and maintain hiring documentation as required.

Management agreed with the findings, monetary impact, and need for controls over hiring documentation. But it argued that controls exist now for officials to complete their hiring responsibilities.

 GUEST ARTICLES

No, Trump Isn't Trying to Kill the Postal Service

Op-ed written by Kevin Kosar, Vice President, Research Partnerships, R Street Institute, a non-profit public policy research organization. This article was originally published on [The American Spectator](#) and reprinted with permission. Views and opinions reflected in the article are of the author's and do not necessarily reflect the views and opinions of PostCom.

Over the weekend, #postalservice began trending on Twitter. That's weird, seeing as the Post Office is, well, the Post Office. And I say that as someone who has spent 17 years studying postal policy. (Thank you for your sympathy.)

The Twitter-steria stemmed from a [report](#) that the Trump administration opposed giving the U.S. Postal Service (USPS) a bailout. House of Representatives Democrats had tried to slip a more than \$30 billion bailout into the [Coronavirus Aid, Relief, and Economic Security Act](#) (CARES Act). Trump and company rejected the bill and told Congress they beleaguered agency could have a \$10 billion loan instead.

All of this should have been old news — Trump signed the law on March 27. But the *Washington Post's* story went viral, with other newspapers and media [picking it up](#). Thence to social media, and then craziness erupted.

Three different conspiracies emerged, and all of them slapped evil horns on the president:

-Trump wants to bankrupt the agency so he can sell it off and privatize it.

-Trump wants to kill the Postal Service to hurt Jeff Bezos, whose Amazon.com uses USPS to deliver some of its parcels.

-Trump wants to shut down the Postal Service so that people cannot vote by mail.

The outrage has been burning for days, stoked by the usual suspects, like [John Dean](#) and the [Daily Kos](#).

It is difficult to express just how inane these claims are.

For one, hardly anyone wants to privatize the Postal Service. Certainly not President Trump. His [postal reform commission](#) expressly rejected privatization. Besides, who exactly would want to buy the Postal Service? It is an

agency with [\\$130 billion](#) in unfunded pension and retiree health-care obligations. By law the USPS has a heavily unionized workforce who every four years negotiate [more expensive](#) compensation contracts. And demand for USPS's services have plunged over the past decade. Mail volume is down more than 30 percent. There is a reason only the USPS delivers paper mail to nearly every home in America along with the Virgin Islands, Guam, and Puerto Rico — it is not lucrative.

And the notion that the president wants the Postal Service to cease operations is so absurd that it should not require comment. But here we are. The president, as everyone knows, really wants to get reelected, and he cares about his ratings. So why exactly would he kill an agency that is, as the Gallup pollsters [note](#), "America's favorite federal agency"?

Then there is the matter of Trump's base. He is especially popular among the elderly, veterans, and residents of rural areas. What do they all have in common beyond their affection for Trump? They like the Postal Service and depend on it.

Try closing a rural post office, and rural residents will grab their pitchforks. The elderly depend on the USPS to deliver prescription drugs and the paper mail — often preferred over digital communications. The elderly — and Republicans generally — vote by mail disproportionately. Oh, and by the way, the president himself votes by mail.

Lastly, it also is the case that the USPS hires lots of veterans. The agency [reports](#) it has 100,000 of them.

What the Left fails to understand is pretty rudimentary: throwing money at an agency running structural deficits is stupid. Yes, the Postal Service needs an infusion to help it deal with a massive drop in mail volume due to COVID-19.

But more than that, the agency [desperately needs reform](#). The Trump administration gets this point, and in the next few months we may well see a deal where the USPS gets an infusion to help it weather the COVID-19 storm and the changes it needs to survive in the digital 21st century.

Political Mail In A COVID-19 World

Op-ed written by Mark Fallon, President & CEO of The Berkshire Company, an independent management consulting firm that specializes in the print-mail industry. Article was originally published on the Consumer Postal Council's [website](#) and reprinted with permission. Views and opinions reflected in the article are of the author's and do not necessarily reflect the views and opinions of PostCom.

The first political campaign I worked on took place in 1990. I'd just returned to Massachusetts after serving in the Army. Elections were taking place for state-wide offices, including the governor, attorney general and treasurer. I'd worked in the Massachusetts State House while in graduate school and had met several of the people running for office. While looking for permanent employment, I volunteered for a couple of candidates.

My duties were fairly simple — make phone calls to prospective donors and voters, hold signs outside rallies and assemble mass mailings. Those same functions still take place today, however emails and social media either supplement or replace the phone calls and mailings.

But will those tactics be effective in 2020? Will the COVID-19 pandemic significantly change campaign messaging strategies?

While television ads will continue, the prospective audience is shrinking with on-demand shows and streaming services. Social media remains omnipresent but becomes less trustworthy with each scandal. Cellular service providers have improved detecting spam, reducing the effectiveness of robocalls.

The United States Postal Service (USPS) uses the designation “political mail” for campaigns’ marketing mail. Even with the increased use of email and social media, the USPS has seen significant increases in volumes and revenue over the last three election cycles. In 2014, campaigns spent \$375 million to send 1.9 billion pieces of political mail. For the 2018 mid-term elections, that increased to over \$573 million on three billion pieces.

The reason? Voters find hard-copy mail, delivered to their homes by the USPS, more credible than any other form of advertising – and that includes in-person visits by candidates or campaign workers. Social media ads, phone calls and text messages aren’t considered trustworthy.

Early in this election cycle – the USPS started an aggressive push to promote the use of mail in political campaigns. With a self-described “obsessive, relentless and compulsive” training program, they created a political strategy team. In addition to analysts, key staff have been designated as strategists in each of the seven USPS areas. A special website – deliverthewin.com – was launched.

The USPS has participated in American Association of Political Consultants (AAPC) and Campaigns & Elections (C&E) events with both speaking opportunities and exhibit booths. They’ve also sponsored articles, email blasts, Facebook Live interviews and webinars to promote political mail. As with online shopping, the USPS is showing candidates that physical mail is a key component of omni-channel marketing campaigns.

This sales pitch will hold even more weight during and after the pandemic. Many rallies are being cancelled and there’s uncertainty around future events. Campaigns will have greater than normal challenges to find volunteers willing to walk door-to-door. And even when they do, many doors will remain shut.

These changes don’t mean an automatic “win” for the USPS. Many printers and mail service providers are struggling during the COVID-19 crisis, and some won’t be able to weather the economic downturn. The decline in overall mail volumes has escalated during the shutdown. Planned in-person seminars and similar events have been cancelled.

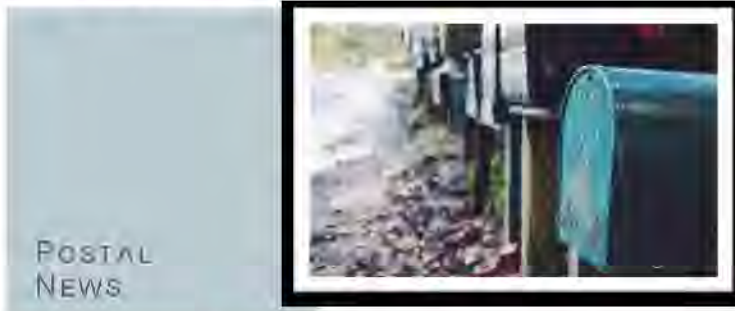
Working with political consultants, webinars are being scheduled to continue to educate campaign managers. Those are being supplemented with additional online training for service providers through the National Postal Customer Council Advisory Committee. That message will need to be amplified as businesses reopen and the economy recovers.

Political mail won’t replace the volumes of mail lost due to the current crisis. However, fewer pieces mean that what’s delivered will stand out, improving the effectiveness of mail campaigns. That may help politicians see the value of the USPS. In turn, that may gain the USPS political allies for much needed legislative reform.

In 2020, there are 35 Senate races (including two special elections), 435 House of Representatives races, and gubernatorial races in 11 states. Additionally, there are thousands of races for state representatives, mayors and town selectmen. Every candidate needs to get their message out to donors and voters.

It’s up to the USPS to help them see mail as a critical component of their campaign.

About the Author: Mark Fallon is President & CEO of The Berkshire Company, an independent management consulting firm that specializes in the print-mail industry. For additional information visit www.berkshire-company.com.



Postmaster General Warns House Committee of Dire Consequences Without Congressional Action- Trump's Own Hand Picked Board of Governors Says USPS Needs \$75B

[PostalNews](#) Today, Postmaster General Megan J. Brennan provided a video briefing to Members of the Committee on Oversight and Reform and Reform on the devastating impact the coronavirus crisis has had on the finances of the Postal Service and the steps Congress and the President must take to ensure continued delivery of essential information, packages, and services. The Postal Service is fighting for its survival, putting in jeopardy the careers and paychecks of its 650,000 employees—as well as the more than \$1.7 trillion mailing industry that employs more than 7.5 million people,” **Government Operations Subcommittee Chairman Gerald E. Connolly** said. “We cannot allow the Postal Service to collapse. To do so would deepen our nation’s economic crisis and eliminate an important lifeline for individuals who rely on the Postal Service’s 1 billion deliveries of lifesaving prescription deliveries and eviscerate the very infrastructure we need to administer the upcoming elections.”

Consumer Price Index Summary

[BLS](#) In March, the Consumer Price Index for All Urban Consumers fell 0.4 percent on a seasonally adjusted basis; rising 1.5 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy fell 0.1 percent in March (SA); up 2.1 percent over the year (NSA).

More Than 600,000 People Sign A Petition Demanding Hazard Pay For Postal Workers After 19 Die Of Coronavirus And 6,000 More Are Forced Into Self-Quarantine Across US

[DailyMail](#) More than 600,000 have signed a petition demanding the government give hazard pay to all of its USPS workers continuing to brave the outside during the coronavirus lockdown. It comes as 19 postal workers have died of coronavirus, while 500 have tested positive and another 6,000 have had to self-isolate, USPS leaders told Congress last week. The petition claims that USPS staff have not been given adequate protective equipment as they work 12-hour overtime shifts, packing and loading potentially contaminated packages and letters. 'As of this present time, there have been upwards of more than 40 confirmed cases of coronavirus within the United States Postal Service,' the Change.org petition written on March 16 says.

Trump's War Against The Postal Service Could Have Another Casualty: Tens Of Thousands Of Military Veterans With Disabilities

[BusinessInsider](#) The tenuous situation for the Postal Service puts its employees, many of whom are military veterans, in an uncertain position. USPS is one of the largest employers of veterans nationwide and dwarfs its competitors in hiring numbers: Nearly 100,000 military veterans are employed by the agency, or roughly 15% of its entire workforce of 600,000 employees, according to a spokesperson. One internal estimate showed how a subset of veterans could be disproportionately affected by cuts. Though the exact numbers were not immediately available, USPS estimated that at least 60% of its veteran employees have some sort of disability rating.

Postal Workers Say USPS Isn't Telling Them When Colleagues Test Positive for COVID-19, Despite Promising To

ProPublica The U.S. Postal Service appears to be continuing its checkered response to the coronavirus. Workers across the country say they're not being informed when colleagues have tested positive for COVID-19, despite a Postal Service policy to do so. At the end of March, after workers complained, the Postal Service told its employees they would be notified if someone "in your workplace is confirmed to have COVID-19." But workers at 11 locations told ProPublica they found out about cases through colleagues or were only told by management days after word had already gotten out.

NRLCA and USPS Sign MOU Concerning Temporary Workplace Changes to Promote Social Distancing

PostalNews From the National Rural Letter Carriers Association: Your National Board agrees that the social distancing recommendations of the Centers of Disease Control and Prevention (CDC) are important measures which should be practiced as much as possible to slow the spread of the coronavirus (COVID-19). Some of those social distancing recommendations for the workplace include increasing physical space between workers, staggering work schedules, limiting large work-related gatherings and reducing or eliminating travel. With that in mind, the NRLCA and the USPS have agreed to a MOU with temporary changes to promote social distancing. The terms of this MOU will minimize the possibility of exposure to the coronavirus or the possibility of unknowingly spreading the coronavirus to a larger portion of the workforce.



China » China.org

The arrival of the first train of a new postal rail service to Europe here opened up a new reliable and efficient logistics channel between Lithuania and China...Departing from southwest China's Chongqing Municipality on April 3, the "China Post" CR Express 1st block train, loaded with much-needed medical supplies and 42 TEUs of parcels, arrived on April 12 in Vilnius. The parcels will be later transferred to other European countries. "With this new route, especially during a difficult pandemic period, we are turning a new page towards a closer cooperation to meet consumer expectations -- assessing not only delivery time or price, but also environmental requirements," wrote the minister.

France » BBC

Amazon has been ordered to limit its deliveries in France to essential goods only, amid claims it is failing to protect its workers from coronavirus. A court in Nanterre, near Paris, ordered the online retail giant to deliver only food, hygiene and medical products in the country from Tuesday. This is to allow officials to assess whether Amazon is taking adequate precautions to protect its staff. Amazon has not commented on the court ruling.

India » [Post&Parcel](#)

With train and bus services shut, India Post is relying on its own Mail Motor Services (MMS) to carry out delivery services within the state and in adjacent states while airlines are being used to deliver parcels in the metros, reports [Hindustan Times](#). Rajguru Nagar branch sub-post office master Sarita Madaan said the branch had booked 85 parcels of medicine since the lockdown. "Before the lockdown, we rarely received bookings for medicines as people mainly relied on private courier companies but now we deliver medicines on a regular basis. People have medicines delivered within the state and to neighbouring states."

Ireland » [Post&Parcel](#)

An Post, in partnership with Children's Books, Ireland have distributed a free 24-page #ImagineNation playbook to children all over Ireland to enjoy. The campaign is aimed at helping families confined to their homes by COVID-19. The #ImagineNation playbook is full of drawing, writing and mindfulness exercises from leading Irish children's authors and illustrators including Oliver Jeffers, Chris Haughton, Sarah Crossan, Don Conroy, Niall Breslin, Niamh Sharkey and many more. The book will be accessible to all children to download as well as being delivered free by An Post to thousands of houses around the country.

Isle of Jersey » [Parcel&Post](#)

From today, Jersey Post will be delivering free postcards to all residential addresses to launch its Island-wide, Connecting Jersey campaign. From Tuesday 14 April, every Island household will receive two free postcards: • Thank you • Thinking of you. Households can send the cards free of charge to any address in Jersey throughout April.

United Kingdom » [Post&Parcel](#)

The UK Drone Delivery Group, the new drone industry initiative, established to provide guidance on the steps required for the UK to accelerate the growth of the UK drone industry, has today released its 'White Paper' for public consultation. The White Paper calls for the development of new testing grounds, which are expected to significantly transform the UK's potential to achieve world-leading status in the fast-moving drone industry.

Zimbabwe » [Herald](#)

The country's postal and courier services is continuing on a downward trend with latest figures showing a 32 percent dip during the year to December 2019 on e-substitution as technology is providing an alternative channel for transmission of information. According to the regulator, the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) postal and courier services went down 32 percent to 5,3 billion items in 2019 compared to 7,8 billion recorded in the prior year. The service has halved in the past five years from 10 billion recorded in 2015.



Federal Register: Postal Regulatory Commission - Periodic Reporting, 21130–21131 [[2020-07974](#)]; New Postal Product, 21277 [[2020-08014](#)]; **Postal Service** - Sunshine Act, 20533 [[2020-07782](#)]; Product Change: First-Class Package Service Negotiated Service Agreement, 21278 [[2020-07990](#)]; Priority Mail Negotiated Service Agreement, 21278 [[2020-07988](#)], 21278 [[2020-07989](#)], 21278 [[2020-07991](#)]

Industry Alert: New Processes for Bulk Hold Mail and Forwarding Requests by Businesses The United States Postal Service has implemented two new processes to allow businesses to submit Hold Mail requests in bulk (10 or more), as well as requests to forward mail from many locations (10 or more) to one. The new processes allow businesses with 10 or more requests to provide the Postal Service with an Excel spreadsheet with the addresses and relevant information for their hold or forwarding requests. Businesses must provide the information in a specific Excel file format. The Sales Representative will coordinate directly with the customer to obtain the required information. There are currently no changes to the maximum timeframe for holding mail (30 days). Businesses should contact their Sales Representative if they would like to request Bulk Hold Mail (10 or more) for 30 Days or to Forward Mail from many locations (10 or more) to one.

Industry Alert: COVID-19 CONTINUITY OF OPERATIONS UPDATE Mailability of Hand Sanitizer Update The March 26, 2020, Link article titled “Hands Off” described the mailing requirements for hand sanitizers and disinfecting wipes containing flammable alcohols such as ethanol and/or isopropanol (rubbing alcohol). As stated in the article, small quantities of these potentially flammable hand sanitizers and alcohol wipes are permitted in domestic mail via surface transportation. To better support our customers during this period of increased demand, mailers can obtain an exception through the Manager, Product Classification to increase the quantity of these items containing ethyl and isopropanol alcohol sent via surface transportation. Additionally, mailers can also be granted an authorization by the Manager, Product Classification to ship limited quantities of ethanol alcohol in domestic air transportation. As several mailers have been provided with written approvals from the Manager, Product Classification for products that are eligible for domestic air shipments or an increase in quantity limits in surface transport, the information below is provided as a guidance to assist in determining eligible mailings. If a mailer holds a valid authorization or an exception from the Manager, Product Classification, the following criteria must be met upon acceptance of the items:

- Upon their first mailing at each postal facility, the mailer must provide a copy of a signed letter from Headquarters, Product Classification. The letter will contain the mailer’s unique approval number and applicable mailing requirements. **Note:** It is suggested that the facility maintains copies of such letters on file for future reference.
- The outer package must have the appropriate text marking “Contains xxx” followed by their assigned unique authorization number that will begin with either HSA, HSB, HSD, HSE or HSS. **Note:** This information is included in the letter and may be hand or type written prominently on the package. Examples of text markings:

“Contains Air-Eligible Ethyl Alcohol - Authorization No. HSA - xxxxxx”

“Contains Air-Eligible Ethyl Alcohol - Authorization No. HSB - xxxxxx”

“Contains Surface Eligible Ethyl Alcohol - Exception No. HSE - xxxxxx”

"Contains Surface Eligible Isopropyl Alcohol - Exception No. HSD - xxxxxx"

"Contains Surface Eligible Alcohol Solids – Exception No. HSS – xxxxxx"

Please note that these materials are strictly prohibited in international mail, Army Post Office (APO), Fleet Post Office (FPO) and Diplomatic Post Office (DPO) destinations.

Industry Alert: International Service Impacts as of April 17, 2020 Effective April 17, 2020, the Postal Service™ will temporarily suspend international mail acceptance to destinations where transportation is unavailable due to impacts related to the COVID-19 pandemic and restrictions into the area. Customers are asked to refrain from mailing items addressed to any of the following countries, **until further notice**:

- Bermuda
- Cape Verde
- Oman
- South Sudan
- Swaziland (Eswatini)
- Yemen

These service disruptions affect Priority Mail Express International® (PMEI), Priority Mail International® (PMI), First-Class Mail International® (FCMI), First-Class Package International Service® (FCPIS®), International Priority Airmail®(IPA®), International Surface Air Lift® (ISAL®), and M-Bag® items.

For already deposited items, other than Global Express Guarantee (GXG®), Postal Service employees will endorse the items as "Mail Service Suspended — Return to Sender" and then place them in the mail stream for return.

For any returned item bearing a customs form, the Postal Service will, upon request, refund postage and fees on mail returned due to the suspension of service.

For all other returned items not bearing a customs declarations form, the Postal Service will, upon request, refund postage and fees on mail returned due to the suspension of service, or the sender may re-mail them with the existing postage once service has been restored. When remailing under this option, customers must cross out the markings "Mail Service Suspended — Return to Sender."

Unless otherwise noted, service suspensions to a particular country do not affect delivery of military and diplomatic mail.

USPS is closely monitoring the situation and will continue to update customers until the situation returns to normal. Please visit our International Service Alerts page for the most up to date information https://about.usps.com/newsroom/service-alerts/international/?utm_source=residential&utm_medium=link&utm_campaign=res_to_intl

Industry Alert: UPDATE 23: International Mail Service Disruptions Due to COVID-19 On April 15, 2020, the Postal Service™ received notifications from various postal operators regarding changes in international mail services due to the novel coronavirus (COVID-19).

The following countries have suspended certain mail services:

Honduras UPDATE: Empresa de Correos de Honduras (Honducor) has advised that they are extending the suspension of mail services until April 19, 2020, or a later date to be communicated in due course.

Mauritius UPDATE: Mauritius Post has advised that they are extending the suspension of mail services until May 4, 2020.

Nepal UPDATE: Nepal Post has advised that they are extending the suspension of mail services until April 30, 2020.

Sri Lanka UPDATE: Department of Posts has advised that they are extending the suspension of mail services until April 20, 2020.

Unless otherwise noted, service suspensions to a particular country do not affect delivery of military and diplomatic mail.

The following countries have announced service disruptions:

Colombia UPDATE: Servicios Postales Nacionales S.A. 4-72, has advised that, owing to the emergency resulting from the spread of the novel coronavirus (COVID-19), there continues to be significant delays in all of its international inbound and outbound letter-post, parcel-post and Express Mail Service (EMS) items.

Georgia UPDATE: Georgian Post has advised that the Government of Georgia has decided to extend the measures aimed at reducing the spread of COVID-19 until May 10, 2020. This includes the suspension of signature service and suspension of service standards.

Ireland UPDATE: An Post, has advised that owing to the cancellation of numerous international flights, it is currently limited in its ability to send outbound mail (letter-post, parcel-post and EMS items) to some countries and ceasing to accept mail destined for those countries until further notice. Details of these destinations can be found at <https://www.anpost.com/Coronavirus/Mails-Parcels-services>. As of April 15, An Post is sending only letters, large envelopes and packets to the United States; no parcels.

Italy UPDATE: Poste Italiane has advised that the Italian Government has extended the measures aimed at minimizing the spread of COVID-19 until May 3, 2020. This includes the suspension of signature service and service standards; limitations on the size and weight of parcels; and changes to the number delivery attempts that will be made before a package is returned to sender.

Jamaica UPDATE: Jamaica Post has advised that the suspension of service standards has been extended until further notice.

United Arab Emirates UPDATE: Emirates Post has advised that it is carrying out contactless deliveries during the COVID-19 pandemic. Deliveries to the addressee's home require the courier to confirm the recipient's name by asking to see ID, recording name and releasing item to recipient.

These service disruptions affect Priority Mail Express International® (PMEI), Priority Mail International® (PMI), First-Class Mail International® (FCMI), First-Class Package International Service® (FCPIS®), International Priority Airmail® (IPA®), International Surface Air Lift® (ISAL®), and M-Bag® items.

The DMM Advisory will continue to update mailers regarding new service disruptions as they are received. For a full list of international service disruptions, please visit <https://about.usps.com/newsroom/service-alerts/international/welcome.htm>

UPCOMING POSTCOM WEBINARS

Due to the Covid-19 Health Crisis and the importance of distributing critical information to the entire industry, the following webinars will not be limited to members only

PostCom Webinar on Coronavirus Updates – April 24, 2 pm ET [Register](#)

May Member Webinar – May 12, 2 pm ET [Register](#)

Members – Did you know you have full access to all archived Webinars (slides and recordings) and Bulletins on our website? Login to the member section using your email as your username and choose a new password.



PARCEL SHIPPERS ASSOCIATION

320 South West Street
Suite 110
Alexandria, Virginia 22314

(703) 989-0789
jim@parcelshippers.org

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

During this national emergency, the U.S. Postal Service (USPS) continues to deliver critical goods to every address, including those in hard-hit urban cities as well as difficult to reach rural areas. The services being provided by the Postal Service include the delivery of prescription drugs, household goods, election materials, census material, Coronavirus-related information, testing kits, medical equipment, and eventually vaccines. However, without immediate financial assistance, these services will not continue.

We understand House and Senate negotiators agreed to a \$13 billion appropriation during consideration of the CARES Act. We further understand this appropriation was dropped when it was opposed by the Administration. It is now obvious that much more is needed.

Yesterday the USPS Board of Governors (appointed by President Trump), notified Congress that, due to the Coronavirus emergency, it will run out of cash before September 30, the end of this fiscal year (see attached release). The bipartisan Board of Governors requested the following:

- \$25 billion emergency appropriation to offset coronavirus-related losses.
- \$25 billion grant to fund “shovel-ready” projects to modernize the Postal Service.
- Access to \$25 billion in unrestricted borrowing authority from the Treasury.

We write in support of the USPS Board of Governors’ request. In addition, Treasury should never seek to impose operational changes and policy conditions on any of the Postal Service’s new or existing borrowing authorities—changes and policies that by law are set by the USPS Board of Governors and Congress.

The over 600,000 men and women of the Postal Service, who have been on the front lines each and every day, represent the only workforce servicing every single household and open business across the nation. Unfortunately, given the lack of emergency funding, it appears they have been abandoned by the Administration. The Postal Service and the corporate members of the Parcel Shippers Association stand-out with their commitment and execution in support of the administrations efforts to keep the economy moving as it struggles throughout this pandemic.

There is a mistaken impression promoted by at least one competitor that the Postal Service undercharges for its package delivery services. This claim has been widely debunked by independent commissions, experts, and virtually everyone who has looked at it (see attached Bibliography). Unfortunately, the postal task force that you chaired accepted this view, choosing to ignore the information provided by USPS and the Postal Regulatory Commission, and proposed the costing methodology changes advocated by that competitor in its final report.

Now is NOT the time to demand structural changes in the way the Postal Service operates or prices its products as a condition to access funds vital for it to continue the extraordinary service they provide the American people. Now is the time to help the Postal Service do what they have done for over 240 years—to Bind the Nation, Enable Commerce, and most importantly, support the Administration in the economic recovery of this nation.

Sincerely,



Jim Cochrane
Chief Executive Officer
Parcel Shippers Association

Attachments:

Members and Senators letter
Senate Testimony
Related articles, testimony, court and PRC decisions

Congress of the United States
Washington, DC 20510

April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with urgent concerns regarding the financial condition of the U.S. Postal Service and the \$10 billion loan Congress authorized the Department of the Treasury to provide to the Postal Service in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.¹ The Coronavirus emergency and resulting decline in economic activity have jeopardized the Postal Service's ability to continue providing essential services to every American. We urge you to make this loan as soon as possible, with terms that respect the Postal Service's status and authorities as an independent establishment of the executive branch. We cannot afford to lose this vital infrastructure at a time when it is most needed to continue delivering prescription drugs, critical packages to households and businesses, Coronavirus-related information, vote-by-mail materials, testing kits, medical equipment, and eventually vaccines across this nation.

On March 20, the Postal Service notified our Committees that due to the Coronavirus emergency it will "run out of cash due to a potential decline in revenue of \$8-\$10 billion and may have to limit or cease operations by the end of this fiscal year." The Postal Service subsequently provided revenue projections indicating that it could lose up to \$12.6 billion in revenues this fiscal year as a result of the pandemic. During the Coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including costs of additional facility cleanings, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs.²

Meanwhile, the Postal Service continues to provide universal, essential services in every community across the nation, delivering medications, emergency information, home supplies, and more. The Postal Service is a lifeline for seniors and for people in rural areas, who often have less access to other services, particularly during this crisis. Postal workers deliver mail and packages to over 159 million households and businesses each day, including over 1 billion prescriptions last year. Businesses rely on the Postal Service to carry their packages the last

¹ Pub. L. No. 116-136 (2020).

² See, for example, U.S. Postal Service, *How Can We Help?: USPS Coronavirus Updates for Residential Customers* (Mar. 24, 2020) (faq.usps.com/s/article/USPS-Coronavirus-Updates-for-Residential-Customers).

mile, particularly in remote and rural areas, as the only carrier that delivers to every single address. Furthermore, the Postal Service is at the center of a \$1.4 trillion mailing industry that employs more than 7.5 million people.³

Enacted on March 27, the CARES Act authorizes the Postal Service to borrow up to an additional \$10 billion from the Department of the Treasury (Treasury) “if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money.” The terms of this loan are to be “mutually agreed upon by the Secretary and the Postal Service.”⁴ In discussions with Senate authorizers regarding these provisions, you indicated that a loan would be made “at the Treasury rate.” This compromise was made with the understanding that Treasury would act swiftly to provide immediate, necessary financial relief to the Postal Service with a loan under practical, commonsense financial terms.

We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the CARES Act, and with respect to the proper authorities delegated to the Postal Service. Congress maintains the authority to set the policies by which the Postal Service operates, delegated by statute to the Postal Service Board of Governors and the Postmaster General. The Board of Governors has the exclusive authority to direct the exercise of “the power of the Postal Service,”⁵ appoint or remove the Postmaster General, and “direct and control the expenditures and review the practices and policies of the Postal Service.”⁶ We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service’s statutory authorities. We cannot afford to compromise this lifeline for seniors, rural areas, and all Americans.

To ensure the terms and conditions that Treasury intends to negotiate with the Postal Service comply with federal statutes and vested authorities, we ask that you provide us with the following documents within one week after the Postal Service requests a loan under the CARES Act:

- The terms and conditions the Treasury will propose to the Postal Service for the exercise of this borrowing authority, as well as any terms and conditions provisionally agreed upon with the Postal Service, including information about any postal policy and/or operational provisions Treasury intends to improperly include as a condition of borrowing;

³ U.S. Postal Service, *Postal Facts: Sizing It Up* (facts.usps.com/size-and-scope) (accessed Mar. 30, 2020).

⁴ Pub. L. 116-136 (2020).

⁵ 39 U.S.C. § 202(a)(1).

⁶ 39 U.S.C. § 202(c); 39 U.S.C. § 205(a).

- A statement of when Treasury will allow the Postal Service to exercise its borrowing authority; and
- For context regarding the current negotiations, all signed or proposed borrowing agreements (Note Purchase Agreements), as well as all “term sheets” and communications regarding these agreements, between the Postal Service and the Treasury Department since 2018. It is our understanding the last permanent agreement expired in September 2018, and an interim agreement expired in August 2019.

Thank you for your attention to this urgent matter.

Sincerely,



Gary C. Peters
Ranking Member
Senate Committee on Homeland
Security and Governmental Affairs



Carolyn B. Maloney
Chairwoman
House Committee on Oversight
and Reform



Tom Carper
Ranking Member
Senate Permanent Subcommittee on
Investigations



Gerald E. Connolly
Chairman
House Subcommittee on Government
Operations



POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Office of the Chairman

March 31, 2020

Michael Plunkett
President & CEO
Association for Postal Commerce

Via email:
RE: Mailing Industry Call for Emergency Measures

Dear Mike,

Thank you for your email today addressed jointly to the Postal Service and me outlining your organization's concerns with the current pandemic and its impact on the United States Postal Service and the entire mailing community. The Commission well understands those concerns, and recognizes that our nation's postal system is a critical component of America's infrastructure. Indeed, we must do all we can to ensure its viability, particularly in the midst of this world-wide pandemic.

Your letter calls for changes to postal rates and payment collections. By law, the Governors of the Postal Service are charged with setting rates, and the Commission evaluates those rates consistent with statutory requirements. While we have not received any information or request from the Postal Service at this time, to the extent that the Governors propose any such changes, please know that *the Commission stands ready to act as expeditiously as possible to efficiently and effectively review any proposals in conformance with existing law.*

These are challenging times for the Postal Service and all of our nation. The Commission is committed to continuing uninterrupted in its mission of ensuring the transparency and accountability of the Postal Service, and also fostering a vital and efficient universal mail system on behalf of our fellow Americans.

With best wishes, I am,

Sincerely yours,

A handwritten signature in black ink, appearing to read 'R. Taub', with a long horizontal flourish extending to the right.

Robert G. Taub, Chairman
Postal Regulatory Commission

cc: Robert M. Duncan, Chairman, Board of Governors, U.S. Postal Service
Megan J. Brennan, Postmaster General & Chief Executive Officer, U.S. Postal Service
David Williams, Chief Operating Officer /Executive Vice President
Jacqueline Krage Strako, Chief Customer and Marketing Officer/Executive Vice President
Joseph Corbett, Chief Financial Officer/Executive Vice President
Thomas Marshall, General Counsel/Executive Vice President
Kristin Seaver, Chief Information Officer/Executive Vice President
Michael M. Kubayanda, Vice Chairman, Postal Regulatory Commission
Mark Acton, Commissioner
Ann C. Fisher, Commissioner
Ashley E. Poling, Commissioner



USPS
Pricing/Cost Analysis of
Contracts with Amazon & Other Major Customers
Scope of Assignment by Independent Firm v.2

- Analyze the economic terms of the contracts between USPS and its 10 largest package customers for the fiscal years 2017, 2018 and 2019.
 - Determine the profitability of the contracts considering fixed and variable costs to determine a) their marginal profitability, and b) their profitability after fully allocating all costs.
 - Given its legally and regulatory mandated service, pricing and cost and other obligations, and the competitive environment, determine whether the USPS is pricing these contracts in a fashion designed to optimize both their profitability and the overall profitability of the USPS.
 - Provide any additional observations on the costs or profitability of its major package contracts.
-

Timeline –

April 30 – Receive proposals

May 1 – Proposal evaluation and summary for final selection

May 4 – Award contract

Status Update –

	Firms Considered	Interest	Proposing	Proposal (due 5/1/20)	Comments
Tier 1	KPMG	Yes	No		Did not propose because of too much risk associated with their clients and their brand for this initiative.
	Oliver Wyman	Yes	No		Did not propose because of too much risk associated with their clients for this initiative.
	Cognizant Technology Solutions	No	No		Non-responsive to phone calls and contact sheet on their website.
	Grant Thornton	Yes	No		Initially did not want to propose. However, during timeline extension, mentioned that if they are able to deploy a team soon they will propose. After pre-proposal conference they decided not to propose.
	BDO	Yes	No		Issues with NDA prevented them from applying during the first round. Legal meetings on NDA concluded and NDA signed 4/24. BDO will be included in the 2 nd round of RFPs. Withdrew from proposing because of management not on board due to political concerns.
Tier 2	FTI Consulting	Yes	Yes	X	Proposal received. Technical review - in progress.
	Slalom Consulting	Yes	No		Withdrew from proposing with no explanation. They decided not to propose because it is politically charged.
	Huron Consulting	Yes	No		Withdrew with no specifics as to the reason.
	Ankura Consulting	Yes			Contacted Kimberli Cornell at Ankura Consulting on 4/27 via e-mail with read receipt. They did not respond as of 4/30. Reached out to Josh.Johnston@ankura.com 4/30; POC provided by Gov. Bloom. 5/1 Connected with Ankura and they are interested but no guarantee that they will propose until they see the RFP. Will provide NDA for signature and release RFP today.
	PwC	No	No		In 2018, PwC sold its Public Sector Practice which became Guidehouse. Their Postal task orders were moved to under Guidehouse. In addition, with the sale of PwC's Public Sector Practice in 2018, a non-compete clause is in place for some number of years whereby PwC cannot do business in the Public Sector (Federal, State and Local governments, including quasi-governmental and independent agencies).

FTI Consulting

2018 Annual Report of FTI Consulting



FTI Annual Report.pdf

FTI Consulting is Publically traded company. Stock price is at \$133.16. 52 week high is \$144.10 and 52 week low is at \$79.74. Market capitalization is at \$4.95B. Listed in the New York Stock Exchange as FCN. No political affiliations.

FTI Consulting is a business advisory firm headquartered in Washington, D.C., United States. FTI is one of the largest financial consulting firms in the world and consistently ranks as one of the top global management consulting firms. The company specializes in the fields of corporate finance and restructuring, economic consulting, forensic and litigation consulting, strategic communications and technology. Founded as Forensic Technologies International Ltd in 1982, FTI Consulting employs more than 4,700 staff in 27 countries.

The firm was involved in the Lehman Brothers and General Motors bankruptcies, the investigation into the Bernard Madoff fraud, *Bush v. Gore*, and the Major League Baseball steroid investigation. As of September 2011, FTI Consulting had the largest restructuring business in the U.S. In 2009, FTI Consulting was listed by *Fortune* as one of the 100 fastest growing U.S. companies.

Ankura Consulting Group LLC

Ankura Consulting Group, LLC is a privately held company and provides consulting services to its clients. The Company focuses on expert witness, bankruptcy and corporate restructuring, litigation support, forensic accounting, geopolitical risk assessment, and general management consulting services. Ankura Consulting Group has headquarters in the United States.

"Ankura, which is an expert services firm is defined by how they solve challenges. Whether a client is facing an immediate business challenge, trying to increase the value of their company or protect against future risks, Ankura designs, develops, and executes tailored solutions by assembling the right combination of expertise. They build on this experience with every case, client, and situation, collaborating to create innovative, customized solutions, and strategies designed for today's ever-changing business environment. This gives their clients unparalleled insight and experience across a wide range of economic, governance, and regulatory challenges. At Ankura, they know that collaboration drives results."

List of Tier 2 Accounting Firms –

A listing of the top tier 2 Accounting US companies from Vault.com.

- 1) Plante Moran
- 2) 2) Baker Tilly Virchow Krause
- 3) RSM US, LLP
- 4) Moss Adams, LLP
- 5) Cohn Reznick, LLP
- 6) Friedman, LLP
- 7) Schellman & Co
- 8) Frank Rimerman + Co, LLP
- 9) CBIZ MHM, LLC
- 10) PKF O'Connor Davies.

Academic Institutions

A have a listing of contacts with Academic Institutions as follows:

- 1) George Washington University
- 2) Harvard Kennedy School of Government
- 3) Brandeis University
- 4) Carnegie Mellon University
- 5) Rutgers University
- 6) University of Maryland
- 7) North Eastern University
- 8) University of Texas
- 9) University of Illinois
- 10) MIT School of Management

Since most of the colleges/universities are shut down, it may take time to engage them.



Annual Report 2018

EXPERTS WITH IMPACT™

Who We Are

FTI Consulting is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes. With more than 4,700 employees located in 28 countries, we are the firm our clients call on when their most important issues are at stake.

FTI Consulting is organized into five business segments, each of which is a global leader in its own right for one simple reason: we have a tangible, positive impact on how our clients confront and manage change and risk.



2018 Highlights

We delivered record performance in 2018 and were engaged on the largest and most complex global assignments.

\$2.03 Billion

Record revenues reflecting **12%** organic growth compared to 2017

\$3.93 EPS

GAAP EPS growth for 6 consecutive years; up **43%** compared to 2017

\$150.6 Million

Net income increased **40%** compared to 2017

\$265.7 Million

Adjusted EBITDA increased **38%** compared to 2017

3,756 Billable Professionals

Billable headcount increased **5%** compared to 2017

\$230.7 Million

Net cash provided by operating activities increased **56%** compared to 2017

76 Cities

Offices in **76** cities in **28** countries around the globe

55%

FCN stock price increased **55%** from December 31, 2017 to December 31, 2018 compared to a 6% decline for the S&P 500



“Our record performance in 2018 is a reflection of the core mission we have been on these last few years, which is to ensure we are leveraging our expertise to help our clients with the most significant challenges and opportunities they face.”

Steven H. Gunby
President and Chief Executive Officer

Dear Fellow Shareholders,

2018 was a fabulous year.

It was a year in which *all* of our business segments and regions delivered powerful top- and bottom-line growth, resulting in double-digit organic revenue growth overall and a fourth consecutive year of adjusted earnings per share growth.

This exceptional performance is the result of the deep commitment of our teams across the globe to seize our future: to listen to our clients deeply, figure out where we have the most value to bring, and invest boldly to take market share and drive ourselves into new adjacencies where we have a right to win.

That success has come because we have committed to change and innovation as the path to an ever brighter future. We have collectively committed to a relentless focus on organic growth by investing boldly behind the aspirations of our people – organic growth that supports enriched service and record numbers of promotions and lateral hires while enhancing shareholder returns. That is the objective we have, and that is the path we are on.

I hope you are as excited as I am about the Company's success in 2018, as well as over the last several years. But I hope even more that you share our enthusiasm for where we believe the fundamental changes we have made over the last few years have *moved* us and the bright prospects ahead for our clients, our people and our shareholders.

Thank you for your investment and continued support.

Steven H. Gunby
President and Chief Executive Officer

Financial Overview

Financial Metrics (in millions, except per share data)	2014	2015	2016	2017	2018
Revenues	\$1,756	\$1,779	\$1,810	\$1,808	\$2,028
Operating Income	\$147.4	\$164.5	\$142.2	\$108.7	\$226.0
Net Income	\$58.8	\$66.1	\$85.5	\$108.0	\$150.6
Adjusted EBITDA ⁽¹⁾	\$210.6	\$205.8	\$203.0	\$192.0	\$265.7
Earnings Per Diluted Share	\$1.44	\$1.58	\$2.05	\$2.75	\$3.93
Adjusted Earnings Per Diluted Share ⁽¹⁾	\$1.64	\$1.84	\$2.24	\$2.32	\$4.00
Net Cash Provided by Operating Activities	\$135.4	\$139.9	\$233.5	\$147.6	\$230.7
Free Cash Flow ⁽¹⁾	\$96.1	\$108.5	\$204.6	\$115.6	\$198.4
Total Debt	\$711.0	\$500.0	\$370.0	\$400.0	\$316.3
Cash and Cash Equivalents	\$283.7	\$149.8	\$216.2	\$190.0	\$312.1

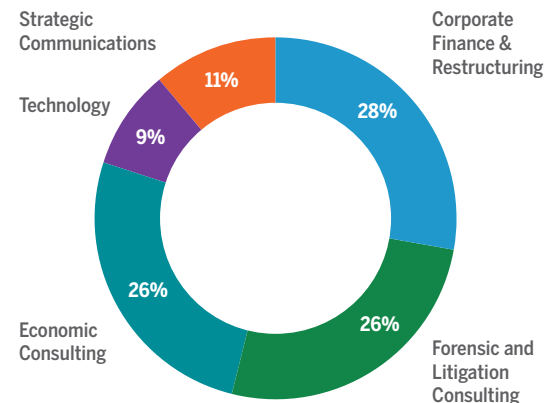
(1) Please refer to pages 6 through 11 of this Annual Report for the definitions of non-GAAP financial measures and the reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures.

Revenues and Earnings Per Diluted Share

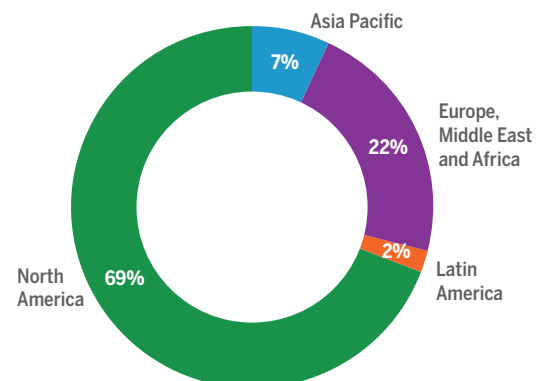
(in millions, except per share data)



2018 Revenues by Segment



2018 Revenues by Region



USPS-20-1215-A-009397

2018 Awards, Statistics & Contributions

- **Top 10** ranking on *Consulting* magazine's **Best Firms to Work For** list
- Named to *Forbes*' list of **America's Best Management Consulting Firms** for the third consecutive year
- Named **Consulting Firm of the Year** by *Who's Who Legal* for the second consecutive year
- Ranked **#1 U.S. Restructuring Advisor** by *The Deal* for 11 consecutive years
- Named *Global M&A Network*'s **Global Turnaround Consulting Firm of the Year** for the fourth consecutive year
- FTI Consulting and Compass Lexecon had the **most experts** (144) recognized in the *Who's Who Legal Consulting Experts Guide* for the third consecutive year
- Named *Who's Who Legal*'s **Investigations Forensic Accounting Firm of the Year**
- Compass Lexecon ranked **#1** on *Global Arbitration Review*'s **GAR 100 Expert Witness Firms' Power Index**
- FTI Technology named **Technology Sector Consulting Firm of the Year** in Australia by *Corporate INTL* magazine
- Ranked in the **top five for global deal count and volume** in *Mergermarket*'s PR Advisors League Tables
- **765 professionals** promoted
- **33,384 hours** spent in professional development training
- **5,000+ hours** of volunteer service performed
- **\$1.7 million** in pro bono services provided



Newly promoted Senior Directors attend a two-day milestone leadership training program



FTI Consulting professionals in Perth volunteer to cook and serve a hot meal for guests of the local Ronald McDonald House



Professionals enjoy collaborating in the firm's new Washington, D.C. office



The FTI Consulting Women's Initiative ("FTI WIN") group in Chicago hosts the 6th annual Women's Leadership Forum

FTI Consulting, Inc.

Non-GAAP Financial Measures

In this Annual Report, FTI Consulting, Inc. (collectively, the “Company,” “we,” “our” or “FTI Consulting”) includes information derived from consolidated and segment financial information that may not be prepared in accordance with Accounting Principles Generally Accepted in the United States (“GAAP”). Certain of these financial measures are considered not in conformity with GAAP (“non-GAAP financial measures”) under the rules promulgated by the Securities and Exchange Commission (“SEC”). Specifically, we have referred to the following non-GAAP financial measures:

Total Segment Operating Income

Adjusted EBITDA

Total Adjusted Segment EBITDA

Adjusted EBITDA Margin

Adjusted Net Income

Adjusted Earnings per Diluted Share

Free Cash Flow

We have included the definitions of Segment Operating Income (Loss) and Adjusted Segment EBITDA below in order to more fully define the components of certain non-GAAP financial measures in the accompanying analysis of financial information. As described in Note 18, “Segment Reporting” in Part II, Item 8, “Financial Statement and Supplementary Data” of our Annual Report on Form 10-K for the year ended December 31, 2018 (our “Form 10-K”), we evaluate the performance of our operating segments based on Adjusted Segment EBITDA, and Segment Operating Income (Loss) is a component of the definition of Adjusted Segment EBITDA.

We define Segment Operating Income (Loss), which is a GAAP financial measure, as a segment’s share of consolidated operating income. We define Total Segment Operating Income, which is a non-GAAP financial measure, as the total of Segment Operating Income (Loss) for all segments, which excludes unallocated corporate expenses. We use Segment Operating Income (Loss) for the purpose of calculating Adjusted Segment EBITDA. We define Adjusted Segment EBITDA, a GAAP financial measure, as a segment’s share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We use Adjusted Segment EBITDA as a basis to internally evaluate the financial performance of our segments because we believe it reflects current core operating performance and provides an indicator of the segment’s ability to generate cash. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenues.

We define Total Adjusted Segment EBITDA, which is a non-GAAP financial measure, as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We define Adjusted EBITDA, which is a non-GAAP financial measure, as consolidated net income before income tax provision, other non-operating income (expense), depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, gain or loss on sale of a business and losses on early extinguishment of debt. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results and GAAP financial measures, provide management

and investors with a more complete understanding of our operating results, including underlying trends. In addition, EBITDA is a common alternative measure of operating performance used by many of our competitors. It is used by investors, financial analysts, rating agencies and others to value and compare the financial performance of companies in our industry. Therefore, we also believe that these measures, considered along with corresponding GAAP financial measures, provide management and investors with additional information for comparison of our operating results with the operating results of other companies.

We define Adjusted Net Income and Adjusted Earnings per Diluted Share (“Adjusted EPS”), which are non-GAAP financial measures, as net income and earnings per diluted share (“EPS”), respectively, excluding the impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, losses on early extinguishment of debt, non-cash interest expense on convertible notes, gain or loss on sale of a business and the impact of adopting the 2017 U.S. Tax Cuts and Jobs Act (the “2017 Tax Act”). We use Adjusted Net Income for the purpose of calculating Adjusted EPS. Management uses Adjusted EPS to assess total Company operating performance on a consistent basis. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results, provide management and investors with an additional understanding of our business operating results, including underlying trends.

We define Free Cash Flow, which is a non-GAAP financial measure, as net cash provided by operating activities less cash payments for purchases of property and equipment. We believe this non-GAAP financial measure, when considered together with our GAAP financial results, provides management and investors with an additional understanding of the Company’s ability to generate cash for ongoing business operations and other capital deployment.

Non-GAAP financial measures are not defined in the same manner by all companies and may not be comparable with other similarly titled measures of other companies. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, the information contained in our Consolidated Statements of Comprehensive Income. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are included in this Annual Report.

2018 – 2014 Reconciliation of Net Income to Adjusted Net Income and Earnings Per Share to Adjusted Earnings Per Share

(in thousands, except per share data)

Year ended December 31	2018	2017	2016	2015	2014
Net income	\$150,611	\$107,962	\$85,520	\$66,053	\$58,807
Add back:					
Special charges	–	40,885	10,445	–	16,339
Tax impact of special charges	–	(13,570)	(3,595)	–	(6,702)
Loss on early extinguishment of debt	9,072	–	–	19,589	–
Tax impact of loss on early extinguishment of debt	(2,359)	–	–	(7,708)	–
Remeasurement of acquisition-related contingent consideration	–	702	1,403	(1,867)	(2,723)
Tax impact of remeasurement of acquisition-related contingent consideration	–	(269)	(546)	747	1,005
Non-cash interest expense on convertible notes	3,019	–	–	–	–
Tax impact of non-cash interest expense on convertible notes	(775)	–	–	–	–
Gain on sale of business	(13,031)	–	–	–	–
Tax impact of gain on sale of business	6,798	–	–	–	–
Impact of 2017 Tax Act	–	(44,870)	–	–	–
Adjusted Net Income ⁽¹⁾	\$153,335	\$90,840	\$93,227	\$76,814	\$66,726
Earnings per common share – diluted	\$3.93	\$2.75	\$2.05	\$1.58	\$1.44
Add back:					
Special charges	–	1.04	0.25	–	0.40
Tax impact of special charges	–	(0.34)	(0.08)	–	(0.16)
Loss on early extinguishment of debt	0.23	–	–	0.47	–
Tax impact of loss on early extinguishment of debt	(0.06)	–	–	(0.19)	–
Remeasurement of acquisition-related contingent consideration	–	0.02	0.03	(0.04)	(0.07)
Tax impact of remeasurement of acquisition-related contingent consideration	–	(0.01)	(0.01)	0.02	0.03
Non-cash interest expense on convertible notes	0.08	–	–	–	–
Tax impact of non-cash interest expense on convertible notes	(0.02)	–	–	–	–
Gain on sale of business	(0.34)	–	–	–	–
Tax impact of gain on sale of business	0.18	–	–	–	–
Impact of 2017 Tax Act	–	(1.14)	–	–	–
Adjusted earnings per common share – diluted ⁽¹⁾	\$4.00	\$2.32	\$2.24	\$1.84	\$1.64
Weighted average number of common shares outstanding – diluted	38,318	39,192	41,709	41,729	40,729

(1) See "FTI Consulting, Inc. Non-GAAP Financial Measures" on pages 6 through 7 for the definitions of Adjusted Net Income and Adjusted EPS, which are non-GAAP financial measures.

USPS-20-1215-A-009401

Reconciliation of 2018 Net Income and Operating Income to Adjusted EBITDA

(in thousands) Year Ended December 31, 2018	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$150,611
Interest income and other							(4,977)
Interest expense							27,149
Loss on early extinguishment of debt							9,072
Gain on sale of business							(13,031)
Income tax provision							57,181
Operating income	\$115,124	\$91,262	\$64,052	\$14,912	\$37,250	(\$96,595)	\$226,005
Depreciation and amortization	3,428	4,237	5,607	12,405	2,302	3,557	31,536
Amortization of other intangible assets	3,108	1,322	296	70	3,366	–	8,162
Adjusted EBITDA ⁽¹⁾	\$121,660	\$96,821	\$69,955	\$27,387	\$42,918	(\$93,038)	\$265,703

Reconciliation of 2017 Net Income and Operating Income to Adjusted EBITDA

(in thousands) Year Ended December 31, 2017	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$107,962
Interest income and other							(3,752)
Interest expense							25,358
Income tax benefit							(20,857)
Operating income	\$70,234	\$54,520	\$49,154	\$4,795	\$13,148	(\$83,140)	\$108,711
Depreciation and amortization	3,175	4,259	5,589	11,684	2,405	4,065	31,177
Amortization of other intangible assets	4,014	1,592	597	635	3,725	–	10,563
Special charges	5,440	12,334	6,624	5,057	7,752	3,678	40,885
Remeasurement of acquisition- related contingent consideration	–	–	–	–	702	–	702
Adjusted EBITDA ⁽¹⁾	\$82,863	\$72,705	\$61,964	\$22,171	\$27,732	(\$75,397)	\$192,038

(1) See "FTI Consulting, Inc. Non-GAAP Financial Measures" on pages 6 through 7 for the definition of Adjusted EBITDA, which is a non-GAAP financial measure.

Reconciliation of 2016 Net Income and Operating Income (Loss) to Adjusted EBITDA

(in thousands) Year Ended December 31, 2016	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$85,520
Interest income and other							(10,466)
Interest expense							24,819
Income tax provision							42,283
Operating income (loss)	\$91,481	\$49,088	\$68,842	(\$2,183)	\$23,110	(\$88,128)	\$142,156
Depreciation and amortization	2,897	4,490	4,614	19,820	2,243	4,636	38,700
Amortization of other intangible assets	3,310	2,000	646	648	3,702	–	10,306
Special charges	–	2,304	–	7,529	–	612	10,445
Remeasurement of acquisition- related contingent consideration	–	–	–	–	1,403	–	1,403
Adjusted EBITDA ⁽¹⁾	\$97,688	\$57,882	\$74,102	\$25,814	\$30,458	(\$82,934)	\$203,010

Reconciliation of 2015 Net Income and Operating Income to Adjusted EBITDA

(in thousands) Year Ended December 31, 2015	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$66,053
Interest income and other							(3,232)
Interest expense							42,768
Loss on early extinguishment of debt							19,589
Income tax provision							39,333
Operating income	\$85,207	\$58,185	\$57,912	\$22,832	\$21,723	(\$81,348)	\$164,511
Depreciation and amortization	2,835	3,860	3,562	15,390	2,070	3,675	31,392
Amortization of other intangible assets	3,550	2,222	1,232	788	3,934	–	11,726
Remeasurement of acquisition- related contingent consideration	(1,491)	–	(376)	–	–	–	(1,867)
Adjusted EBITDA ⁽¹⁾	\$90,101	\$64,267	\$62,330	\$39,010	\$27,727	(\$77,673)	\$205,762

(1) See "FTI Consulting, Inc. Non-GAAP Financial Measures" on pages 6 through 7 for the definition of Adjusted EBITDA, which is a non-GAAP financial measure.

Reconciliation of 2014 Net Income to Operating Income to Adjusted EBITDA

(in thousands) Year Ended December 31, 2014	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							\$58,807
Interest income and other							(4,670)
Interest expense							50,685
Income tax provision							42,604
Operating income	\$46,913	\$83,180	\$55,282	\$46,906	\$15,603	(\$100,458)	\$147,426
Depreciation and amortization	3,568	4,301	4,068	15,768	2,562	3,722	33,989
Amortization of other intangible assets	5,589	3,613	1,047	852	4,420	–	15,521
Special charges	84	308	12	19	3	15,913	16,339
Remeasurement of acquisition-related contingent consideration	(662)	(934)	(1,127)	–	–	–	(2,723)
Adjusted EBITDA⁽¹⁾	\$55,492	\$90,468	\$59,282	\$63,545	\$22,588	(\$80,823)	\$210,552

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

(in thousands) Year Ended December 31	2018	2017	2016	2015	2014
Net cash provided by operating activities	\$230,672	\$147,625	\$233,488	\$139,920	\$135,401
Purchases of property and equipment	(32,270)	(32,004)	(28,935)	(31,399)	(39,256)
Free Cash Flow⁽¹⁾	\$198,402	\$115,621	\$204,553	\$108,521	\$96,145

(1) See "FTI Consulting, Inc. Non-GAAP Financial Measures" on pages 6 through 7 for the definitions of Adjusted EBITDA and Free Cash Flow, which are non-GAAP financial measures.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission file number 001-14875

FTI CONSULTING, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

555 12th Street NW
Washington, D.C.
(Address of Principal Executive Offices)

52-1261113
(I.R.S. Employer
Identification No.)

20004
(ZIP Code)

(202) 312-9100
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common Stock, \$0.01 par value

Name of Each Exchange on Which Registered
New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was \$2.3 billion, based on the closing sales price of the registrant's common stock on June 30, 2018.

The number of shares of the registrant's common stock outstanding on February 19, 2019 was 37,863,716.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive Proxy Statement to be filed with the Securities and Exchange Commission with this Form 10-K for the 2018 fiscal year are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein.

FTI CONSULTING, INC. AND SUBSIDIARIES
Annual Report on Form 10-K
Fiscal Year Ended December 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. Business	<u>1</u>
Item 1A. Risk Factors	<u>18</u>
Item 1B. Unresolved Staff Comments	<u>31</u>
Item 2. Properties	<u>31</u>
Item 3. Legal Proceedings	<u>31</u>
Item 4. Mine Safety Disclosures	<u>31</u>
PART II	
Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>32</u>
Item 6. Selected Financial Data	<u>34</u>
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>36</u>
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	<u>59</u>
Item 8. Financial Statements and Supplementary Data	<u>61</u>
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<u>94</u>
Item 9A. Controls and Procedures	<u>94</u>
Item 9B. Other Information	<u>94</u>
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	<u>95</u>
Item 11. Executive Compensation	<u>95</u>
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>95</u>
Item 13. Certain Relationships and Related Transactions and Director Independence	<u>95</u>
Item 14. Principal Accountant Fees and Services	<u>95</u>
PART IV	
Item 15. Exhibits and Financial Statement Schedule	<u>96</u>
Item 16. Form 10-K Summary	<u>106</u>

PART I

Forward-Looking Information

This Annual Report on Form 10-K (the “Annual Report”) includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve uncertainties and risks. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues, future results and performance, future capital allocations and expenditures, expectations, plans or intentions relating to acquisitions, share repurchases and other matters, business trends, new, or changes to, laws and regulations, including the 2017 U.S. Tax Cuts and Jobs Act, and other information that is not historical. Forward-looking statements often contain words such as “*estimates*,” “*expects*,” “*anticipates*,” “*projects*,” “*plans*,” “*intends*,” “*believes*,” “*forecasts*” and variations of such words or similar expressions. All forward-looking statements, including, without limitation, management’s financial guidance and examination of operating trends, are based upon our historical performance and our current plans, estimates and expectations at the time we make them, and various assumptions. There can be no assurance that management’s expectations, beliefs, forecasts and projections will result or be achieved. Our actual financial results, performance or achievements could differ materially from those expressed in, or implied by, any forward-looking statements. The inclusion of any forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates, forecasts or expectations contemplated by us will be achieved. Given these risks, uncertainties and other factors, you should not place undue reliance on any forward-looking statements.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in, or implied by, statements in this Annual Report. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Annual Report are set forth in this report, including under the heading “Risk Factors” in Part I, Item 1A of this Annual Report. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Annual Report and are expressly qualified in their entirety by the cautionary statements included herein. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances and do not intend to do so.

ITEM 1. BUSINESS

Unless otherwise indicated or required by the context, when we use the terms “Company,” “FTI Consulting,” “we,” “us” and “our,” we mean FTI Consulting, Inc., a Maryland corporation, and its consolidated subsidiaries.

Company Overview**General**

FTI Consulting is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political and regulatory, reputational and transactional. Individually, each of our segments and practices is staffed with experts recognized for the depth of their knowledge and a track record of making an impact. Collectively, FTI Consulting offers a comprehensive suite of services designed to assist clients across the business cycle, from proactive risk management to rapid response to unexpected events and dynamic environments.

We report financial results for the following five reportable segments:

- Corporate Finance & Restructuring;
- Forensic and Litigation Consulting;
- Economic Consulting;
- Technology; and
- Strategic Communications.

We work closely with our clients to help them anticipate, illuminate and overcome complex business challenges and make the most of opportunities arising from factors such as the economy, financial and credit markets, governmental legislation and regulation, and litigation. We provide our clients with expert advice and solutions involving turnaround and restructuring (including bankruptcy), business transformations (including performance improvement), interim management, transactions (including mergers and acquisitions (“M&A”)), forensic accounting and advisory services, global risk & investigations

("GRIP"), antitrust and competition matters, international arbitrations, regulated industries, securities litigation and risk management, electronic discovery management (or "e-discovery"), managed document review, collection and computer forensics), information governance, privacy and security, M&A crisis and special situation communications, and public affairs communications. Our experienced professionals are acknowledged leaders in their chosen field not only for their level of knowledge and understanding, but for their ability to structure practical workable solutions to complex issues and real-world problems. Our clients include Fortune 500 corporations, FTSE 100 companies, global banks, major law firms, and local, state and national governments and agencies around the globe. In addition, major United States ("U.S.") and international law firms refer us or engage us on behalf of their clients. We believe clients retain us because of our recognized expertise and capabilities in highly specialized areas, as well as our reputation for successfully meeting our clients' needs.

Our operations span the globe encompassing locations within: (i) the Americas, consisting of our 47 U.S. offices located in 19 states, three offices located in Calgary, Toronto and Vancouver, Canada and our six offices serving Latin America located in Argentina, Brazil, Colombia, Mexico, the Cayman Islands and the Virgin Islands (British); (ii) Asia and the Pacific, consisting of 15 offices located in Australia, China (including Hong Kong), India, Indonesia, Japan, South Korea, Malaysia and Singapore; and (iii) Europe, Middle East and Africa ("EMEA"), consisting of 24 offices located in Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Qatar, South Africa, Spain, United Arab Emirates and the United Kingdom ("UK").

We derive the majority of our revenues from providing professional services to clients in the U.S. For the year ended December 31, 2018, we derived approximately 68% and 32% of our consolidated revenues from the work of professionals who are assigned to locations inside and outside the U.S., respectively.

Summary Financial and Other Information

The following table sets forth the percentage of consolidated revenues for the last three years contributed by each of our five reportable segments.

Reportable Segment	Year Ended December 31,		
	2018	2017	2016
Corporate Finance & Restructuring	28%	27%	27%
Forensic and Litigation Consulting	26%	26%	25%
Economic Consulting	26%	27%	28%
Technology	9%	10%	10%
Strategic Communications	11%	10%	10%
Total	100%	100%	100%

The following table sets forth the number of offices and countries in which each segment operates, as well as the net number of revenue-generating professionals in each of our reportable segments.

	Year Ended December 31,		Year Ended December 31,		
	2018		2018	2017	2016
	Offices	Countries	Billable Headcount	Billable Headcount	Billable Headcount
Corporate Finance & Restructuring	43	14	948	901	895
Forensic and Litigation Consulting	56	19	1,153	1,067	1,110
Economic Consulting	41	18	708	683	656
Technology	33	9	306	292	288
Strategic Communications	38	17	641	630	647
Total			3,756	3,573	3,596

Our Reportable Segments

Corporate Finance & Restructuring

Our Corporate Finance & Restructuring segment focuses on the strategic, operational, financial and capital needs of our clients around the world. We address the full spectrum of financial, operational and transactional risks and opportunities facing our clients. Our clients include companies, boards of directors, investors, private equity sponsors, banks, lenders, and other financing sources and creditor groups, as well as other parties-in-interest. We deliver a wide range of service offerings, including turnaround and corporate restructuring (and bankruptcy), business transformation (including financial, operational and performance improvement services), and interim management services. Additionally, our services include dispute advisory, M&A, valuation and financial advisory and tax services. Our clients demand our industry expertise, which includes emphasis in the automotive, energy, power & products ("EPP"), healthcare, mining, real estate & infrastructure, retail & consumer products, and telecom, media & technology ("TMT") sectors.

In 2018, our Corporate Finance & Restructuring segment operated through business transformation, turnaround and restructuring, and other practices, which offer the following services:

- **Turnaround & Restructuring.** We provide advisory services to help our clients stabilize finances and operations to reassure creditors and other stakeholders that proactive steps are being taken to preserve and enhance value. For clients confronting liquidity problems, excessive leverage, underperformance, overexpansion, or other business or financial issues, we develop liquidity forecasts, identify cash flow improvements, obtain financing, negotiate loan covenant waivers and guide complex debt restructuring.

Our turnaround management professionals provide their turnaround skills, restructuring expertise, and industry and functional experience to lead through crisis situations, such as financial and operational restructuring and insolvency and bankruptcy, by stabilizing financial position, optimizing financial resources, protecting enterprise value, resolving regulatory compliance issues, building morale and establishing credibility with stakeholders. Our professionals serve in the following interim executive and management roles: chief executive officer, chief operating officer, chief financial officer, chief restructuring officer, controller and treasurer, and other senior positions that report to them.

Our company advisory group advises and assists clients by providing liquidity management, operational improvement, turnaround and restructuring, and capital solutions services to achieve successful turnarounds. Through our out-of-court services, we assist clients to right-size infrastructure, improve liquidity and solvency, improve cash flow and working capital management, sell noncore assets or business units and recapitalize. We perform due diligence reviews, financial statement, cash flow and EBITDA (earnings before interest expense, income taxes, depreciation and amortization) analyses, prepare liquidity forecasts and financial projections, recommend credit alternatives, assist in determining optimal capital structure, monitor portfolios of assets, assess collateral, provide crisis credit and securitized transaction assistance, negotiate loan covenant waivers and guide complex debt restructurings. We also lead and manage the financial aspects of in-court restructurings and bankruptcies by offering services that help our clients assess the impact of a bankruptcy filing on their financial condition and operations. We provide critical services specific to court-supervised insolvency and bankruptcy proceedings. We represent underperforming companies that are debtors-in-possession and lenders. With a focus on minimizing disruption and rebuilding the business after an exit from bankruptcy or insolvency, we help clients accelerate a return to business as usual.

Our creditor advisory group advises and assists secured and unsecured creditors in distressed situations to maximize recoveries and preserve the value of assets. Our services include assessing the short-term and long-term liquidity needs, evaluating operations and the reasonableness of business plans, determining enterprise value, negotiating executable restructuring programs, building a consensus within the creditor group, investigating intercompany transactions and potential fraudulent conveyances, bankruptcy preparation and reporting services, financial analysis in support of petitions and affiliated motions, strategies for monetizing a debtor's assets, the discovery of unidentified assets and liabilities, and expert witness testimony.

- **Business Transformation.** The services offered by our business transformation practice focus on improving the efficiency and effectiveness of clients' operations by implementing systemic changes leading to sustainable results. Our expert-led teams focus on:
 - **Revenues**, by helping clients unlock profitability, combining consulting tools, analytics and operating experience to deploy strategies designed to deliver sustainable, accelerated revenue growth in an accelerated time frame;

- **Operations**, such as sales, customers and sourcing and procurement, by analyzing data and other information that drives improvements, insights and change;
 - **Transactions**, such as M&A, by providing due diligence, pre- and post- advisory and merger integration services;
 - **Finance**, by collaborating with finance and accounting executives to address people, process and technology gaps by using data analytics and best practices to establish solutions that support finance responsibilities while balancing the company's strategic goals, including through our interim management services that address gaps in executive expertise; and
 - **People**, by partnering with business leaders, management, communications and HR, to drive business results by fully addressing the people-side of change. We help organizations realize the benefits of a transformation more rapidly and deliver sustainable change that moves our clients' businesses forward.
- **Office of the Chief Financial Officer ("CFO") Solutions.** Our Office of the CFO Solutions provides holistic, practical, value-enhancing solutions to address people, process and technology gaps. Our solutions are designed to preserve, create and sustain value and to help the CFO team achieve rapid success. We collaborate with CFOs and their finance and accounting organizations and use innovative engagement tools to provide transformation services, manage risk, deliver business intelligence capabilities, and prepare for and execute events, all while building confidence, clarity, controls and consistency.
 - **Interim Management.** Through interim management services, our professionals fill the void when our clients need skilled, experienced leadership to pursue opportunities, contend with executive turnover and transition, or drive strategic transactions or change. The experienced and credentialed professionals in our transitional management practice assume executive officer level roles, providing the leadership, financial management, and operating and strategic decision-making abilities to lead transitions due to extraordinary events such as M&A, divestitures, changes in control and carve-outs of businesses from larger enterprises.
 - **Transactions.** We combine the disciplines of structured finance, investment banking, lender services, M&A, M&A integration, and U.S. Securities and Exchange Commission ("SEC") and other regulatory experience to help our clients maximize value and minimize risk in M&A and other high stakes transactions. The many services that we provide relating to investment banking, lender services, M&A integration, and structured finance and transaction services include: performing due diligence reviews, evaluating key value drivers and risk factors, advising on the most advantageous tax and accounting structures, and assessing quality of earnings, quality of balance sheet and working capital requirements. We identify value enhancers and value issues. We provide comprehensive tax consulting intended to maximize a client's return on investment. We help structure post-acquisition earn-outs and price adjustment mechanisms to allow a client to realize optimal value and perform services for clients involved in purchase price disputes such as assessing the consistent application of U.S. generally accepted accounting principles ("GAAP"), earn-out issues, working capital issues, settlement ranges and allocation of purchase price for tax purposes.

We provide investment banking services in the U.S. and other countries, including Canada and Puerto Rico, through financial industry regulated entities, focusing on identifying and executing value-added transactions for public and private middle market companies. We can also provide investment advisory services through our registered advisors.

- **Valuation & Financial Advisory Services.** We provide an array of forecasting, valuation and transaction support services with respect to strategic transactions, including capital markets, M&A and distressed situations. We have the expertise to provide fairness, solvency, collateral valuation, intellectual asset valuation, and going concern valuation options.
- **Dispute Advisory.** We provide independent litigation consulting, including bankruptcy and avoidance litigation and industry-specific civil, commercial and regulatory dispute services. Our bankruptcy and avoidance litigation services include consulting, expert witness and trial services related to preferential payments, solvency and fraudulent conveyances, substantive consolidation, claims litigation, plan feasibility, valuation disputes and board fiduciary assessments.

Our commercial and regulatory dispute services involve industry-specific expertise relating to industry standards and customary practices, economic damages, fact finding, and forensic review and analysis, primarily related to the

automotive, hospitality, gaming and leisure, real estate and infrastructure, retail and consumer products, structured finance and TMT industries.

- **Tax Services.** We provide advisory services relating to corporate, partnership, and real estate investment trust (“REIT”) and real estate tax compliance and reporting, international taxation, debt restructuring, foreign, state and local taxes, research and development, transfer pricing, tax valuation services and value-added taxation. We advise businesses on a variety of tax matters ranging from tax transaction support to best practice process implementation and structuring.
- **Executive Compensation & Corporate Governance.** We provide objective advice on the design and implementation of comprehensive executive compensation programs to attract, retain, reward and motivate management and employees for the right kind of performance while closely aligning the interests of employees with those of the company’s shareholders and investors. Our corporate governance services include succession planning, stock ownership requirements, and shareholder engagement and outreach.

Forensic and Litigation Consulting

Our Forensic and Litigation Consulting segment provides law firms, companies, government clients and other interested parties with multidisciplinary, independent dispute advisory, investigations, data analytics, forensic accounting, business intelligence and risk mitigation services. We advise our clients in response to allegations involving the propriety of accounting and financial reporting, fraud, regulatory scrutiny and anti-corruption. We assist our clients in protecting enterprise value by (i) quantifying damages and providing expert testimony in a wide range of dispute situations: claims and liabilities, government and regulatory inquiries, investigations and proceedings, litigation, intellectual property (“IP”), professional malpractice, lost profits, valuations, breach of contract, purchase price disagreements, business interruption, environmental claims, construction claims and fraud, (ii) employing forensic accounting and complex modeling to analyze financial transactions, and (iii) identifying, collecting, analyzing and preserving structured information within enterprise systems. We have the capacity to provide our full array of practice offerings across jurisdictional boundaries around the world.

In 2018, our Forensic and Litigation Consulting segment operated through risk advisory, investigations and disputes practices, which offer the following services:

- **Forensic Accounting & Advisory Services.** We assist U.S. and multinational clients with responding to allegations involving the propriety of accounting, financial reporting, fraud, regulatory scrutiny and anti-corruption inquiries. We identify, collect, analyze and interpret financial and accounting data and information for fraud, accounting, complex financial reporting, audit and special committee investigations. We analyze issues, identify options and make recommendations to respond to financial misstatements, financial restatements and inadequate disclosure allegations, claims, threatened and pending litigation, regulatory inquiries and actions, and whistleblower allegations. We employ investigative skills, establish document and database controls, prepare analytical models, perform forensic accounting, present expert testimony and render opinions, and prepare written reports. We have particular expertise investigating compliance with the U.S. Foreign Corrupt Practices Act (the “FCPA”) and other anti-corruption laws, including the UK Anti-Bribery Act (the “UKBA”) and the Organisation for Economic Co-operation and Development (the “OECD”). We provide consulting assistance and expert witness services to securities counsel and their clients regarding inquiries and investigations initiated by the Divisions of Enforcement and Corporate Finance and Office of the Chief Accountant of the SEC. We assist clients in responding to inquiries from the Public Company Accounting Oversight Board.
- **GRIP.** We utilize a multidisciplinary approach to conduct complex factual and regulatory investigations combining teams of former federal prosecutors and regulators, law enforcement and intelligence officials, forensic accountants, industry specialists and computer forensic specialists. We uncover actionable intelligence and perform value-added analysis to help our clients address and mitigate risks, protect assets, remediate compliance, make informed decisions and maximize opportunities. Our capabilities and services include white collar defense intelligence and investigations, complex commercial and financial investigations, business intelligence and investigative due diligence, political risk assessments, business risk assessments, fraud and forensic accounting investigations, computer forensics and electronics evidence, specialized fact finding, domestic and international arbitration proceedings, asset searching and analysis, IP and branding protection, anti-money laundering consulting, ethics and compliance program design, and transactional due diligence. We help our clients navigate anti-bribery and anti-corruption risk proactively (assessing and mitigating risk) and reactively (responding to allegations with multidisciplinary investigation, forensic accounting and information preservation experts). We help clients institute the necessary internal controls with which to comply, and we investigate suspected violations of the FCPA and other anti-corruption laws, including the UKBA and the OECD. We also develop remediation and

monitoring plans, including the negotiation of settlement agreements. Through our services, we uncover actionable intelligence and perform value-added analysis to help our clients and other decision makers address and mitigate risk, protect assets, remediate compliance deficiencies, make informed decisions and maximize opportunities.

- **Cybersecurity.** Our cybersecurity practice uses cutting-edge technologies and capabilities together with our comprehensive practice offerings to enable clients to address their most critical needs and integrate new solutions atop or alongside pre-existing policies and programs to address cyber threats. We help our clients understand their own environments, implement defensive strategies, identify threats, holistically respond to crises, and sustainably recover their operations and reputation after an incident.
- **Dispute Advisory Services.** We provide early case assessment and pre-trial, in-trial and post-trial dispute advisory services in judicial and a broad range of alternative dispute resolution and regulatory forums, including international arbitration, to help clients assess potential, threatened and pending claims resulting from complex events, including securities, accounting and regulatory enforcement actions, valuation, solvency and acquisition disputes, intellectual property disputes and valuations, commercial disputes, including business insurance claims, financial and economic transactions, as well as accounting and professional malpractice allegations, and labor and employment disputes. We analyze records and information, including electronic information, to locate assets, trace flows of funds, identify illegal or fraudulent activity, reconstruct events from incomplete and/or corrupt data, uncover vital evidence, quantify damages and prepare for trial or settlement. In many of our engagements, we also act as an expert witness. We perform economic and commercial analyses necessary to support International Trade Commission Section 337 investigations used to prevent certain products subject to IP claims from entering the U.S.
- **Trial Services.** We work as part of the team advising and supporting clients in large and highly complex civil trials. Through the use of our proprietary information technology, we turn facts and ideas into presentations and information that drive decisions. We help control litigation costs, expedite the in-trial process, prepare evidence, and help our clients to readily organize, access and present case-related data. Our proprietary TrialMax[®] software integrates documents, photographs, animations, deposition videos, audios and demonstrative graphics into a single trial preparation and presentation tool. Our graphics consulting services select the most appropriate presentation formats to maximize impact and memorability and then create persuasive graphic presentations that support, clarify and emphasize the key themes of a case. We provide illustrations and visual aids that help simplify complex technical subjects for jurors through opening and closing statement consulting, witness presentations, research presentations, exhibit plans and outlines, hardboards, scale models, storyboards, timelines, and technical and medical illustrations.
- **Data & Analytics.** We deliver strategic business solutions for clients requiring in-depth identification, analysis and preservation of large, disparate sets of financial, operational and transactional data. We map relationships among various information systems and geographies, mine for specific transactions and uncover patterns that may signal fraudulent activity or transactional irregularities. We assist with recovering assets and designing and implementing safeguards to minimize the risk of recurrence. We produce detailed visualizations from complex data, making it easier to identify abnormalities and share information. We also have the expertise to perform system and information technology (“IT”) audits and due diligence.
- **Compliance, Monitoring & Receivership.** Our expert industry professionals provide full-scale assessments and process improvement and support services for compliance programs, as well as act as independent monitors or in support of trustees, monitors, receivers and examiners. In matters involving the appointment of monitors, receivers or examiners by courts or regulators, our experts possess the necessary independence and skills to test and monitor compliance with and the continuing effectiveness of the terms of settlements or reforms across many industries and professions.
- **Anti-Corruption Investigations & Compliance.** We help clients mitigate corruption risks and investigate and prevent corruption issues arising from the FCPA, the UKBA, Brazil’s Clean Company Act and other similar global statutes.
- **Anti-Money Laundering.** We help banks, broker-dealers, money transmitters, regulators, insurers, law firms, investors and corporations investigate and address anti-money laundering and anti-corruption regulations, compliance and sanctions with specialized consulting services, combining our expertise and investigative experience with our specialized technology and data services.
- **Health Solutions.** We work with a variety of healthcare and life sciences clients to discern innovative solutions that optimize performance in the short term and prepare for future strategic, operational, financial and legal challenges. We provide a one-company team of experts across the spectrum of healthcare disciplines. These

professionals have specialized capabilities and a record of success across hospital operations and restructuring, healthcare economics, and stakeholder engagement and communication.

Economic Consulting

Our Economic Consulting segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the U.S. and around the world. We deliver sophisticated economic analysis and modeling of issues arising in complex M&A transactions, antitrust litigation, commercial disputes, international arbitrations, regulatory proceedings, IP disputes and a wide range of financial litigation. We help clients analyze issues such as the economic impact of deregulation on a particular industry and the amount of damages suffered by a business as a result of a particular event. Our professionals regularly provide expert testimony on damages, rates and prices, valuations (including valuations of complex financial instruments), antitrust and competition regulation, business valuations, IP, transfer pricing and public policy.

In 2018, our Economic Consulting segment offered the following services:

- **Antitrust & Competition Economics.** We provide financial, economic and econometric consulting services to assist clients in public policy debates, regulatory proceedings and litigation. We apply our models to complex data in order to evaluate the likely effects of transactions on prices, costs and competition. Our professionals are experts at analyzing and explaining the antitrust and competition impact of diverse transactions and proceedings relating to M&A, price fixing, monopolization and abuse of a dominant position, exclusionary conduct, bundling and tying, and predatory pricing. Our services include financial and economic analyses of policy, regulatory and litigation matters. We provide expert testimony, testimony regarding class certifications and quantification of damages analyses for corporations, governments and public-sector entities in the U.S. and around the world.
- **Valuation.** We help clients identify and understand the value of their businesses in both contentious and uncontentious situations. We provide business valuation, expert valuation and expert testimony services relating to traditional commercial disputes and other matters as diverse as transaction pricing and structuring, securities fraud, valuations for financial reporting, tax, regulatory and stakeholder investment compliance, solvency issues, fraudulent transfers, post-acquisition M&A disputes and transactions, and disputes between shareholders. We provide our clients with specialized valuation opinions and expert testimony involving international disputes before international courts of jurisdiction and arbitration tribunals. We assist our clients in making economic and investment decisions that significantly affect shareholder value, economic returns and capital allocation.
- **Intellectual Property.** We help clients understand and maximize the value of their intangible business assets. We calculate losses from IP infringement, apply econometrics to develop pricing structures for IP valuations and licensing, manage the purchase or sale of IP assets, negotiate with tax authorities, and determine IP-related losses in legal disputes and arbitrations. We provide IP-related advice and expert opinions and testimony for commercial transactions, intergroup transfers, M&A and negotiations with taxing authorities to a wide range of industries.
- **International Arbitration.** We help clients navigate each phase of the dispute resolution process. Our international arbitration practice works with companies, governments and members of the international bar to provide independent advice and expert testimony relating to business valuations and economic damages in a wide variety of commercial and treaty disputes before international arbitration tribunals. Our services include evaluating claims, identifying and quantifying economic damages, litigation support and identifying the best approaches to achieve positive outcomes.
- **Labor & Employment.** We prepare economic and statistical analyses for clients facing disputes relating to wage and hour issues, class action, class certification, lost earnings and discrimination. Our experienced labor and employment team provide statistical analyses of data and damage exposure, review and rebut expert reports, calculate the economic value of a claim, determine if the purported class in labor and employment litigation meets legal requirements for certification, and provide expert testimony. We provide clients with statistical and economic analysis of Fair Labor Standards Act wage and hour issues, state wage and hour issues, employment discrimination issues, Equal Employment Opportunity Commission investigations, Office of Federal Contract Compliance Program audits, reduction-in-force assessments and compensation studies.
- **Public Policy.** We advise clients regarding the impact of legislation and political considerations on industries and commercial transactions. We perform financial and economic analyses of policy and regulatory matters and the effect of legislation, regulations and political considerations on a wide range of issues facing our clients around the world, such as the environment, taxation and regulations relating to global competitiveness. We provide comparative analyses of proposed policy alternatives, division of responsibilities of federal and local regulators,

the effects of regulations on risk sharing across constituencies and geographies, and unintended consequences. Our services include strategic and regulatory planning, program evaluation, regulatory and policy reform, tort liability, forecasting, public private partnerships and public finance.

- **Regulated Industries.** We provide economic analysis, econometrics and network modeling to provide information to major network and regulated industry participants on the effects of regulations on global business strategies. We provide advice on pricing, valuation, risk management, and strategic and tactical challenges. We also advise clients on the transition of regulated industries to more competitive environments. Our services include economic analysis, econometrics and modeling, due diligence and expert testimony.
- **Securities Litigation & Risk Management.** Our professionals apply economic theory, econometrics and the modern theory of finance to assess, quantify and manage risks inherent in global financial markets. We advise clients and testify on a variety of issues, including securities fraud, insider trading, initial public offering (“IPO”) allocations, market efficiency, market manipulation and forms of securities litigation. We also evaluate financial products such as derivatives, securitized products, collateralized obligations, special purpose entities, and structured financial instruments and transactions.
- **Center for Healthcare Economics and Policy.** We support and facilitate the work of local governments, insurers, providers, physicians, employers and community-based stakeholders by providing data-driven strategies and solutions based on empirical analyses and modeling to reduce the per capita cost of healthcare, improve the health of populations, and enhance patient experience and access to care.
- **Network Analysis.** We provide our clients with hindsight, insight and foresight by using our technology and experience to visualize and evaluate relationships and flows among people, groups, markets, organizations, infrastructure, IT systems, biological systems and other interconnected entities in order to understand complex interconnected data. The information we generate can be used by our clients to evaluate and defend insurance claims, support litigation and regulatory proceedings, detect fraud, identify trends and problematic events, certify class litigation claims, and investigate social and terrorist networks.
- **Economic Impact Analysis.** We apply both market and macroeconomic models across a range of industries to analyze how markets and the broader economy react to changes in public policy and investments. Our clients use our analyses to formulate their strategic plans to educate key stakeholders, policymakers, regulators, the media and the public on the benefits and costs of their plans when determining the best course of action.

Technology

Our Technology segment offers a comprehensive portfolio of information governance, e-discovery management and data analytics software, services and consulting to corporations, law firms, courts and government agencies worldwide. Our consulting and services allow our clients to control the risk and expense of information during legal and regulatory events more confidently, as well as better understand and act on their data in the context of compliance and risk. Our professionals help clients locate, analyze, review and produce electronically stored information (“ESI”), including email, computer files, audio, video, instant messaging, cloud data and social media. Our professionals have a proven track record of helping clients with complex issues, including internal investigations, regulatory and global investigations such as under the FCPA and UKBA, litigation and joint defense, discovery and preparation, and antitrust and competition investigations, including second requests under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

In 2018, our Technology segment operated through software and consulting and services practices, which offer the following services:

- **E-discovery Management.** We plan, design and manage discovery workflows and engagements to maximize responsiveness, minimize costs and risks, and provide greater budget predictability. We offer several deployment options, from a do-it-yourself on-premises model to a full-service managed services option. We offer clients the option to establish master repositories so that data need only be collected and processed once. In the repository, the data can be accessed and used across multiple matters, enabling the reuse and retention of valuable attorney work product and other information.
- **Managed Document Review.** We offer Acuity®, a managed review offering that allows corporations and law firms to improve the cost-effectiveness of their e-discovery processes while more effectively identifying the most critical information and documents in large data sets. With Acuity®, we drive review efficiency by leveraging the power of analytics and artificial intelligence while ensuring rigorous project and budget oversight. Acuity® workflows enable collaboration among the corporation, law firm and our managed review teams.

- **Collections & Computer Forensics.** We help organizations meet requirements for collecting, analyzing and producing large amounts of data from a variety of sources, including email, chat, voicemail, backup tapes, social media, the cloud, mobile devices, shared server files and databases, often on multiple continents. We provide both proactive and reactive support using expert services, methodologies and tools that help companies and their legal advisors understand technology-dependent issues. We also offer services to reconstruct data that has been deleted, misplaced or damaged.
- **Information Governance, Privacy & Security.** We provide the people, process and technology to develop, implement and deliver information governance, privacy & security strategies that reduce corporate risk, cut storage costs, secure data, improve the e-discovery process and enable better insight into data. Services include: readiness assessment consulting and services for the General Data Protection Regulation Act, data privacy program development and managed services, scanning and quarantine of sensitive data, including personally identifiable information and trade secrets, cleanup of file share, litigation hold and preservation optimization, e-discovery readiness/meet-and-confer support, divestiture data segregation, decommission and disposition of business applications in a defensible manner, modernization of messaging policies, backup remediation, workstation and forensic image remediation, social media and messaging archive migration and remediation, migration to cloud applications, discovery of key data, enterprise content management and SharePoint migration and decommissioning, voice and audio readiness, and cybersecurity readiness assessment.
- **Contract Intelligence.** Our Contract Intelligence service provides a cost-effective solution for a key component of contract life cycle management, offering organizations a centralized, organized method to review and analyze their global contract universe. Corporations and firms using our Contract Intelligence service can better find, understand and act upon contracts to meet regulatory requirements, reduce risk and recognize greater business value in business contexts such as pre-merger contract diligence, alignment of contract with new regulations and analyses of leasing agreements for compliance with new accounting standards.
- **Relativity®*.** In 2017, we became an authorized provider of Relativity®, a third-party software product designed to help clients find relevant information quickly and accurately and manage the complexity and scope of investigations and litigation, and have successfully delivered Relativity® on multiple legal and regulatory engagements.
- **Ringtail®* E-discovery Software.** In September 2018, we sold our Ringtail® software and related e-discovery and document review software platform to Nuix, an information software company, for approximately \$55.0 million. At the time of sale, we entered into a three-year preferred partner licensing agreement with Nuix for the Nuix Ringtail Review platform. Ringtail helps companies find relevant information quickly and accurately and manage complex investigations and transactions.
- **Radiance Visual Analytics Software.** Radiance is a highly scalable, visual analytics platform to search ESI from disparate sources in a single interface.

* Registered trademark of Relativity Technologies, Inc. Ringtail is a registered trademark of Nuix.

Strategic Communications

Our Strategic Communications segment designs and executes communications strategies for management teams and boards of directors to help them seize opportunities, manage financial, regulatory and reputational challenges, navigate market disruptions, articulate their brand, stake a competitive position, and preserve and grow operations. We believe our integrated offerings, which include a broad scope of services, deep industry expertise and global reach, are unique and distinguish us from other strategic communications consultancies.

In 2018, our Strategic Communications segment offered the following services:

- **M&A Crisis Communications & Special Situations.** We specialize in advising clients on their communications to investors and other audiences to help them protect their business, brand and market positions and achieve fair valuations in capital markets. We employ a disciplined discovery process to identify preparedness gaps, assess the situation, plan for various possibilities, prepare and disseminate communications, and manage legal and political consequences. We provide services relating to a wide range of M&A scenarios, including transformative and bolt-on acquisitions, friendly and hostile takeovers, and activism defense. We also advise clients in situations that present threats to their valuation and reputation with investors such as proxy contests, financial restatements, shareholder activism, unplanned management changes and other crises. Our integrated communications services are designed to address the concerns of all internal and external stakeholders.
- **Capital Markets Communications.** We assist clients in developing and delivering a consistent and credible narrative to investors and the investment community. We help companies articulate and present their entry into the equity markets, from articulating the strategic rationale and investment story to preparing the registration statement with securities regulators to developing the road show for the IPO. We provide investor relations best practices programs and investor relations services and communications. We conduct perception audits and organize investor community events. We provide a wide range of research and analyses to our clients. We also help clients communicate leadership transitions and demonstrate new management credibility to investors.
- **Corporate Reputation.** We promote businesses and protect corporate reputations, creating solutions for our clients' mission-critical communications needs. Our services include crisis and issues management, reputational risk advisory, stakeholder identification, mapping and engagement, messaging and organization positioning, thought leadership consultancy, corporate social responsibility, strategic media relations, employee communications, engagement and change communications, and media and presentation coaching, as well as qualitative and quantitative research.
- **Public Affairs & Government Relations.** We advise senior business leaders and leading organizations around the world on how to effectively engage with governments, politicians and policymakers and respond to regulatory changes. We advise governments on how to attract investors by improving their regulatory and legal frameworks. Our integrated global team is based in leading political centers, including Berlin, Brussels, London, Melbourne and Washington, D.C. We combine public policy, economic consulting and capital markets expertise with strategic communications and business advisory skills. We offer the full range of engagement programs, ranging from crisis management of imminent legislation to longer-term shaping of the policy environment. We use a range of qualitative and quantitative tools to establish our clients' case in connection with government investigations, political and legislative engagement, public policy debates and business strategies, whether in terms of message refinement, policy mapping, reputation benchmarking, opinion polling or speechwriting.
- **People & Change.** We help clients plan, design and implement internal communications and programs to increase engagement and understanding among leadership teams, employees, vendors, partners and customers. We partner with our clients to understand their unique business environment and internal and external communications aspirations. Our services assist business leaders in communicating and navigating change and transformative events, including new strategy and vision introductions, leadership positioning, M&A, operating model changes, outsourcing or insourcing, workforce consolidations or reductions, and restructurings and reorganizations. Our services are designed to align stakeholder insights with organizational needs.
- **Digital & Creative Communications.** We collaborate with clients to conceive and produce integrated design, content and digital strategies across all media and markets to advance business objectives with key stakeholders and the media. Our approach includes defining corporate and brand positioning, surveying the audience to gauge social sentiments and needs, demystifying complex business operations and situations, selecting a program that resonates with the marketplace, building the communications plan, launching the initiative for maximum visibility and evaluating the success of the program. We provide customized solutions to reach target audiences through digital channels. Our design and marketing teams specialize in corporate and brand identity development, website

development, advertising, interactive marketing campaigns, video and animation, brochures, fact sheets, testimonials and other marketing materials, and annual report development. Our social media experts work with clients to identify and engage stakeholders through the most appropriate and useful paid and non-paid social and digital media outlets.

- **Strategy Consulting & Research.** We provide in-depth market and stakeholder analyses to help our clients solve complex business and communications problems. Our research services include reputation benchmarking, peer analysis, benchmarking and financial market valuations, brand awareness studies and brand extension audits, including customer focus groups, shareholder analysis and investor targeting, consumer trend analysis, public opinion polling and policymaker perception audits.

Our Industry Specializations

We employ professionals across our segments and practices who are qualified to provide our core services plus a range of specialized consulting services and solutions that address the strategic, reputational, operational, financial, regulatory, legal and other needs of specific industries. The major industry groups that we service include:

Aerospace & Defense. Our aerospace and defense professionals provide services addressing the core issues related to the strategic growth and tactical priorities of commercial aviation, airlines, defense contractors, aviation maintenance, repair and overhaul and service providers, and security-oriented businesses. We help our clients navigate issues such as organic and inorganic growth, affordability, profitability, digital strategies, complex disputes with governments and regulators, regulatory audits, strategic communications and improvements to business systems.

Agriculture. Our agribusiness experts advise producers, accumulators and processors to address global concerns relating to the quality, quantity, biodiversity, commodity pricing and sustainable practices, and the effects of weather, climate change and animal rights activism on the food supply.

Automotive. Our automotive experts offer vehicle manufacturers, suppliers, retailers, vehicle financiers and other automotive subsectors, as well as their creditors, lenders and other stakeholders, a comprehensive range of corporate finance and strategic communications services.

Construction. Our construction services professionals provide commercial management, risk-based advice, dispute resolution services and strategic communications counsel on complex projects across all construction and engineering industries. Our professionals are industry leaders who understand technical, business, regulatory and legal matters and are seasoned in giving expert testimony to ensure that every aspect of their capital program or project is properly governed, well-executed, regulatory compliant and fully supported from beginning to end.

EPP. Our EPP professionals provide a wide array of advisory services that address the strategic, financial, restructuring, reputational, regulatory and legal needs of energy and utility clients involved in the production of crude oil, natural gas, refined products, chemicals, coal, electric power, emerging technologies, and renewable energy and clean energy technologies. Our professionals are involved in many of the largest financial and operational restructurings, regulatory and litigation matters involving energy and utility companies globally.

Environmental. Our environmental services professionals provide a comprehensive suite of services aimed at helping organizations manage and resolve specific environmental issues or programmatic challenges. Our services focus on the resolution of complex contamination, toxic tort, products liability, and insurance investigations and disputes before courts, regulators, mediators and alternative dispute tribunals.

Financial Institutions. Our professionals assist banks and financial services clients of all sizes and types in navigating through a changing environment of financial services regulations and enforcement actions, litigation threats, and economic and competitive challenges. We work with clients to manage risk, ensure compliance, resolve regulatory inquiries as they arise, engage with relevant stakeholders, and leverage their assets to protect and enhance enterprise value.

Healthcare & Life Sciences. Our professionals work with a wide variety of healthcare and life sciences clients to discern innovative solutions that optimize performance in the short term and prepare for future strategic, operational, financial, regulatory, legal and reputational challenges. We provide a one-company team of experts across the spectrum of healthcare disciplines. These professionals have specialized capabilities and a record of success across hospital operations and restructuring, healthcare economics, regulatory compliance, and stakeholder engagement and communications.

Hospitality, Gaming & Leisure. Our professionals help hotels, resorts, casinos, timeshares and condo hotels with operational realignment, asset and interim management, strategic analysis and event readiness (e.g., IPO, receivership, bankruptcy) and stakeholder engagement to preserve, protect and enhance asset and enterprise value.

Insurance. Our professionals combine their business and technical acumen to help insurers, reinsurers, captives, brokers, investors, regulators, corporations and their legal and business advisors address complex strategic and tactical issues. We apply methodologies, analytics and communications counsel to support the strategic requirements of our clients to protect assets, meet compliance requirements, achieve performance goals and engage with key stakeholders. Our professionals have a proven track record of effectively managing a broad range of large domestic and international engagements such as high-profile, discreet investigations and disputes, complex restructuring and enterprise-wide transformations, and the application of methodologies and analytics to innovate, improve performance, reduce risk and achieve compliance.

Mining. Our professionals assist mining businesses in understanding how to conduct business in emerging markets, M&A, capital markets financing, commodity pricing, valuations and quantification of damages in dispute situations.

Public-Sector & Government Contracts. Our government contracts team assists businesses through all phases of public sector contracting, including complying with government regulations and managing government business, risk avoidance, dispute resolution and litigation support. Our public-sector solutions team delivers services, including financial and performance improvement, risk management and forensic consulting, economic and public policy consulting, technology and data analytics, and strategic communications.

Real Estate & Infrastructure. Our professionals have the industry expertise and experience to help real estate owners, users, investors and lenders better navigate the real estate market's complexities and manage its inherent risks. We provide such services through our real estate solutions practice within our Corporate Finance & Restructuring segment and our construction solutions practice within our Forensic and Litigation Consulting segment. We represent leading public and private real estate entities and stakeholders, including REITs, financial institutions, investment banks, opportunity funds, insurance companies, hedge funds, pension advisors, owners and developers, offering services that help align strategy with business goals.

Retail & Consumer Products. Our professionals provide a full range of corporate finance, turnaround, restructuring and strategic communications expertise for retailers. We have experience in developing strategies for retail and consumer products companies to address internal and external challenges from inception through maturity. Our professionals have deep industry expertise in critical functional areas to help our clients drive performance, implement plans and engage with key stakeholders that will have sustained results. Our Fast Track™ approach utilizes highly developed frameworks and analytics to identify levers in the retail value equation that can be influenced quickly and serve to fund longer term strategic initiatives that drive shareholder value.

TMT. Our TMT team provides strategic, financial, operational and communications consulting with industry specialists in wireline and wireless telecom, print and digital media, broadcast TV and radio, entertainment and content production, and technology companies of all types, including software, hardware, Internet business models and cloud-based technology. We provide targeted performance improvement strategies and implementation, commercial diligence and transaction advisory, M&A integration, carve-outs and divestitures planning, valuation, interim management, restructuring and strategic communications. We deliver original insights that help clients better understand company performance, consumer behavior, digital substitution, emerging technologies, disruptive trends and stakeholder priorities in our industries.

Transportation. Our professionals provide corporate communications, financial communications, public affairs advice, strategy consulting and research to a broad range of organizations and companies involved in various forms of transportation, including rail, trucking and infrastructure.

Our Business Drivers

Factors that drive demand for our business offerings include:

- **M&A Activity.** M&A activity is an important driver for all of our segments. We offer services for all phases of the M&A process. Our services during the pre-transaction phase include government competition advice and pre-transaction analysis. Our services during the negotiation phase include due diligence, negotiation and other transaction advisory services, government competition and antitrust regulation services, expert advice, asset valuations and financial communications advice. We also offer post-M&A integration and transformation services.
- **Financial Markets.** Financial market factors, including credit and financing availability, terms and conditions, the willingness of financial institutions to provide debt modifications or relief, corporate debt levels, default rates and capital markets transactions, are significant drivers of demand for our business offerings, particularly our Corporate Finance & Restructuring and Strategic Communications segments.
- **Regulatory Complexity, Public Scrutiny and Investigations.** Increasingly complex global regulations and legislation, greater scrutiny of corporate governance, instances of corporate malfeasance, and more stringent and complex

reporting requirements drive demand for our business offerings. The need to understand and address the impact of regulation and legislation, as well as the increasing costs of doing business, have prompted companies to focus on better assessing and managing risks and opportunities. In addition, boards of directors, audit committees and independent board committees have been increasingly tasked with conducting internal investigations of financial wrongdoing, regulatory non-compliance and other issues. These factors and laws, such as the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, have contributed to the demand for independent consultants and experts to investigate and provide analyses and to support the work of outside legal counsel, accountants and other advisors. These types of investigations also increasingly demand the use of multiple disciplinary service offerings like ours, which combine skills and capabilities across practices with industry expertise. These factors drive demand for various practices and services of all our segments.

- ***Litigation and Disputes.*** Litigation and business disputes, the complexity of the issues presented, and the amount of potential damages and penalties drive demand for the services offered by many of our segments, particularly our Forensic and Litigation Consulting, Economic Consulting and Technology segments. Law firms and their clients, as well as government regulators and other interested third parties, rely on independent outside resources to evaluate claims, facilitate discovery, assess damages, provide expert reports and testimony, manage the pre-trial and in-trial process, and effectively present evidence.
- ***Operational Challenges and Opportunities.*** Businesses facing challenges require the evaluation and re-evaluation of strategy, risks and opportunities as a result of crisis-driven situations, competition, regulation, innovation and other events that arise in the course of business. These challenges include enterprise risk management, global expansion, competition from established companies, and emerging businesses and technologies doing business in emerging markets, and new and changing regulatory requirements and legislation. Management, companies and their boards need outside help to recognize, understand and evaluate such events and effect change, which drives demand for independent expertise that can combine general business acumen with the specialized technical expertise of our practice offerings and industry expertise. These factors drive demand for various practices and services of all our segments.
- ***Developing Markets.*** The growth of multinational firms and global consolidation can precipitate antitrust and competition scrutiny and the spread internationally of issues and practices that historically have been more common in the U.S., such as increased and complex litigation, corporate restructuring and bankruptcy activities, and antitrust and competition scrutiny. Companies in the developing world and multinational companies can benefit from our expert advice to access capital and business markets, comply with the regulatory and other requirements of multiple countries, structure M&A transactions and conduct due diligence, which drives demand for the services of all of our segments.

Our Competitive Strengths

We compete primarily on the basis of the breadth of our services, the quality of our work, the prominence of our professionals, our geographic reach, our reputation and performance record, our specific industry expertise and our strong client relationships. We believe our success is driven by a combination of long-standing competitive strengths, including:

- ***Pre-eminent Businesses and Professionals.*** We believe that our segments include some of the pre-eminent practices and professionals in our industry today. During 2018, the awards and recognitions received by the Company include the following:
 - FTI Consulting named to *Forbes* magazine's list of America's Best Management Consulting Firms for the third consecutive year — recognized in 18 sectors and functional areas
 - FTI Consulting named to *Consulting* magazine's Best Firms to Work For list
 - FTI Consulting named *Who's Who Legal's* Consulting Firm of the Year award for the second consecutive year
 - Corporate Finance & Restructuring ranked the #1 U.S. Restructuring Advisor by *The Deal* for 11 consecutive years
 - FTI Consulting and Compass Lexecon had the most experts (144) recognized in the *Who's Who Legal* Consulting Experts Guide for the third consecutive year
 - Compass Lexecon ranked #1 on *Global Arbitration Review's* GAR 100 Expert Witness Firms' Power Index
 - Compass Lexecon named *Who's Who Legal's* Competition Economics Firm of the Year for the fourth consecutive year

- FTI Consulting named *Who's Who Legal's* Arbitration Consulting Firm of the Year for the third consecutive year
- FTI Consulting named *Who's Who Legal's* Investigations Firm of the Year
- FTI Technology named 2018 Technology Sector Consulting Firm of the Year in Australia by *Corporate Intl* magazine
- Strategic Communications ranked in the top five PR Advisor by deal count and volume in *MergerMarket's* 2018 PR Advisors League Tables in the Global, Europe and Asia-Pacific categories
- FTI Consulting named a Top 15 Strategy Consulting Firm in the Asia Pacific region by *Consultancy Asia*
- **Diversified Service Offerings.** Our five reportable segments offer a diversified portfolio of practices providing services within our four geographic regions. Our broad range of practices and services, the diversity of our revenue streams, our specialized industry expertise and our global locations distinguish us from our competitors. This diversity helps to mitigate the impact of crises, events and changes in a particular practice, industry or country.
- **Diversified Portfolio of Elite Clients.** We provide services to a diverse group of clients, including global Fortune 500 companies, FTSE 100 companies, global financial institutions, banks, and local, state and national governments and agencies in the U.S. and other countries. Additionally, 96 of the 100 law firms as ranked by American Lawyer Global 100: Most Revenue List refer or engage us on behalf of multiple clients on multiple matters.
- **Strong Cash Flow.** Our business model has several characteristics that produce consistent cash flows. Our strong cash flow supports business operations, capital expenditures, and research and development efforts in our Technology segment and our ability to service our indebtedness and pursue our growth and other strategies.
- **Demand for Integrated Solutions and a Consultative Approach.** Our breadth and depth of practice and service offerings and industry expertise across the globe drive demand by businesses that seek our integrated services and consultative approach covering different aspects of event-driven occurrences, reputational issues and transactions across different jurisdictions.

Our Business Strategy

We build client relationships based on the quality of our services, our brand and the reputation of our professionals. We provide diverse complementary services to meet our clients' needs around the world. We emphasize client service and satisfaction. We aim to build strong brand recognition. The following are key elements of our business strategy:

- **Leverage Our Practitioners, Businesses, Extensive Geographic Diversification and Relationships.** We work hard to maintain and strengthen our core practices and competencies. We believe that our recognized expertise, client relationships and the quality of our reputation, coupled with our successful track record, size and geographic diversity, are the most critical elements in a decision to retain us. Many of our professionals are recognized experts in their respective fields.
- **Grow Organically.** Our strategy is to grow organically by increasing headcount and market share to provide clients with an attractive and evolving suite of services across our segments, as well as the industries and geographic regions in which we operate.
- **Attract and Retain Highly Qualified Professionals.** Our professionals are crucial to delivering our services to clients and generating new business. As of December 31, 2018, we employed 3,756 revenue-generating professionals, many of whom have an established and widely recognized name in their respective service and industry specialization. Through our substantial staff of highly qualified professionals, we can handle a large number of complex assignments simultaneously. To attract and retain highly qualified professionals, we offer significant compensation opportunities, including sign-on bonuses, forgivable loans, retention bonuses, cash incentive bonuses and equity compensation, along with a competitive benefits package and the chance to work on challenging global engagements with other highly skilled peers.
- **Enhance Profitability.** We endeavor to manage costs, headcount, utilization, bill rates and pricing for both time and materials and alternative fee arrangements to operate profitably.
- **Acquisitions and Other Investments.** Enhance value through capital allocation: The strength of our balance sheet gives us the flexibility to allocate capital and create shareholder value in numerous ways including investments in hiring new

employees, acquisitions and share repurchases. We consider strategic and opportunistic acquisition opportunities on a selective basis. We seek to integrate completed acquisitions and manage investments in a way that fosters organic growth, expands our geographic presence or complements our segments, practices, services and industry focuses. We typically structure our acquisitions to retain the services of key individuals from the acquired companies.

Our Employees

Our success depends on our ability to attract and retain our expert professional workforce. Our professionals include PhDs, MBAs, JDs, CPAs, CPA-ABVs (CPAs accredited in business valuations), CPA-CFFs (CPAs certified in financial forensics), CRAs (certified risk analysts), Certified Turnaround Professionals, Certified Insolvency and Reorganization Advisors, Certified Fraud Examiners, ASAs (accredited senior appraisers), construction engineers and former senior government officials. We also engage independent contractors to supplement our professionals on client engagements as needed. As of December 31, 2018, we employed 4,768 employees, of which 3,756 were revenue-generating professionals.

Employment Agreements

As of December 31, 2018, we had written employment arrangements with substantially all of our 486 Senior Managing Directors and equivalent personnel (collectively, “SMD”). These arrangements generally provide for fixed salary and participation in incentive payment programs (which, in some cases, may be based on financial measures such as EBITDA or relative total shareholder return), salary continuation benefits, accrued bonuses and other benefits beyond the termination date if an SMD leaves our employment for specified reasons prior to the expiration date of the employment agreement. The length and amount of payments to be paid by us following the termination or resignation of an SMD may vary, depending on whether the person resigned with or without “good reason” or was terminated by us with or without “cause,” retired or did not renew, died or became “disabled,” or was terminated as a result of a “change in control” (all such terms as defined in such SMD’s employment agreement). All of our written employment arrangements with SMDs require some notice period be given by the party prior to termination of employment and include covenants providing for restrictions on the SMDs competing against, and soliciting employees from, the Company for a specified period of time following the end of the SMDs employment.

Incentive and Retention Payments

Our SMDs and other employees, consultants and professionals may receive incentive, retention or sign-on payments, on a case-by-case basis, through unsecured general recourse forgivable loans, equity awards or other payments (collectively, “Retention Awards”). We believe that providing these multi-year Retention Awards greatly enhances our ability to attract and retain our key professionals.

Some or all of the principal amount and accrued interest of the loans we make will be forgiven by us upon the passage of time, or their repayment will be funded by us through additional cash bonus compensation, provided that the recipient is an employee or consultant on the forgiveness date. In addition, upon certain termination events, accrued interest and the outstanding principal balance may be forgiven, including upon death, disability and, in some cases, retirement or termination by the Company without cause or the recipient with good reason, or the recipient may be required to repay the unpaid accrued interest and outstanding principal balance upon certain other termination events such as voluntary resignation, as provided in the applicable promissory note. The value of the forgivable loans we have made, in the aggregate, as well as on an individual basis, have been, and we anticipate will continue to be, significant. Our executive officers and outside directors are not eligible to receive loans, and no loans have been made to them.

Our executive officers, other members of senior management and outside directors, as well as employees and independent service providers, have received and will continue to receive equity awards, which may include stock option and share-based awards (including awards in the form of restricted stock, performance-based restricted stock units, deferred restricted stock units, and cash-settled stock appreciation rights and units), on a case-by-case basis, to the extent that shares are available under our stockholder-approved equity compensation plans. The value of such equity and cash-based awards, in the aggregate, as well as on an individual basis, has been and is expected to continue to be significant.

Recipients of sign-on or other retention payments, other than loans, may be required to repay a portion or all of the original payment upon a termination event. These awards are typically smaller amounts in nature than forgivable loans and have a shorter service requirement than forgivable loans.

Select SMDs may participate in certain incentive compensation programs, such as our Senior Managing Director Incentive Compensation Program in the U.S., UK and Canada (the “ICP”) or the Key Senior Managing Director Incentive Plan (the “KSIP”). The ICP was closed to new participants effective January 2015. Participants were recommended by management and approved by the Compensation Committee of the Board of Directors of the Company. The ICP and KSIP provide for a combination of forgivable loans, equity awards and retention bonuses that are paid over an average of six to 10 years depending

on the program and economic value of the award. These programs also require participants to defer a portion of their bonus in the form of cash or restricted stock over a two-to-three-year period.

Marketing

We rely primarily on our senior professionals to identify and pursue business opportunities. Referrals from clients, law firms and other intermediaries and our reputation from prior engagements are also key factors in securing new business. Our professionals often learn about new business opportunities from their frequent contacts and close working relationships with clients. In marketing our services, we emphasize our experience, the quality of our services and our professionals' particular areas of expertise, as well as our ability to quickly staff new and large engagements. While we aggressively seek new business opportunities, we maintain high professional standards and carefully evaluate potential new client relationships and engagements before accepting them. We also employ or contract with sales professionals who are tasked primarily with marketing the services of our Corporate Finance & Restructuring, Forensic and Litigation Consulting, Technology and Strategic Communications segments.

Clients

During the year ended December 31, 2018, no single client accounted for more than 10% of our consolidated revenues. No reportable segment had a single client that accounted for more than 10% of its respective total revenues for the year ended December 31, 2018. In some cases, we may have engagements through law firms that represent a larger percentage of our consolidated revenues or the revenues of a segment; however, each law firm engages us on behalf of multiple clients.

Competition

We compete with different companies or businesses of companies depending on the particular nature of a proposed engagement and the requested types of service(s) or the location of the client or delivery of the service(s) or product(s). Our businesses are highly competitive. Our competitors include large organizations, such as the global accounting firms and large management and financial consulting companies, that offer a broad range of consulting services; investment banking firms; IT consulting and software companies that offer niche services that are the same or similar to services or products offered by one or more of our segments; and small firms and independent contractors that provide one or more specialized services.

We compete primarily on the basis of the breadth of our services, the quality of our work, the prominence of our professionals, our geographic reach, our reputation and performance record, our specific industry expertise, our ability to staff multiple significant engagements across disciplines and industries in multiple locations, and our strong client relationships. Our Technology segment, particularly with respect to hosting services, and to a lesser extent our other segments, may also compete on price, although the critical nature of the services provided by our Corporate Finance & Restructuring, Forensic and Litigation Consulting, and Economic Consulting segments typically makes price a secondary consideration with respect to those segments. Since our businesses depend in large part on professional relationships, there are low barriers of entry for professionals, including our professionals, electing to work independently, start their own firms or change employers.

Our Corporate Finance & Restructuring segment primarily competes with specialty boutiques providing restructuring, bankruptcy or M&A services and, to a lesser extent, large investment banks and global accounting firms.

Our Forensic and Litigation Consulting segment primarily competes with other large consulting companies and global accounting firms with service offerings similar to ours.

Our Economic Consulting segment primarily competes with individually recognized economists, specialty boutiques and large consulting companies with service offerings similar to ours.

Our Technology segment primarily competes with consulting and/or software providers specializing in e-discovery, ESI and the management of electronic content. Competitors may offer products and/or services intended to address one piece or more of those areas. There continues to be significant consolidation of companies providing products and services similar to our Technology segment, through M&A and other transactions, which may provide competitors access to greater financial and other resources than those of FTI Consulting. This industry is subject to significant and rapid innovation. Larger competitors may be able to invest more in research and development or react more quickly to new regulatory or legal requirements and other changes and may be able to innovate more quickly and efficiently. In addition, companies compete aggressively against our Technology segment on the basis of price, particularly with respect to hosting and e-discovery services.

Our Strategic Communications segment competes with large public relations firms, as well as boutique M&A, crisis communications and public affairs firms.

Some service providers are larger than we are and, on certain engagements, may have an advantage over us with respect to one or more competitive factors. Specialty boutiques or smaller local or regional firms, while not offering the range of services we provide, may compete with us on the basis of geographic proximity, specialty services or pricing advantages.

Patents, Licenses and Trademarks

We hold no U.S. patents and have three U.S. patent applications pending. We have no U.S. provisional patent applications pending. We have no Canadian or other international patents, provisional patents or patents pending.

We consider the Acuity[®], Radiance[™] and our other technologies and software to be proprietary and confidential. We consider our TrialMax[®] comprehensive trial preparation software to be proprietary and confidential. The TrialMax[®] software and technology are not protected by patents. We rely upon international copyright laws, non-disclosure agreements and contractual agreements, internal controls, including confidentiality and invention disclosure agreements with our employees and independent contractors, and license agreements with third parties to protect our proprietary information, software and other works. Despite these safeguards, there is a risk that competitors may obtain and seek to use such intellectual property.

We have also developed marketing language such as “Critical Thinking at the Critical Time[®]” and “Experts with Impact[™]” and other trademarks, logos and designs. In some cases, but not all, the trademarks have been registered in the U.S. and/or foreign jurisdictions or, in some cases, applications have been filed and are pending. Certain FTI Consulting and Compass-formative marks’ use is pursuant to certain Co-Existence, Consent and/or Settlement agreements. We believe we take the appropriate steps to protect our trademarks and brands.

Corporate Information

We incorporated under the laws of the state of Maryland in 1982. We are a publicly traded company with common stock listed on the New York Stock Exchange (the “NYSE”) under the symbol FCN. Our executive offices are located at 555 12th Street NW, Washington, D.C. 20004. Our telephone number is 202-312-9100. Our website is <http://www.fticonsulting.com>.

Financial Information on Industry Segments and Geographic Areas

We manage and report operating results through five reportable segments. We also administratively manage our business regionally. See “Risk Factors — Risks Related to Our Operations” for a discussion of risks related to international operations. See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 18, “Segment Reporting” in Part II, Item 8 of this Annual Report for a discussion of revenues, net income and total assets by business segment and revenues for the U.S., UK and all other foreign countries as a group.

Available Information

We make available, free of charge, on or through our website at <http://www.fticonsulting.com>, our annual, quarterly and current reports and any amendments to those reports, our proxy statements, as well as our other filings with the SEC, as soon as reasonably practicable after electronically filing them with the SEC. Information posted on our website is not part of this Annual Report or any other report filed with the SEC in satisfaction of the requirements of the Exchange Act. Copies of this Annual Report, as well as other periodic reports filed with the SEC, may also be requested at no charge from our Corporate Secretary at FTI Consulting, Inc., 6300 Blair Hill Lane, Suite 303, Baltimore, MD 21209, telephone number 410-591-4867.

ITEM 1A. RISK FACTORS

All of the following risks could materially and adversely affect our business, financial condition and results of operations. In addition to the risks discussed below and elsewhere in this Annual Report, other risks and uncertainties not currently known to us or that we currently consider immaterial could, in the future, materially and adversely affect our business, financial condition and financial results.

Risks Related to Our Reportable Segments

Changes in capital markets, M&A activity, legal or regulatory requirements, general economic conditions and monetary or geopolitical disruptions, as well as other factors beyond our control, could reduce demand for our practice offerings or services, in which case our revenues and profitability could decline.

Different factors outside of our control could affect demand for a segment's practices and our services. These include:

- fluctuations in U.S. and/or global economies, including economic downturns or recessions and the strength and rate of any general economic recoveries;
- the U.S. or global financial markets and the availability, costs, and terms of credit and credit modifications;
- level of leverage incurred by countries or businesses;
- M&A activity;
- frequency and complexity of significant commercial litigation;
- overexpansion by businesses causing financial difficulties;
- business and management crises, including the occurrence of alleged fraudulent or illegal activities and practices;
- new and complex laws and regulations, repeals of existing laws and regulations or changes of enforcement of laws, rules and regulations, including antitrust/competition reviews of proposed M&A transactions;
- other economic, geographic or political factors; and
- general business conditions.

We are not able to predict the positive or negative effects that future events or changes to the U.S. or global economies will have on our business or the business of any particular segment. Fluctuations, changes and disruptions in financial, credit, M&A and other markets, political instability and general business factors could impact various segments' operations and could affect such operations differently. Changes to factors described above, as well as other events, including by way of example, contractions of regional economies, or the economy of a particular country, trade restrictions, monetary systems, banking, real estate and retail or other industries; debt or credit difficulties or defaults by businesses or countries; new, repeals of or changes to laws and regulations, including changes to the bankruptcy and competition laws of the U.S. or other countries; tort reform; banking reform; a decline in the implementation or adoption of new laws or regulation, or in government enforcement, litigation or monetary damages or remedies that are sought; or political instability may have adverse effects on one or more of our segments or service, practice or industry offerings.

Our revenues, operating income and cash flows are likely to fluctuate.

We experience fluctuations in our revenues and cost structure and the resulting operating income and cash flows and expect that this will continue to occur in the future. We experience fluctuations in our annual and quarterly financial results, including revenues, operating income and earnings per share, for reasons that include: (i) the types and complexity, number, size, timing and duration of client engagements; (ii) the timing of revenue recognition under U.S. GAAP; (iii) the utilization of revenue-generating professionals, including the ability to adjust staffing levels up or down to accommodate the business and prospects of the applicable segment and practice; (iv) the time it takes before a new hire becomes profitable; (v) the geographic locations of our clients or the locations where services are rendered; (vi) billing rates and fee arrangements, including the opportunity and ability to successfully reach milestones and complete, and collect success fees and other outcome-contingent or performance-based fees; (vii) the length of billing and collection cycles and changes in amounts that may become uncollectible; (viii) changes in the frequency and complexity of government regulatory and enforcement activities; (ix) business and asset acquisitions; (x) fluctuations in the exchange rates of various currencies against the U.S. dollar; and (xi) economic factors beyond our control.

The results of different segments and practices may be affected differently by the above factors. Certain of our practices, particularly our restructuring practice, tend to experience their highest demand during periods when market and/or industry conditions are less favorable for many businesses. For example, in periods of limited credit availability, reduced M&A activity and/or declining business and/or consumer spending, while not always the case, there may be increased restructuring opportunities that will cause our restructuring practice to experience high demand. On the other hand, those same factors may cause a number of our other segments and practices, such as our antitrust and competition practice in Economic Consulting, to experience reduced demand. The positive effects of certain events or factors on certain segments and practices may not be sufficient to overcome the negative effects of those same events or factors on other parts of our business. In addition, our mix of practice offerings adds complexity to the task of predicting revenues and results of operations and managing our staffing levels and expenditures across changing business cycles and economic environments.

Our results are subject to seasonal and similar factors, such as during the fourth quarter when our professionals and our clients typically take vacations. We may also experience fluctuations in our operating income and related cash flows because of increases in employee compensation, including changes to our incentive compensation structure and the timing of incentive payments, which we generally pay during the first quarter of each year, or hiring or retention payments, which are paid throughout the year. Also, the timing of investments or acquisitions and the cost of integrating them may cause fluctuations in our financial results, including operating income and cash flows. This volatility makes it difficult to forecast our future results with precision and to assess accurately whether increases or decreases in any one or more quarters are likely to cause annual results to exceed or fall short of previously issued guidance. While we assess our annual guidance at the end of each quarter and update such guidance when we think it is appropriate, unanticipated future volatility can cause actual results to vary significantly from our guidance, even where that guidance reflects a range of possible results and has been updated to take account of partial-year results.

If we do not effectively manage the utilization of our professionals or billable rates, our financial results could decline.

Our failure to manage the utilization of our professionals who bill on an hourly basis, or maintain or increase the hourly rates we charge our clients for our services, could result in adverse consequences, such as non- or lower-revenue-generating professionals, increased employee turnover, fixed compensation expenses in periods of declining revenues, the inability to appropriately staff engagements (including adding or reducing staff during periods of increased or decreased demand for our services), or special charges associated with reductions in staff or operations. Reductions in workforce or increases of billable rates will not necessarily lead to savings. In such events, our financial results may decline or be adversely impacted. A number of factors affect the utilization of our professionals. Some of these factors we cannot predict with certainty, including general economic and financial market conditions; the complexity, number, type, size and timing of client engagements; the level of demand for our services; appropriate professional staffing levels, in light of changing client demands and market conditions; utilization of professionals across segments and geographic regions; competition; and acquisitions. In addition, our global expansion into or within locations where we are not well-known or where demand for our services is not well-developed could also contribute to low or lower utilization rates in certain locations.

Segments may enter into engagements such as fixed fee and time and materials with caps. Failure to effectively manage professional hours and other aspects of alternative fee engagements may result in the costs of providing such services exceeding the fees collected by the Company. Failure to successfully complete or reach milestones with respect to contingent fee or success fee assignments may also lead to lower revenues or the costs of providing services under those types of arrangements may exceed the fees collected by the Company.

Factors that could negatively affect utilization in our segments include:

Corporate Finance & Restructuring — The completion of bankruptcy proceedings; the timing of the completion of other engagements; fewer and smaller restructuring (including bankruptcy) cases; a recovering or strong economy; easy credit availability; low interest rates; and fewer, smaller and less complex M&A and restructuring activity; or less capital markets activity.

Forensic and Litigation Consulting — The settlement of litigation; less frequent instances of significant mismanagement, fraud, wrongdoing or other business problems that could result in fewer or less complex business engagements; fewer and less complex legal disputes; fewer class action suits; the timing of the completion of engagements; less government regulation or fewer regulatory investigations; and the timing of government investigations and litigation.

Economic Consulting — Fewer, smaller and less complex M&A activity; less capital markets activity or fewer complex transactions; a reduced number of regulatory filings and less litigation, reduced or less aggressive antitrust and competition

regulation or enforcement; fewer government investigations and proceedings; and the timing of client utilization of our services.

Technology — The settlement of litigation; a decline in volume and complexity of litigation proceedings and governmental investigations; and volume and timing of M&A activities and degree of enforcement of anti-trust regulations.

Strategic Communications — Fewer event-driven crises affecting businesses; general economic decline that may reduce certain discretionary spending by clients; a decline in capital markets activity, including M&A; and fewer public securities offerings.

Our segments may face risks of fee non-payment, clients may seek to renegotiate existing fees and contract arrangements, and clients may not accept billable rate or price increases, which could result in loss of clients, fee write-offs, reduced revenues and less profitable business.

In some cases, our segments are engaged by certain clients who are experiencing or anticipate experiencing financial distress or are facing complex challenges, are engaged in litigation or regulatory or judicial proceedings, or are facing foreclosure of collateral or liquidation of assets. This may be true in light of general economic conditions; lingering effects of past economic slowdowns or recession; or business- or operations-specific reasons. Such clients may not have sufficient funds to continue operations or to pay for our services. We typically do not receive retainers before we begin performing services on a client's behalf in connection with a significant number of engagements in our segments. In the cases where we have received retainers, we cannot assure the retainers will adequately cover our fees for the services we perform on behalf of these clients. With respect to bankruptcy cases, bankruptcy courts have the discretion to require us to return all, or a portion of, our fees.

We may receive requests to discount our fees or to negotiate lower rates for our services and to agree to contract terms relative to the scope of services and other terms that may limit the size of an engagement or our ability to pass through costs. We consider these requests on a case-by-case basis. We routinely receive these types of requests and expect this to continue in the future. In addition, our clients and prospective clients may not accept rate increases that we put into effect or plan to implement in the future. Fee discounts, pressure not to increase or even decrease our rates, and less advantageous contract terms could result in the loss of clients, lower revenues and operating income, higher costs and less profitable engagements. More discounts or write-offs than we expect in any period would have a negative impact on our results of operations. There is no assurance that significant client engagements will be renewed or replaced in a timely manner or at all, or that they will generate the same volume of work or revenues or be as profitable as past engagements.

Certain of our clients prefer fixed and other alternative fee arrangements that place revenue ceilings or other limitations on our fee structure or may shift more of our revenue-generating potential to back-end contingent and success fee arrangements. With respect to such alternative fee arrangements, we may discount our rates initially, which could mean that the cost of providing services exceeds the fees collected by the Company during all or a portion of the term of the engagement. In such cases, the Company's failure to manage the engagement efficiently or collect the success or performance fees could expose the Company to a greater risk of loss on such engagement than other fee arrangements or may cause variations in the Company's revenues and operating results due to the timing of achievement of the performance-based criteria, if achieved at all. A segment's ability to service clients with these fee arrangements at a cost that does not directly correlate to time and materials may negatively impact or result in a loss of the profitability of such engagements, adversely affecting the financial results of the segment.

Our Technology segment faces certain risks, including (i) industry consolidation and a highly competitive environment, (ii) client concentration, (iii) downward pricing pressure, (iv) technology changes and obsolescence and (v) failure to protect IP used by the segment, which individually or together could cause the financial results and prospects of this segment and the Company to decline.

Our Technology segment is facing significant competition from other consulting and/or software providers specializing in e-discovery, ESI and the management of electronic content. There continues to be consolidation of companies providing products and services similar to those offered by our Technology segment, which may provide competitors access to greater financial and other resources than those of the Company. Larger competitors may be able to react more quickly to new regulatory or legal requirements and other changes, or innovate more quickly and efficiently. Our Technology segment has been experiencing increasing competition from companies providing similar services at lower prices, particularly with respect to hosting and e-discovery services.

The success of our Technology segment and its ability to compete depends significantly on the IP rights we license from third-parties. There is no assurance that (i) the software we license to provide our services will remain competitive or

technologically innovative, (ii) new, innovative or improved software or products will not be developed by others that will compete more effectively with the software or products we currently license or use to service our customers, or (iii) we can enter into licenses or other agreements on economically advantageous terms to license or enter into other agreements to use new or more innovative third-party software and products to provide our services. If our Technology segment is unable to license or otherwise use competitively innovative or technologically advanced software and products to provide our services, we could be unable to retain clients, grow our business and capitalize on market opportunities, which would adversely affect our operating margins and financial results.

Unauthorized use and misuse of our proprietary IP by employees or third parties could have a material adverse effect on our business, financial condition and results of operations. The available legal remedies for unauthorized or misuse of our proprietary IP may not adequately compensate us for the damages caused by unauthorized use.

Our segments face certain risks relating to cybersecurity and the failure to protect the confidentiality of client information against misuse or disclosure.

Our reputation for maintaining the confidentiality of proprietary, confidential and trade secret information is critical to the success of our segments. In addition, our Technology segment is dependent on providing secure information storage to host client information as a service. We routinely face cyber-based attacks and attempts by hackers and similar unauthorized users to gain access to or corrupt our information technology systems, which so far have been unsuccessful. Such attacks could disrupt our business operations, cause us to incur unanticipated losses or expenses, and result in unauthorized disclosures of confidential or proprietary information. We expect to continue to face such attempts. Although we seek to prevent, detect and investigate these network security incidents, and take steps to mitigate the likelihood of network security breaches, there can be no assurance that attacks by unauthorized users will not be attempted in the future or that our security measures will be effective. If we fail to effectively protect the confidentiality of our clients' or our own IP and proprietary information from disclosure or misuse by our employees, contractors or third parties, the financial results of the affected segment or the Company would be adversely affected. There is no certainty that we can maintain the confidentiality or prevent the misuse of our or our client information.

We may not manage our growth effectively, and our profitability may suffer.

We experience fluctuations in growth of our different segments, practices or services, including periods of rapid or declining growth. Periods of rapid expansion may strain our management team or human resources and information systems. To manage growth successfully, we may need to add qualified managers and employees and periodically update our operating, financial and other systems, as well as our internal procedures and controls. We also must effectively motivate, train and manage a larger professional staff. If we fail to add or retain qualified managers, employees and contractors when needed, estimate costs, or manage our growth effectively, our business, financial results and financial condition may suffer.

We cannot assure that we can successfully manage growth through acquisitions and the integration of the companies and assets we acquire or that they will result in the financial, operational and other benefits that we anticipate. Some acquisitions may not be immediately accretive to earnings, and some expansion may result in significant expenditures.

In periods of declining growth, underutilized employees and contractors may result in expenses and costs being a greater percentage of revenues. In such situations, we will have to weigh the benefits of decreasing our workforce or limiting our service offerings and saving costs against the detriment that the Company could experience from losing valued professionals and their industry expertise and clients.

Risks Related to Our Operations

Our international operations involve special risks.

Our international operations involve financial and business risks that differ from or are in addition to those faced by our U.S. operations, including:

- cultural and language differences;
- limited "brand" recognition;
- different employment laws and rules, employment or service contracts, compensation methods, and social and cultural factors that could result in employee turnover, lower utilization rates, higher costs and cyclical fluctuations in utilization that could adversely affect financial and operating results;

- foreign currency disruptions and currency fluctuations between the U.S. dollar and foreign currencies that could adversely affect financial and operating results;
- different legal and regulatory requirements and other barriers to conducting business;
- greater difficulties in resolving the collection of receivables when legal proceedings are necessary;
- greater difficulties in managing our non-U.S. operations, including client relationships, in certain locations;
- disparate systems, policies, procedures and processes;
- failure to comply with the FCPA and anti-bribery laws of other jurisdictions;
- higher operating costs;
- longer sales and/or collections cycles;
- potential restrictions or adverse tax consequences for the repatriation of foreign earnings, such as trapped foreign losses and importation or withholding taxes;
- different or less stable political and/or economic environments;
- conflicts between and among the U.S. and countries in which we conduct business, including those arising from trade disputes or disruptions, the termination or suspension of treaties, or boycotts; and
- civil disturbances or other catastrophic events that reduce business activity.

If we are not able to quickly adapt to or effectively manage our operations in geographic markets outside the U.S., our business prospects and results of operations could be negatively impacted.

Failure to comply with governmental, regulatory and legal requirements or with our company-wide Code of Ethics and Business Conduct, Anti-Corruption Policy, Policy on Inside Information and Insider Trading, and other policies could lead to governmental or legal proceedings that could expose us to significant liabilities and damage our reputation.

We have a robust Code of Ethics and Business Conduct, Anti-Corruption Policy, Policy on Inside Information and Insider Trading, and other policies and procedures that are designed to educate and establish the standards of conduct that we expect from our executive officers, outside directors, employees, and independent consultants and contractors. These policies require strict compliance with U.S. and local laws and regulations applicable to our business operations, including those laws and regulations prohibiting improper payments to government officials. In addition, as a corporation whose securities are registered under the Securities Act and publicly traded on the NYSE, our executive officers, outside directors, employees and independent contractors are required to comply with the prohibitions against insider trading of our securities. In addition, we impose certain restrictions on the trading of securities of our clients. Nonetheless, we cannot assure our stakeholders that our policies, procedures and related training programs will ensure full compliance with all applicable legal requirements. Illegal or improper conduct by our executive officers, directors, employees, independent consultants or contractors, or others who are subject to our policies and procedures could damage our reputation in the U.S. and internationally or lead to litigation or governmental or regulatory proceedings in the U.S. or foreign jurisdictions, which could result in civil or criminal penalties, including substantial monetary awards, fines and penalties, as well as disgorgement of profits.

We may be required to recognize goodwill impairment charges, which could materially affect our financial results.

We assess our goodwill, trade names and other intangible assets, as well as our other long-lived assets as and when required by GAAP to determine whether they are impaired and, if they are, to record appropriate impairment charges. Factors we consider include significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. We have previously recorded impairment charges to the carrying value of goodwill of certain of our segments, and it is possible that we may be required to record significant impairment charges in the future. Such charges have had and could have an adverse impact on our results of operations.

Risks Related to Our People

Our failure to recruit and retain qualified professionals could negatively affect our financial results and our ability to staff client engagements, maintain relationships with clients and drive future growth.

We deliver sophisticated professional services to our clients. Our success is dependent, in large part, on our ability to keep our supply of skills and resources in balance with client demand around the world. To attract and retain clients, we need to demonstrate professional acumen and build trust and strong relationships. Our professionals have highly specialized skills. They also develop strong bonds with the clients they serve. Our continued success depends upon our ability to attract and retain professionals who have expertise, a good reputation and client relationships critical to maintaining and developing our business. We face intense competition in recruiting and retaining highly qualified professionals to drive our organic growth and support expansion of our services and geographic footprint. We cannot assure that we will be able to attract or retain qualified professionals to maintain or expand our business. If we are unable to successfully integrate, motivate and retain qualified professionals, our ability to continue to secure work in may suffer. Moreover, competition has caused our costs of retaining and hiring qualified professionals to increase, a trend that could continue and could adversely affect our operating margins and financial results.

Despite fixed terms or renewal provisions, we could face retention issues during and at the end of the terms of those agreements and large compensation expenses to secure extensions. There is no assurance we will enter into new or extend employment agreements with our professionals. We monitor contract expirations carefully to commence dialogues with professionals regarding their employment in advance of the actual contract expiration dates. Our goal is to renew employment agreements when advisable and to stagger the expirations of the agreements if possible. Because of the concentration of contract expirations in certain years, we may experience high turnover or other adverse consequences, such as higher costs, loss of clients and engagements or difficulty in staffing engagements, if we are unable to renegotiate employment arrangements or the costs of retaining qualified professionals become too high. The implementation of new compensation arrangements may result in the concentration of potential turnover in future years.

Headcount reductions to manage costs during periods of reduced demand for our services could have negative impacts on our business over the longer term.

Our people are our primary assets and account for the majority of our expenses. During periods of reduced demand for our services, or in response to unfavorable changes in market or industry conditions, we may seek to align our cost structure more closely with our revenues and increase our utilization rates by reducing headcount and eliminating or consolidating underused locations in affected business segments or practices. Following such actions, in response to subsequent increases in demand for our services, including as a result of favorable changes in market or industry conditions, we may need to hire, train and integrate additional qualified and skilled personnel and may be unable to do so to meet our needs or our clients' demands on a timely basis. If we are unable to manage staffing levels on a timely basis in light of changing opportunities or conditions, our ability to accept or service business opportunities and client engagements, take advantage of positive market and industry developments, and realize future growth could be negatively affected, which could negatively impact our revenues and profitability. In addition, while increased utilization resulting from headcount reductions may enhance our profitability in the near term, it could negatively affect our business over the longer term by limiting the time our professionals have to seek out and cultivate new client relationships and win new projects.

We incur substantial costs to hire and retain our professionals, and we expect these costs to continue and to grow.

We may pay hiring or retention bonuses to secure the services of professionals. Those payments have taken the form of unsecured general recourse forgivable loans, stock options, restricted stock, cash-based stock appreciation rights and other equity- and cash-based awards, and cash payments to attract and retain our professional employees. We make forgivable loans to KSIP participants and may provide forgivable or other types of loans to new hires and professionals who join us in connection with acquisitions, as well as to select current employees and other professionals on a case-by-case basis. The

aggregate amount of loans to professionals is significant. We expect to continue issuing unsecured general recourse forgivable loans.

We also provide significant additional payments under the KSIP and annual recurring equity or cash awards under the ICP, the Executive Committee incentive compensation arrangements and other compensation programs, including awards in the form of restricted stock and other stock- or cash-based awards or, alternatively, cash if we do not have adequate equity securities available under stockholder-approved equity plans.

In addition, our Economic Consulting segment has contracts with select economists or professionals that provide for compensation equal to a percentage of such individual's annual collected client fees plus a percentage of the annual fees generated by junior professionals working on engagements managed by such professionals, which results in compensation expenses for that segment being a higher percentage of revenues and EBITDA than the compensation paid by other segments. We expect that these arrangements will continue and that the Company may enter into similar arrangements with other economists and professionals hired by the Company.

We rely heavily on our executive officers and the heads of our operating segments and industry leaders for the success of our business.

We rely heavily on our executive officers and the heads of our operating segments, regional locations and industries to manage our operations. Given the highly specialized nature of our services and the scale of our operations, our executive officers and the heads of our operating segments and industry and regional leaders must have a thorough understanding of our service offerings, as well as the skills and experience necessary to manage a large organization in diverse geographic locations. We are unable to predict with certainty the impact that leadership transitions may have on our business operations, prospects, financial results, client relationships, or employee retention or morale.

Professionals may leave our Company to form or join competitors, and we may not have, or may choose not to pursue, legal recourse against such professionals.

Our professionals typically have close relationships with the clients they serve, based on their expertise and bonds of personal trust and confidence. Therefore, the barriers to our professionals pursuing independent business opportunities or joining our competitors should be considered low. Although our clients generally contract for services with us as a company, and not with an individual professional, in the event that a professional leaves, such clients may decide that they prefer to continue working with a specific professional rather than with our Company. Substantially all of our written employment arrangements with our senior managing directors and equivalent employees include non-competition and non-solicitation covenants. These restrictions have generally been drafted to comply with state "reasonableness" standards. However, states generally interpret restrictions on competition narrowly and in favor of employees. Therefore, a state may hold certain restrictions on competition to be unenforceable. In the case of employees outside the U.S., we draft non-competition provisions in an effort to comply with applicable foreign law. In the event an employee departs and acts in a way that we believe violates his or her non-competition or non-solicitation agreement, we will consider any legal remedies we may have against such person on a case-by-case basis. We may decide that preserving cooperation and a professional relationship with a former employee or client, or other concerns, outweighs the benefits of any possible legal recourse. We may also decide that the likelihood of success does not justify the costs of pursuing a legal remedy. Therefore, there may be times we may decide not to pursue legal action, even if it is available to us.

Risks Related to Our Client Relationships

If we are unable to accept client engagements due to real or perceived relationship issues, our revenues, growth, client engagements and prospects may be negatively affected.

Our inability to accept engagements from existing or prospective clients, represent multiple clients in connection with the same or competitive engagements, or any requirement that we resign from a client engagement may negatively impact our revenues, growth and financial results. While we follow internal practices to assess real and potential issues in the relationships between and among our clients, engagements, segments, practices and professionals, such concerns cannot always be avoided. For example, we generally will not represent parties adverse to each other in the same matter. Under U.S. federal bankruptcy rules, we generally may not represent both a debtor and its creditors in the same proceeding, and we are required to notify the U.S. Trustee of real or potential conflicts. Even if we begin a bankruptcy-related engagement, the U.S. Trustee could find that we no longer meet the disinterestedness standard because of real or potential changes in our status as a disinterested party and order us to resign, which could result in disgorgement of fees. Acquisitions may require us to resign from a client engagement because of relationship issues that are not currently identifiable. In addition, businesses that we acquire or employees who join us may not be free to accept engagements they could have accepted prior to our acquisition or hire because of relationship

Claims involving our services could harm our overall professional reputation and our ability to compete and attract business or hire or retain qualified professionals.

Our engagements involve matters that may result in a severe impact on a client's business, cause the client a substantial monetary loss or prevent the client from pursuing business opportunities. Our ability to attract new clients and generate new and repeat engagements or hire professionals depends upon our ability to maintain a high degree of client satisfaction, as well as our reputation among industry professionals. As a result, any claims against us involving the quality of our services may be more damaging than similar claims against businesses in other industries.

We may incur significant costs and may lose engagements as a result of claims by our clients regarding our services.

Many of our engagements involve complex analysis and the exercise of professional judgment, including litigation and governmental investigatory matters where we act as experts. Therefore, we are subject to the risk of professional and other liabilities. Although we believe we maintain an appropriate amount of insurance, it is limited. Damages and/or expenses resulting from any successful claim against us, for indemnity or otherwise, in excess of the amount of insurance coverage will be borne directly by us and could harm our profitability and financial resources. Any claim by a client or third party against us could expose us to reputational issues that adversely affect our ability to attract new or maintain existing engagements or clients or qualified professionals or other employees, consultants or contractors.

Our clients may terminate our engagements with little or no notice and without penalty, which may result in unexpected declines in our utilization and revenues.

Our engagements center on transactions, disputes, litigation and other event-driven occurrences that require independent analysis or expert services. Transactions may be postponed or canceled, litigation may be settled or dismissed, and disputes may be resolved, in each case with little or no prior notice to us. If we cannot manage our work in process, our professionals may be underutilized until we can reassign them or obtain new engagements, which can adversely affect financial results.

The engagement letters that we typically enter into with clients do not obligate them to continue to use our services. Typically, our engagement letters permit clients to terminate our services at any time without penalties. In addition, our business involves large client engagements that we staff with a substantial number of professionals. At any time, one or more client engagements may represent a significant portion of a segment's revenues. If we are unable to replace clients or revenues as engagements end or if clients unexpectedly cancel engagements with us or curtail the scope of our engagements and we are unable to replace the revenues from those engagements, eliminate the costs associated with those engagements or find other engagements to utilize our professionals, the financial results of the Company could be adversely affected.

We may not have, or may choose not to pursue, legal remedies against clients that terminate their engagements.

The engagement letters that we typically have with clients do not obligate them to continue to use our services and permit them to terminate the engagement without penalty at any time. Even if the termination of an ongoing engagement by a client could constitute a breach of the client's engagement agreement, we may decide that preserving the overall client relationship is more important than seeking damages for the breach and, for that or other reasons, decide not to pursue any legal remedies against a client, even though such remedies may be available to us. We make the determination whether to pursue any legal actions against a client on a case-by-case basis.

Failures of our internal information technology systems controls.

Our reputation for providing secure information storage and maintaining the confidentiality of proprietary, confidential and trade secret information is critical to the success of our businesses, especially our Technology segment, which hosts client information as a service. We routinely face cyber-based attacks and attempts by hackers and similar unauthorized users to gain access to or corrupt our information technology systems, which so far have been unsuccessful. Such attacks could disrupt our business operations, cause us to incur unanticipated losses or expenses, and result in unauthorized disclosures of confidential or proprietary information. We expect to continue to face such attempts. Although we seek to prevent, detect and investigate these network security incidents and have taken steps to mitigate the likelihood of network security breaches, there can be no assurance that attacks by unauthorized users will not be attempted in the future or that our security measures will be effective.

Compromise of confidential or proprietary information could damage our reputation, harm our businesses and adversely impact our financial results.

The Company's own confidential and proprietary information and that of our clients could be compromised, whether intentionally or unintentionally, by our employees, consultants or vendors. A compromise of the security of our information technology systems leading to theft or misuse of our own or our clients' proprietary or confidential information, or the public disclosure or use of such information by others, could result in losses, third-party claims against us and reputational harm,

including the loss of clients. The theft or compromise of our or our clients' information could negatively impact our reputation, financial results and prospects. In addition, if our reputation is damaged due to a data security breach, our ability to attract new engagements and clients may be impaired or we may be subjected to damages or penalties, which could negatively impact our businesses, financial results or financial condition.

Governmental focus on data privacy and security could increase our costs of operations.

In reaction to publicized incidents in which electronically stored personal and other information has been lost, accessed or stolen, or transmitted by or to third parties without permission, U.S. and non-U.S. governmental authorities have proposed or adopted or are considering proposing or adopting data security and/or data privacy statutes or regulations. Continued governmental focus on data security and privacy may lead to additional legislative and regulatory action, which could increase the complexity of doing business in the U.S. or the applicable jurisdiction. The increased emphasis on information security and the requirements to comply with applicable U.S. and foreign data security and privacy laws and regulations may increase our costs of doing business and negatively impact our financial results.

Risks Related to Competition

If we fail to compete effectively, we may miss new business opportunities or lose existing clients, and our revenues and profitability may decline.

The market for some of our consulting services is highly competitive. We do not compete against the same companies across all of our segments, practices, services, industries or geographic regions. Instead, we compete with different companies or businesses of companies depending on the particular nature of a proposed engagement and the types of requested service(s) and the location of the client or delivery of the service(s). Our operations are highly competitive.

Our competitors include large organizations, such as the global accounting firms and the large management and financial consulting companies that offer a broad range of consulting services; investment banking firms; IT consulting and software companies, which offer niche services that are the same or similar to services or products offered by one or more of our segments; and small firms and independent contractors that focus on specialized services. Some of our competitors have significantly more financial resources, a larger national or international presence, larger professional staffs and greater brand recognition than we do. Some have lower overhead and other costs and can compete through lower cost-service offerings.

Since our business depends in large part on professional relationships, our business has low barriers to entry for professionals electing to start their own firms or work independently. In addition, it is relatively easy for professionals to change employers.

If we cannot compete effectively or if the costs of competing, including the costs of hiring and retaining professionals, become too expensive, our revenue growth and financial results could be negatively affected and may differ materially from our expectations.

We may face competition from parties who sell us their businesses and from professionals who cease working for us.

In connection with our acquisitions, we generally obtain non-solicitation agreements from the professionals we hire, as well as non-competition agreements from senior managers and professionals. The agreements prohibit such individuals from competing with us during the term of their employment and for a fixed period afterwards and from seeking to solicit our employees or clients. In some cases, but not all, we may obtain non-competition or non-solicitation agreements from parties who sell us their businesses or assets. The duration of post-employment non-competition and non-solicitation agreements typically ranges from six to 12 months. Non-competition agreements with the sellers of businesses or assets that we acquire typically continue longer than 12 months. Certain activities may be carved out of, or otherwise may not be prohibited by, these arrangements. We cannot assure that one or more of the parties from whom we acquire a business or assets, or who do not join us or leave our employment, will not compete with us or solicit our employees or clients in the future. States and foreign jurisdictions may interpret restrictions on competition narrowly and in favor of employees or sellers. Therefore, certain restrictions on competition or solicitation may be unenforceable. In addition, we may not pursue legal remedies if we determine that preserving cooperation and a professional relationship with a former employee or his or her clients, or other concerns, outweighs the benefits of any possible legal recourse or the likelihood of success does not justify the costs of pursuing a legal remedy. Such persons, because they have worked for our Company or a business that we acquire, may be able to compete more effectively with us, or be more successful in soliciting our employees and clients, than unaffiliated third parties.

Risks Related to Acquisitions

We will consider future strategic or opportunistic acquisitions. In those cases, some or all of the following risks could be applicable.

We may have difficulty integrating acquisitions or convincing clients to allow assignment of their engagements to us, which can reduce the benefits we receive from acquisitions.

The process of managing and integrating acquisitions into our existing operations may result in unforeseen operating difficulties and may require significant financial, operational and managerial resources that would otherwise be available for the operation, development and organic expansion of our existing operations. To the extent that we misjudge our ability to properly manage and integrate acquisitions, we may have difficulty achieving our operating, strategic and financial objectives.

Acquisitions also may involve a number of special financial, business and operational risks, such as:

- difficulties in integrating diverse corporate cultures and management styles;
- disparate policies and practices;
- client relationship issues;
- decreased utilization during the integration process;
- loss of key existing or acquired personnel;
- increased costs to improve or coordinate managerial, operational, financial and administrative systems;
- dilutive issuances of equity securities, including convertible debt securities, to finance acquisitions;
- the assumption of legal liabilities;
- future earn-out payments or other price adjustments;
- potential future write-offs relating to the impairment of goodwill or other acquired intangible assets or the revaluation of assets;
- difficulty or inability to collect receivables; and
- undisclosed liabilities.

In addition to the integration challenges mentioned above, our acquisitions of non-U.S. companies offer distinct integration challenges relating to foreign laws and governmental regulations, including tax and employee benefit laws, and other factors relating to operating in countries other than the U.S., which we have addressed above in the discussion regarding the difficulties we may face operating globally.

Asset transactions may require us to seek client consents to the assignment of their engagements to us or a subsidiary. All clients may not consent to assignments. In certain cases, such as government contracts and bankruptcy engagements, the consent of clients cannot be solicited until after the acquisition has closed. Further, such engagements may be subject to security clearance requirements or bidding provisions with which we might not be able to comply. There is no assurance that clients of the acquired entity or local, state, federal or foreign governments will agree to novate or assign their contracts to us.

The Company may also hire groups of selected professionals from another company. In such event, there may be restrictions on the ability of the professionals who join the Company to compete and work on client engagements. In addition, the Company may enter into arrangements with the former employers of those professionals regarding limitations on their work until any time restrictions pass. In such circumstances, there is no assurance that the Company will enter into mutually agreeable arrangements with any former employer, and the utilization of such professionals may be limited, and our financial results could be negatively affected until their restrictions end. The Company could also face litigation risks from group hires.

We may be unable to take advantage of opportunistic acquisition situations, which may adversely affect our ability to expand or diversify our business.

At the time an acquisition opportunity presents itself, internal and external pressures (including, but not limited to, competition for such acquisition, the cost of such acquisition, borrowing capacity under our senior secured bank revolving

credit facility (as amended and restated on November 30, 2018, the “Credit Facility”) or the availability and cost of alternative financing) may cause us to be unable to pursue or complete an acquisition.

An acquisition may not be accretive in the near term or at all.

Competitive market conditions may require us to pay a price that represents a higher multiple of revenues or profits for an acquisition. As a result of these competitive dynamics, cost of the acquisition or other factors, certain acquisitions may not be accretive to our overall financial results at the time of the acquisition or at all.

We may have a different system of governance and management from a company we acquire or its parent, which could cause professionals who join us from an acquired company to leave us.

Our governance and management policies and practices will not mirror the policies and practices of an acquired company or its parent. In some cases, different management practices and policies may lead to workplace dissatisfaction on the part of professionals who join our Company. Some professionals may choose not to join our Company or leave after joining us. Existing professionals may leave us as well. The loss of key professionals may harm our business and financial results and cause us not to realize the anticipated benefits of the acquisition.

Due to fluctuations in our stock price, acquisition candidates may be reluctant to accept shares of our common stock as purchase price consideration, use of our shares as purchase price consideration may be dilutive or the owners of certain companies we seek to acquire may insist on stock price guarantees.

We may structure an acquisition to pay a portion of the purchase price in shares of our common stock. The number of shares issued as consideration is typically based on an average closing price per share of our common stock for a number of days prior to the closing of such acquisition. We believe that payment in the form of shares of common stock of FTI Consulting provides the acquired entity and its principals with a vested interest in the future success of the acquisition and the Company. Stock market volatility, generally, or FTI Consulting’s stock price volatility, specifically, may result in acquisition candidates being reluctant to accept our shares as consideration. In such cases, we may have to issue more shares if stock constitutes part of the consideration, offer stock price guarantees, pay the entire purchase price in cash or negotiate an alternative price structure. The result may be an increase in the cost of an acquisition.

Certain past acquisition-related agreements have contained stock price guarantees that resulted in cash payments in the future if the price per share of FTI Consulting common stock fell below a specified per share market value on the date restrictions lapse. There is no assurance that an acquisition candidate will not negotiate stock price guarantees with respect to a future acquisition, which may increase the cost of such acquisition.

Risks Related to Our Indebtedness

Our leverage could adversely affect our financial condition or operating flexibility if the Company fails to comply with operating covenants under applicable debt instruments.

Our Credit Facility, or our other indebtedness outstanding from time to time, contains or may contain operating covenants that may, subject to exceptions, limit our ability and the ability of our subsidiaries to, among other things:

- create, incur or assume certain liens;
- make certain restricted payments, investments and loans;
- create, incur or assume additional indebtedness or guarantees;
- create restrictions on the payment of dividends or other distributions to us from our restricted subsidiaries;
- engage in M&A transactions, consolidations, sale-leasebacks, joint ventures, and asset and security sales and dispositions;
- pay dividends or redeem or repurchase our capital stock;
- alter the business that we and our subsidiaries conduct;
- engage in certain transactions with affiliates;
- modify the terms of certain indebtedness;
- prepay, redeem or purchase certain indebtedness; and

- make material changes to accounting and reporting practices.

In addition, the Credit Facility includes a financial covenant that requires us not to exceed a maximum consolidated total net leverage ratio (the ratio of funded debt (less unrestricted cash up to \$150.0 million) to Consolidated EBITDA, as defined in the Credit Facility).

Operating results below a certain level or other adverse factors, including a significant increase in interest rates, could result in us being unable to comply with certain covenants. If we violate any applicable covenants and are unable to obtain waivers, our agreements governing our indebtedness or other applicable agreement could be declared in default and could be accelerated, which could permit, in the case of secured debt, the lenders to foreclose on our assets securing the debt thereunder. If the indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our debt is in default for any reason, our cash flows, financial results or financial condition could be materially and adversely affected. In addition, complying with these covenants may cause us to take actions that are not favorable to holders of our indebtedness outstanding from time to time and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

Despite our current level of indebtedness, we and our subsidiaries may still incur significant additional indebtedness, which could further exacerbate the risks associated with our substantial indebtedness.

Our current level of indebtedness could have important consequences on our future operations. We and our subsidiaries may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. The terms of the indenture, dated as of August 20, 2018, between us and U.S. Bank National Association, as trustee (the "Indenture") governing the 2.0% Convertible Senior Notes due 2023 (the "2023 Convertible Notes") do not restrict us from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the Indenture. The terms of the agreements governing our Credit Facility and other indebtedness limit, but do not prohibit, us from incurring additional indebtedness.

Our ability to incur additional indebtedness may have the effect of reducing the funds available to pay amounts due with respect to our indebtedness. If we incur new indebtedness or other liabilities, the related risks that we and our subsidiaries may face could intensify.

We may not be able to generate sufficient cash to service our indebtedness, and we may be forced to take other actions to satisfy our payment obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our indebtedness depends on our future performance, including the performance of our subsidiaries, which will be affected by financial, business and economic conditions, competition and other factors. We will not be able to control many of these factors, such as the general economy, economic conditions in the industries in which we operate and competitive pressures. Our cash flow may not be sufficient to allow us to pay principal and interest on our indebtedness and to meet our other obligations. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In addition, the terms of existing or future debt agreements, including our Credit Facility, may restrict us from pursuing any of these alternatives.

In the event that we need to refinance all or a portion of our outstanding indebtedness before maturity or as it matures, we may not be able to obtain terms as favorable as the terms of our existing indebtedness or refinance our existing indebtedness at all. If interest rates or other factors existing at the time of refinancing result in higher interest rates upon refinancing, we will incur higher interest expense. Furthermore, if any rating agency changes our credit rating or outlook, our debt and equity securities could be negatively affected, which could adversely affect our financial condition and financial results.

Our Credit Facility is guaranteed by substantially all of our domestic subsidiaries and will be required to be guaranteed by future domestic subsidiaries, including those that join us in connection with acquisitions.

Substantially all of our U.S. subsidiaries guarantee our obligations under our Credit Facility, and substantially all of their assets are pledged as collateral for the Credit Facility. Future U.S. subsidiaries will be required to provide similar guarantees under the Credit Facility. If we default on any guaranteed indebtedness, our U.S. subsidiaries could be required to make payments under their guarantees, and our senior secured creditors could foreclose on our U.S. subsidiaries' assets to satisfy unpaid obligations, which would materially adversely affect our business and financial results.

We may not have the ability to raise the funds necessary to settle conversions of the 2023 Convertible Notes or to repurchase the 2023 Convertible Notes upon a fundamental change, and the agreements governing our other indebtedness contain, and our future debt may contain, limitations on our ability to pay cash upon conversion or repurchase of the 2023 Convertible Notes.

Holders of the 2023 Convertible Notes will have the right to require us to repurchase their 2023 Convertible Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the 2023 Convertible Notes to be repurchased, plus any accrued and unpaid interest. In addition, upon conversion of the 2023 Convertible Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2023 Convertible Notes being converted in accordance with the terms of the Indenture governing the 2023 Convertible Notes. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the 2023 Convertible Notes. Our Credit Facility prohibits us from making any cash payments on the conversion or repurchase of the 2023 Convertible Notes if a default or an event of default under that facility exists or would result from such conversion or repurchase, or if, after giving effect to such conversion or repurchase (and any additional indebtedness incurred in connection with such conversion or a repurchase), we would not be in pro forma compliance with certain financial tests under that the Credit Facility.

Any new credit facility that we may enter into may have similar restrictions. In addition, our ability to repurchase the 2023 Convertible Notes or to pay cash upon conversions of the 2023 Convertible Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase the 2023 Convertible Notes at a time when the repurchase is required by the Indenture or to pay any cash payable on future conversions of the Notes as required by the Indenture would constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our existing and future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2023 Convertible Notes or make cash payments upon conversions thereof.

The conditional conversion feature of the 2023 Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2023 Convertible Notes is triggered, holders of the 2023 Convertible Notes will be entitled to convert the 2023 Convertible Notes at their option at any time during specific periods listed in the Indenture governing the 2023 Convertible Notes. If one or more holders elect to convert their 2023 Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2023 Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2023 Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the 2023 Convertible Notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options (“ASC 470-20”), an entity must separately account for the liability and equity components of convertible debt instruments (such as the 2023 Convertible Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. The effect of ASC 470-20 on the accounting for the 2023 Convertible Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders’ equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the 2023 Convertible Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the 2023 Convertible Notes to their face amount over the term of the 2023 Convertible Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period’s amortization of the debt discount and the instrument’s coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the 2023 Convertible Notes.

In addition, under certain circumstances, convertible debt instruments (such as the 2023 Convertible Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the 2023 Convertible Notes are not included in the calculation of diluted earnings per share, except to the extent that the conversion value of the 2023 Convertible Notes exceeds their principal amount. Under the treasury

stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, is issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the 2023 Convertible Notes, then our diluted earnings per share would be adversely affected.

Our variable rate indebtedness will subject us to interest rate risk, which could cause our annual debt service obligations to increase significantly.

Borrowings under our Credit Facility will be at variable rates of interest, which expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our cash flow could be adversely affected. An increase in debt service obligations under our variable rate indebtedness could affect our ability to make payments required under the terms of the agreements governing our indebtedness or our other indebtedness outstanding from time to time.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices located in Washington, D.C., consist of 93,507 square feet under a lease expiring April 2028. Our principal corporate facilities located in Bowie, Maryland, consist of 30,835 square feet under a lease expiring April 2028. We also lease offices to support our operations in 45 other cities across the U.S., including New York, Chicago, Denver, Houston, Dallas, Los Angeles and San Francisco, and we lease office space to support our international locations in 27 countries — the United Kingdom, Ireland, Finland, France, Germany, Spain, Belgium, Denmark, Israel, Australia, Malaysia, China (including Hong Kong), Japan, Singapore, the United Arab Emirates, South Korea, South Africa, Argentina, Brazil, Colombia, Mexico, Canada, Indonesia, India, Qatar, the Cayman Islands and the British Virgin Islands. We believe our existing leased facilities are adequate to meet our current requirements and that suitable space will be available as needed.

ITEM 3. LEGAL PROCEEDINGS

From time to time in the ordinary course of business, we are subject to claims, asserted or unasserted, or named as a party to lawsuits or investigations. Litigation, in general, and IP and securities litigation, in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings cannot be predicted with any certainty, and in the case of more complex legal proceedings, such as IP and securities litigation, the results are difficult to predict at all. We evaluate litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from those anticipated at the time. We currently are not aware of any asserted or unasserted legal proceedings or claims that we believe would have a material adverse effect on our financial condition or results of our operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our common stock currently trades on the NYSE under the symbol FCN. As of January 31, 2019, the number of holders of record of our common stock was 181.

Securities Authorized for Issuance under Equity Compensation Plans

The following table includes the number of shares of common stock of the Company authorized or to be issued upon exercise of outstanding options, warrants and rights awarded under our employee equity compensation plans as of December 31, 2018.

<u>Plan Category</u>	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>
	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
(in thousands, except per share data)			
Equity compensation plans approved by our security holders	881 ⁽¹⁾	\$ 36.48	1,747 ⁽³⁾
Equity compensation plans not approved by our security holders	54 ⁽²⁾	36.75	—
Total	935	\$ 36.50	1,747

⁽¹⁾ Includes up to (i) 11,826 shares of common stock issuable upon vesting and exercise of outstanding stock options granted under our 2004 Long-Term Incentive Plan (as Amended and Restated Effective as of May 14, 2008); (ii) 70,523 shares of common stock issuable upon vesting and exercise of outstanding stock options granted under our 2006 Global Long-Term Incentive Plan (as Amended and Restated Effective as of May 14, 2008); and (iii) 798,968 shares of common stock issuable upon vesting and exercise of outstanding stock options granted under our 2009 Omnibus Incentive Compensation Plan (as Amended and Restated Effective as of June 3, 2015).

⁽²⁾ Includes up to 53,552 shares of common stock issuable upon exercise of fully vested stock options granted as employment inducement on July 30, 2014 to an executive officer hire pursuant to Rule 303.08 of the NYSE.

⁽³⁾ Includes 1,746,500 shares of common stock available for issuance under our 2017 Omnibus Incentive Compensation Plan, all of which are available for stock-based awards.

Issuances of Unregistered Securities

Not Applicable.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information with respect to purchases we made of our common stock during the fourth quarter of 2018.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽¹⁾	Approximate Dollar Value That May yet Be Purchased under the Program
	(in thousands, except per share data)			
October 1 through October 31, 2018	—	\$ —	—	\$ 99,099
November 1 through November 30, 2018	93 ⁽²⁾	\$ 67.35	90 ⁽⁴⁾	\$ 93,047
December 1 through December 31, 2018	332 ⁽³⁾	\$ 62.22	329 ⁽⁵⁾	\$ 72,582
Total	425		419	

- ⁽¹⁾ On June 2, 2016, our Board of Directors authorized a stock repurchase program of up to \$100.0 million (the “Repurchase Program”). On each of May 18, 2017 and December 1, 2017, our Board of Directors authorized an additional \$100.0 million, increasing the Repurchase Program to an aggregate authorization of \$300.0 million. During the year ended December 31, 2018, we repurchased an aggregate of 755,803 shares of our outstanding common stock under the Repurchase Program at an average repurchase price of \$53.88 per share for a total cost of approximately \$40.7 million.
- ⁽²⁾ Includes 3,322 shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.
- ⁽³⁾ Includes 3,216 shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.
- ⁽⁴⁾ During the month ended November 30, 2018, we repurchased and retired 89,824 shares of common stock, at an average per share price of \$67.35, for an aggregate cost of \$6.0 million.
- ⁽⁵⁾ During the month ended December 31, 2018, we repurchased and retired 328,904 shares of common stock, at an average per share price of \$62.20, for an aggregate cost of \$20.5 million.

ITEM 6. SELECTED FINANCIAL DATA

We derived the selected financial data presented below for the periods or dates indicated from our consolidated financial statements. The data below should be read in conjunction with our consolidated financial statements, related notes and other financial information appearing in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 8 of this Annual Report.

A number of factors have caused our results of operations and financial position to vary significantly from one year to the next and can make it difficult to evaluate period-to-period comparisons because of a lack of comparability. The most significant of these factors include: acquisitions, goodwill impairment charges, special charges and stock repurchases.

Income Statement, Balance Sheet and Stockholders' Equity Data

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per share data)				
Income Statement Data					
Revenues	\$ 2,027,877	\$ 1,807,732	\$ 1,810,394	\$ 1,779,149	\$ 1,756,212
Operating Expenses					
Direct cost of revenues	1,328,074	1,215,560	1,210,771	1,171,444	1,144,757
Selling, general and administrative expenses	465,636	432,013	436,716	431,468	432,169
Special charges	—	40,885	10,445	—	16,339
Amortization of other intangible assets	8,162	10,563	10,306	11,726	15,521
	1,801,872	1,699,021	1,668,238	1,614,638	1,608,786
Operating income	226,005	108,711	142,156	164,511	147,426
Interest income and other	4,977	3,752	10,466	3,232	4,670
Interest expense	(27,149)	(25,358)	(24,819)	(42,768)	(50,685)
Gain on sale of business	13,031	—	—	—	—
Loss on early extinguishment of debt	(9,072)	—	—	(19,589)	—
Income before income tax provision (benefit)	207,792	87,105	127,803	105,386	101,411
Income tax provision (benefit)	57,181	(20,857)	42,283	39,333	42,604
Net income	\$ 150,611	\$ 107,962	\$ 85,520	\$ 66,053	\$ 58,807
Earnings per common share — basic	\$ 4.06	\$ 2.79	\$ 2.09	\$ 1.62	\$ 1.48
Earnings per common share — diluted	\$ 3.93	\$ 2.75	\$ 2.05	\$ 1.58	\$ 1.44
Weighted average number of common shares outstanding					
Basic	37,098	38,697	40,943	40,846	39,726
Diluted	38,318	39,192	41,709	41,729	40,729

	December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Balance Sheet Data					
Cash and cash equivalents	\$ 312,069	\$ 189,961	\$ 216,158	\$ 149,760	\$ 283,680
Working capital ⁽¹⁾	\$ 482,783	\$ 383,851	\$ 404,716	\$ 394,548	\$ 489,749
Total assets	\$ 2,379,121	\$ 2,257,241	\$ 2,225,368	\$ 2,229,018	\$ 2,391,599
Long-term debt, net	\$ 265,571	\$ 396,284	\$ 365,528	\$ 494,772	\$ 699,404
Stockholders' equity	\$ 1,348,825	\$ 1,191,971	\$ 1,207,358	\$ 1,147,603	\$ 1,102,746

⁽¹⁾ Working capital is defined as current assets less current liabilities.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
<u>Stockholders' Equity Data</u>					
Shares of common stock repurchased and retired	952	4,674	537	765	—
Total cost	\$ 55,722	\$ 168,001	\$ 21,479	\$ 26,516	\$ —

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our consolidated financial condition, results of operations, liquidity and capital resources for each of the three years in the period ended December 31, 2018 and significant factors that could affect our prospective financial condition and results of operations. This discussion should be read in conjunction with our consolidated financial statements and notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K (the "Annual Report"). Historical results and any discussion of prospective results may not indicate our future performance.

Business Overview

FTI Consulting is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political and regulatory, reputational and transactional. Individually, each of our practices is staffed with experts recognized for the depth of their knowledge and a track record of making an impact. Collectively, FTI Consulting offers a comprehensive suite of services designed to assist clients across the business cycle, from proactive risk management to rapid response to unexpected events and dynamic environments.

We report financial results for the following five reportable segments:

Our **Corporate Finance & Restructuring ("Corporate Finance")** segment focuses on the strategic, operational, financial and capital needs of our clients around the world and delivers a wide range of service offerings related to restructuring, business transformation and transaction support. Our restructuring practice includes corporate restructuring, including bankruptcy and interim management services. Our business transformation and transactions support practices include financings, mergers and acquisitions ("M&A"), M&A integration, valuations and tax advice, as well as financial, operational and performance improvement services.

Our **Forensic and Litigation Consulting ("FLC")** segment provides law firms, companies, government clients and other interested parties with multidisciplinary, independent dispute advisory, investigations, data analytics, forensic accounting, business intelligence and risk mitigation services, as well as interim management and performance improvement services for our health solutions practice clients.

Our **Economic Consulting** segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the United States ("U.S.") and around the world.

Our **Technology** segment offers a comprehensive portfolio of information governance and electronic discovery ("e-discovery") software, services and consulting support to companies, law firms, courts and government agencies worldwide. Our services allow our clients to control the risk and expense of e-discovery events more confidently, as well as manage their data in the context of compliance and risk.

Our **Strategic Communications** segment designs and executes communications strategies for management teams and boards of directors to help them seize opportunities, manage financial, regulatory and reputational challenges, navigate market disruptions, articulate their brand, stake a competitive position, and preserve and grow their operations.

We derive substantially all of our revenues from providing professional services to both U.S. and global clients. Most of our services are rendered under time-and-expense arrangements that obligate the client to pay us a fee for the hours that we incur at agreed-upon rates. Under this arrangement, we typically bill our clients for reimbursable expenses, which may include the cost of producing our work product and other direct expenses that we incur on behalf of the client, such as travel costs. We also render services for which certain clients may be required to pay us a fixed fee or recurring retainer. These arrangements are generally cancelable at any time. Some of our engagements contain performance-based arrangements in which we earn a success fee when and if certain predefined outcomes occur. This type of success fee may supplement a time-and-expense or fixed fee arrangement. Success fee revenues may cause variations in our revenues and operating results due to the timing of achieving the performance-based criteria. Seasonal factors, such as the timing of our employees' and clients' vacations and holidays, may impact the timing of our revenues across our segments.

In our Technology segment, certain clients are billed based on the amount of data stored on our electronic systems, the volume of information processed or the number of users licensing our Ringtail® software prior to its sale in September 2018, and our other software products. We licensed, and in some cases continue to license, certain products directly to end users, as well as indirectly through our channel partner relationships. Unit-based revenues are defined as revenues billed on a per item, per page or some other unit-based method and include revenues from data processing and hosting, software usage and software

licensing. Unit-based revenues include revenues associated with the software products that are made available to customers, either via a web browser (“on-demand”) or installed at our customer or partner locations (“on-premise”). On-demand revenues are charged on a unit or monthly basis and include, but are not limited to, processing and review related functions. On-premise revenues are composed of upfront license fees, with recurring support and maintenance.

Our financial results are primarily driven by:

- the number, size and type of engagements we secure;
- the rate per hour or fixed charges we charge our clients for services;
- the utilization rates of the revenue-generating professionals we employ;
- the timing of revenue recognition related to revenues subject to certain performance-based contingencies;
- the number of revenue-generating professionals;
- licensing of our software products and other technology services;
- the types of assignments we are working on at different times;
- the length of the billing and collection cycles; and
- the geographic locations of our clients or locations in which services are rendered.

We define acquisition growth as revenues of acquired companies in the first 12 months following the effective date of an acquisition. Our definition of organic growth is the change in revenues, excluding the impact of all such acquisitions.

When significant, we identify the estimated impact of foreign currency translation (“FX”) driven by our businesses with functional currencies other than the U.S. dollar (“USD”), on the period-to-period performance results. The estimated impact of FX is calculated as the difference between the prior period results multiplied by the average foreign currency exchange rates to USD in the current period and the prior period results, multiplied by the average foreign currency rates to USD in the prior period.

Non-GAAP Financial Measures

In the accompanying analysis of financial information, we sometimes use information derived from consolidated and segment financial information that may not be presented in our financial statements or prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). Certain of these financial measures are considered “not in conformity with GAAP (‘non-GAAP financial measures’)” under the U.S. Securities and Exchange Commission (“SEC”) rules. Specifically, we have referred to the following non-GAAP financial measures:

- Total Segment Operating Income
- Adjusted EBITDA
- Total Adjusted Segment EBITDA
- Adjusted EBITDA Margin
- Adjusted Net Income
- Adjusted Earnings per Diluted Share
- Free Cash Flow

We have included the definitions of Segment Operating Income (Loss) and Adjusted Segment EBITDA below in order to more fully define the components of certain non-GAAP financial measures in the accompanying analysis of financial information. As described in Note 18, “Segment Reporting” in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report, we evaluate the performance of our operating segments based on Adjusted Segment EBITDA, and Segment Operating Income (Loss) is a component of the definition of Adjusted Segment EBITDA.

We define Segment Operating Income (Loss), a GAAP financial measure, as a segment’s share of consolidated operating income. We define Total Segment Operating Income, which is a non-GAAP financial measure, as the total of Segment

Operating Income (Loss) for all segments, which excludes unallocated corporate expenses. We use Segment Operating Income (Loss) for the purpose of calculating Adjusted Segment EBITDA. We define Adjusted Segment EBITDA, a GAAP financial measure as a segment's share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We use Adjusted Segment EBITDA as a basis to internally evaluate the financial performance of our segments because we believe it reflects current core operating performance and provides an indicator of the segment's ability to generate cash. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenues.

We define Total Adjusted Segment EBITDA, which is a non-GAAP financial measure, as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We define Adjusted EBITDA, which is a non-GAAP financial measure, as consolidated net income before income tax provision, other non-operating income (expense), depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, gain or loss on sale of a business and losses on early extinguishment of debt. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results and GAAP financial measures, provide management and investors with a more complete understanding of our operating results, including underlying trends. In addition, EBITDA is a common alternative measure of operating performance used by many of our competitors. It is used by investors, financial analysts, rating agencies and others to value and compare the financial performance of companies in our industry. Therefore, we also believe that these measures, considered along with corresponding GAAP financial measures, provide management and investors with additional information for comparison of our operating results with the operating results of other companies.

We define Adjusted Net Income and Adjusted Earnings per Diluted Share ("Adjusted EPS"), which are non-GAAP financial measures, as net income and earnings per diluted share ("EPS"), respectively, excluding the impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, losses on early extinguishment of debt, non-cash interest expense on convertible notes, gain or loss on sale of a business and the impact of adopting the 2017 U.S. Tax Cuts and Jobs Act (the "2017 Tax Act"). We use Adjusted Net Income for the purpose of calculating Adjusted EPS. Management uses Adjusted EPS to assess total Company operating performance on a consistent basis. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results, provide management and investors with an additional understanding of our business operating results, including underlying trends.

We define Free Cash Flow, which is a non-GAAP financial measure, as net cash provided by operating activities less cash payments for purchases of property and equipment. We believe this non-GAAP financial measure, when considered together with our GAAP financial results, provides management and investors with an additional understanding of the Company's ability to generate cash for ongoing business operations and other capital deployment.

Non-GAAP financial measures are not defined in the same manner by all companies and may not be comparable with other similarly titled measures of other companies. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, the information contained in our Consolidated Statements of Comprehensive Income. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are included elsewhere in this report.

Full Year 2018 Executive Highlights
Financial Highlights

	Year Ended December 31,		
	2018	2017	% Growth
	(dollar amounts in thousands, except per share amounts)		
Revenues	\$ 2,027,877	\$ 1,807,732	12.2%
Special charges	\$ —	\$ 40,885	-100.0%
Net income	\$ 150,611	\$ 107,962	39.5%
Adjusted EBITDA	\$ 265,703	\$ 192,038	38.4%
Earnings per common share — diluted	\$ 3.93	\$ 2.75	42.9%
Adjusted earnings per common share — diluted	\$ 4.00	\$ 2.32	72.4%
Net cash provided by operating activities	\$ 230,672	\$ 147,625	56.3%
Total number of employees as of December 31	4,768	4,609	3.4%

Revenues

Revenues increased \$220.1 million, or 12.2%, from 2017 to 2018. The increase in revenues was primarily due to higher global demand across all segments, particularly in our Corporate Finance and FLC segments.

Special charges

There were no special charges in 2018. For the year ended December 31, 2017, we recorded special charges of \$40.9 million related to certain targeted reductions of staff in areas of each segment to realign our workforce with current business demand. In addition, cost-cutting actions were taken in certain corporate departments where we were able to streamline support activities and reduce our real estate costs.

Gain on sale of business

During the year ended December 31, 2018, we sold our Ringtail® e-discovery software and related business (collectively, "Ringtail"). The net proceeds from the sale were \$50.3 million, which resulted in a pre-tax gain of \$13.0 million.

Loss on early extinguishment of debt

In order to more effectively utilize the Company's growing cash balances, maintain financial flexibility and reduce cash interest, we issued \$316.3 million aggregate principal amount of 2.0% convertible senior notes due 2023 ("2023 Convertible Notes") and used a portion of the proceeds, along with cash on hand, to retire \$300 million aggregate principal amount of 6.0% senior notes due 2022 (the "2022 Notes") during 2018. We recognized a \$9.1 million loss on early extinguishment of debt for 2018, consisting primarily of a redemption premium of \$6.0 million and a \$3.1 million non-cash write-off of unamortized deferred financing costs. The impact of early extinguishment of debt is excluded from the calculation of Adjusted EBITDA.

Net income

Net income increased \$42.6 million, or 39.5%, from 2017 to 2018. This increase was primarily due to higher operating profits across all business segments and a \$13.0 million gain related to the sale of Ringtail, which were partially offset by a \$9.1 million loss on early extinguishment of debt and \$3.0 million of non-cash interest on convertible notes. Net income in 2017 included a \$44.9 million net tax benefit to reflect the impact of adopting the 2017 Tax Act, which was nearly offset by \$40.9 million in pre-tax special charges related to headcount and real estate reductions.

Adjusted EBITDA

Adjusted EBITDA increased \$73.7 million, or 38.4%, from 2017 to 2018. Adjusted EBITDA was 13.1% of revenues for the year ended December 31, 2018 compared with 10.6% of revenues for the year ended December 31, 2017. The increase in Adjusted EBITDA was primarily due to higher revenues across all business segments, which were partially offset by an increase in compensation, primarily related to higher variable compensation and an increase in billable headcount and higher selling, general and administrative ("SG&A") expenses.

EPS and Adjusted EPS

EPS increased \$1.18 to \$3.93 in 2018 compared with \$2.75 in 2017. 2018 EPS included a loss on early extinguishment of debt, which decreased EPS by \$0.17 and non-cash interest on convertible notes, which decreased EPS by \$0.06. These decreases were partially offset by a gain on the sale of Ringtail, which increased EPS by \$0.16. EPS for the year ended December 31, 2017 included the net tax benefit recorded to reflect the impact of adopting the 2017 Tax Act, which increased EPS by \$1.14, and a special charge related to headcount and real estate reductions, which reduced EPS by \$0.70.

Adjusted EPS increased \$1.68 to \$4.00 in 2018 compared with \$2.32 in 2017, largely due to improved operating results.

Liquidity and Capital Allocation

Cash balances increased by \$122.1 million, or 64.3%, to \$312.1 million for the year ended December 31, 2018. Cash provided by operating activities increased \$83.0 million to \$230.7 million in 2018 as compared with \$147.6 million in 2017. The increase was primarily due to higher cash collections resulting from higher revenues, partially offset by an increase in cash paid for salaries and benefits and increased income tax payments. Days sales outstanding (“DSO”) was 93 days as of December 31, 2018 and 91 days as of December 31, 2017.

A portion of net cash provided by operating activities was used to repurchase and retire 0.8 million shares of our common stock under our Repurchase Program for an average price per share of \$53.88, at a total cost of \$40.7 million during the year ended December 31, 2018. We had \$72.6 million remaining under the Repurchase Program to repurchase additional shares as of December 31, 2018. Additionally, we used a portion of the proceeds from the issuance of the 2023 Convertible Notes to repurchase 0.2 million shares of our common stock at \$76.51 per share for a total cost of \$15.0 million. This was a separate repurchase transaction outside of the Repurchase Program.

Free Cash Flow, which is a non-GAAP financial measure, for the years ended December 31, 2018 and 2017 was \$198.4 million and \$115.6 million, respectively. The increase was primarily due to an increase in net cash provided by operating activities, as described above.

Headcount

Our total headcount increased 3.4% from 4,609 as of December 31, 2017 to 4,768 as of December 31, 2018. The following table includes the net billable headcount additions (reductions) for the year ended December 31, 2018.

Billable Headcount	Corporate Finance	FLC	Economic Consulting	Technology	Strategic Communications	Total
December 31, 2017	901	1,067	683	292	630	3,573
Additions (reductions), net	47	86	25	14	11	183
December 31, 2018	948	1,153	708	306	641	3,756
Percentage change in headcount from December 31, 2017	5.2%	8.1%	3.7%	4.8%	1.7%	5.1%

RESULTS OF OPERATIONS

Segment and Consolidated Operating Results:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands, except per share data)		
Revenues			
Corporate Finance	\$ 564,479	\$ 482,041	\$ 483,269
FLC	520,333	462,324	457,734
Economic Consulting	533,979	496,029	500,487
Technology	185,755	174,850	177,720
Strategic Communications	223,331	192,488	191,184
Total revenues	<u>\$ 2,027,877</u>	<u>\$ 1,807,732</u>	<u>\$ 1,810,394</u>
Segment operating income (loss)			
Corporate Finance	\$ 115,124	\$ 70,234	\$ 91,481
FLC	91,262	54,520	49,088
Economic Consulting	64,052	49,154	68,842
Technology	14,912	4,795	(2,183)
Strategic Communications	37,250	13,148	23,110
Total segment operating income	<u>322,600</u>	<u>191,851</u>	<u>230,338</u>
Unallocated corporate expenses	<u>(96,595)</u>	<u>(83,140)</u>	<u>(88,182)</u>
Operating income	<u>226,005</u>	<u>108,711</u>	<u>142,156</u>
Other income (expense)			
Interest income and other	4,977	3,752	10,466
Interest expense	(27,149)	(25,358)	(24,819)
Gain on sale of business	13,031	—	—
Loss on early extinguishment of debt	(9,072)	—	—
	<u>(18,213)</u>	<u>(21,606)</u>	<u>(14,353)</u>
Income before income tax provision (benefit)	<u>207,792</u>	<u>87,105</u>	<u>127,803</u>
Income tax provision (benefit)	<u>57,181</u>	<u>(20,857)</u>	<u>42,283</u>
Net income	<u>\$ 150,611</u>	<u>\$ 107,962</u>	<u>\$ 85,520</u>
Earnings per common share — basic	<u>\$ 4.06</u>	<u>\$ 2.79</u>	<u>\$ 2.09</u>
Earnings per common share — diluted	<u>\$ 3.93</u>	<u>\$ 2.75</u>	<u>\$ 2.05</u>

Reconciliation of Net Income to Adjusted EBITDA:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income	\$ 150,611	\$ 107,962	\$ 85,520
Add back:			
Income tax provision (benefit)	57,181	(20,857)	42,283
Interest income and other	(4,977)	(3,752)	(10,466)
Interest expense	27,149	25,358	24,819
Gain on sale of business	(13,031)	—	—
Loss on early extinguishment of debt	9,072	—	—
Depreciation and amortization	31,536	31,177	38,700
Amortization of other intangible assets	8,162	10,563	10,306
Special charges	—	40,885	10,445
Remeasurement of acquisition-related contingent consideration	—	702	1,403
Adjusted EBITDA	<u>\$ 265,703</u>	<u>\$ 192,038</u>	<u>\$ 203,010</u>

Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands, except per share data)		
Net income	\$ 150,611	\$ 107,962	\$ 85,520
Add back:			
Special charges	—	40,885	10,445
Tax impact of special charges	—	(13,570)	(3,595)
Loss on early extinguishment of debt	9,072	—	—
Tax impact of loss on early extinguishment of debt	(2,359)	—	—
Remeasurement of acquisition-related contingent consideration	—	702	1,403
Tax impact of remeasurement of acquisition-related contingent consideration	—	(269)	(546)
Non-cash interest expense on convertible notes	3,019	—	—
Tax impact of non-cash interest expense on convertible notes	(775)	—	—
Gain on sale of business	(13,031)	—	—
Tax impact of gain on sale of business	6,798	—	—
Impact of 2017 Tax Act	—	(44,870)	—
Adjusted net income	<u>\$ 153,335</u>	<u>\$ 90,840</u>	<u>\$ 93,227</u>
Earnings per common share — diluted	<u>\$ 3.93</u>	<u>\$ 2.75</u>	<u>\$ 2.05</u>
Add back:			
Special charges	—	1.04	0.25
Tax impact of special charges	—	(0.34)	(0.08)
Loss on early extinguishment of debt	0.23	—	—
Tax impact of loss on early extinguishment of debt	(0.06)	—	—
Remeasurement of acquisition-related contingent consideration	—	0.02	0.03
Tax impact of remeasurement of acquisition-related contingent consideration	—	(0.01)	(0.01)
Non-cash interest expense on convertible notes	0.08	—	—
Tax impact of non-cash interest expense on convertible notes	(0.02)	—	—
Gain on sale of business	(0.34)	—	—
Tax impact of gain on sale of business	0.18	—	—
Impact of 2017 Tax Act	—	(1.14)	—
Adjusted earnings per common share — diluted	<u>\$ 4.00</u>	<u>\$ 2.32</u>	<u>\$ 2.24</u>
Weighted average number of common shares outstanding — diluted	<u>38,318</u>	<u>39,192</u>	<u>41,709</u>

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net cash provided by operating activities	\$ 230,672	\$ 147,625	\$ 233,488
Purchases of property and equipment	(32,270)	(32,004)	(28,935)
Free Cash Flow	<u>\$ 198,402</u>	<u>\$ 115,621</u>	<u>\$ 204,553</u>

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues and Operating Income

See “Segment Results” for an expanded discussion of Revenues and Adjusted Segment EBITDA.

Special Charges

There were no special charges during the year ended December 31, 2018. Special charges for the year ended December 31, 2017 were \$40.9 million. See Note 5, "Special Charges" in Part II, Item 8 of this Annual Report for expanded disclosure.

Unallocated Corporate Expenses

Unallocated corporate expenses increased \$13.5 million, or 16.2%, to \$96.6 million in 2018 from \$83.1 million in 2017. Excluding the impact of special charges of \$3.7 million recorded in 2017, unallocated corporate expenses increased by \$17.1 million in 2018, or 21.6%. The increase was primarily due to an increase in variable compensation expense, higher costs for corporate and regional business development initiatives and the senior managing director meeting held in December 2018.

Interest Income and Other

Interest income and other, which includes FX gains and losses, increased \$1.2 million to \$5.0 million for the year ended December 31, 2018 from \$3.8 million for the year ended December 31, 2017. The increase was primarily due to a \$1.5 million increase in interest income resulting from investments of excess cash and a \$0.3 million increase in net unrealized FX gains, partially offset by a \$0.6 million loss on sale of investment in 2018. FX gains and losses, both realized and unrealized, relate to the remeasurement or settlement of monetary assets and liabilities that are denominated in a currency other than an entity's functional currency. These monetary assets and liabilities include cash, as well as third-party and intercompany receivables and payables.

Interest Expense

Interest expense increased \$1.8 million, or 7.1%, to \$27.1 million in 2018 from \$25.4 million in 2017. The increase in interest expense reflects additional interest expense related to the 2023 Convertible Notes issuance that overlapped the period until the redemption of the 2022 Notes, partially offset by lower interest expense due to lower outstanding borrowings under our senior secured bank revolving credit facility.

Income Tax Provision (Benefit)

Our income tax provision was \$57.2 million for 2018 as compared with an income tax benefit of \$20.9 million for 2017. Excluding the discrete income tax benefit in 2017 from the adoption of the 2017 Tax Act, our effective tax rate was 27.5% for 2018 and 27.6% for 2017. The 2018 rate was favorably impacted by reductions in the U.S. income tax rate as a result of the 2017 Tax Act, which was partially offset by an unfavorable discrete tax adjustment relating to the sale of Ringtail®. The 2017 effective tax rate was favorably impacted by an unusually high mix of foreign earnings compared with low U.S. earnings due to 2017 special charges.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues and Operating Income

See “Segment Results” for an expanded discussion of Revenues and Adjusted Segment EBITDA.

Special Charges

Special charges for the year ended December 31, 2017 were \$40.9 million. Special charges for the year ended December 31, 2016 were \$10.4 million. See Note 5, "Special Charges" in Part II, Item 8 of this Annual Report for an expanded disclosure.

Unallocated Corporate Expenses

Unallocated corporate expenses decreased \$5.0 million, or 5.7%, to \$83.1 million in 2017 from \$88.2 million in 2016. Excluding the impact of special charges of \$3.7 million recorded in 2017, unallocated corporate expenses decreased by \$8.1 million in 2017, or 9.3%. The decrease was primarily due to lower infrastructure department spend and lower executive compensation expenses, which were partially offset by higher outside legal expenses.

Interest Income and Other

Interest income and other, which includes FX gains and losses, decreased \$6.7 million to \$3.8 million for the year ended December 31, 2017 from \$10.5 million for the year ended December 31, 2016. The decrease was primarily due to a net unrealized FX loss, which was \$0.1 million for the year ended December 31, 2017 compared with a \$4.9 million gain for the year ended December 31, 2016. FX gains and losses, both realized and unrealized, relate to the remeasurement or settlement of monetary assets and liabilities that are denominated in a currency other than an entity's functional currency. These monetary assets and liabilities include cash, as well as third-party and intercompany receivables and payables.

Interest Expense

Interest expense increased \$0.5 million, or 2.2%, to \$25.4 million in 2017 from \$24.8 million in 2016 due to the impact of a 0.7% increase in average interest rates on our borrowings under our senior secured bank revolving credit facility in 2017, partially offset by lower average borrowings outstanding during 2017 as compared with 2016.

Income Tax Provision (Benefit)

Our income tax benefit was \$20.9 million for 2017 as compared with an income tax provision of \$42.3 million for 2016. Our 2017 income tax benefit included a discrete income tax benefit of \$44.9 million related to the adoption of the 2017 Tax Act on December 22, 2017. Excluding the impact of the 2017 Tax Act, our effective tax rate was 27.6% for 2017 as compared with an effective tax rate of 33.1% for 2016. The 2017 effective tax rate, excluding the impact of adopting the 2017 Tax Act, declined related to the mix of higher foreign and U.S. state earnings in lower taxed jurisdictions as compared with the prior year.

The \$44.9 million discrete adjustment for 2017 related to the adoption of the 2017 Tax Act impact includes the following:

- \$65.1 million income tax benefit related to the remeasurement of U.S. deferred tax liabilities from the previous U.S. federal tax rate of 35% to the newly enacted rate of 21%; and
- \$18.7 million income tax expense related to a Transition Tax on a deemed repatriation of accumulated foreign earnings and profits as required under the new tax law.

SEGMENT RESULTS

Total Adjusted Segment EBITDA

We evaluate the performance of each of our operating segments based on Adjusted Segment EBITDA, which is a GAAP measure. The following table reconciles Net Income to Total Adjusted Segment EBITDA, a non-GAAP financial measure, for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income	\$ 150,611	\$ 107,962	\$ 85,520
Add back:			
Income tax provision (benefit)	57,181	(20,857)	42,283
Interest income and other	(4,977)	(3,752)	(10,466)
Interest expense	27,149	25,358	24,819
Gain on sale of business	(13,031)	—	—
Loss on early extinguishment of debt	9,072	—	—
Unallocated corporate expense	96,595	83,140	88,182
Total segment operating income	322,600	191,851	230,338
Add back:			
Segment depreciation expense	27,979	27,112	34,064
Amortization of other intangible assets	8,162	10,563	10,306
Segment special charges	—	37,207	9,833
Remeasurement of acquisition-related contingent consideration	—	702	1,403
Total Adjusted Segment EBITDA	\$ 358,741	\$ 267,435	\$ 285,944

USPS-20-1215-A-009452

Other Segment Operating Data

	Year Ended December 31,		
	2018	2017	2016
Number of revenue-generating professionals (at period end):			
Corporate Finance	948	901	895
FLC	1,153	1,067	1,110
Economic Consulting	708	683	656
Technology ⁽¹⁾	306	292	288
Strategic Communications	641	630	647
Total revenue-generating professionals	3,756	3,573	3,596
Utilization rate of billable professionals ⁽²⁾:			
Corporate Finance	66%	61%	65%
FLC	64%	61%	59%
Economic Consulting	69%	67%	73%
Average billable rate per hour ⁽³⁾:			
Corporate Finance	\$ 433	\$ 396	\$ 392
FLC	\$ 326	\$ 321	\$ 327
Economic Consulting	\$ 519	\$ 524	\$ 517

- ⁽¹⁾ The number of revenue-generating professionals for the Technology segment excludes as-needed professionals, who we employ based on demand for the segment's services. We employed an average of 253, 305 and 287 as-needed employees during the years ended December 31, 2018, 2017 and 2016, respectively.
- ⁽²⁾ We calculate the utilization rate for our billable professionals by dividing the number of hours that all of our billable professionals worked on client assignments during a period by the total available working hours for all of our billable professionals during the same period. Available hours are determined by the standard hours worked by each employee, adjusted for part-time hours, U.S. standard work weeks and local country holidays. Available working hours include vacation and professional training days but exclude holidays. Utilization rates are presented for our segments that primarily bill clients on an hourly basis. We have not presented utilization rates for our Technology and Strategic Communications segments as most of the revenues of these segments are not generated on an hourly basis.
- ⁽³⁾ For engagements where revenues are based on number of hours worked by our billable professionals, average billable rate per hour is calculated by dividing revenues (excluding revenues from success fees, pass-through revenues and outside consultants) for a period by the number of hours worked on client assignments during the same period. We have not presented average billable rates per hour for our Technology and Strategic Communications segments as most of the revenues of these segments are not based on billable hours.

CORPORATE FINANCE & RESTRUCTURING

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands, except rate per hour)		
Revenues	\$ 564,479	\$ 482,041	\$ 483,269
Percentage change in revenues from prior year	17.1%	-0.3%	
Operating expenses:			
Direct cost of revenues	354,210	318,606	306,894
Selling, general and administrative expenses	92,037	83,747	81,584
Special charges	—	5,440	—
Amortization of other intangible assets	3,108	4,014	3,310
	449,355	411,807	391,788
Segment operating income	115,124	70,234	91,481
Percentage change in segment operating income from prior year	63.9%	-23.2%	
Add back:			
Depreciation and amortization of intangible assets	6,536	7,189	6,207
Special charges	—	5,440	—
Adjusted Segment EBITDA	\$ 121,660	\$ 82,863	\$ 97,688
Gross profit ⁽¹⁾	\$ 210,269	\$ 163,435	\$ 176,375
Percentage change in gross profit from prior year	28.7%	-7.3%	
Gross profit margin ⁽²⁾	37.3%	33.9%	36.5%
Adjusted Segment EBITDA as a percent of revenues	21.6%	17.2%	20.2%
Number of revenue-generating professionals (at period end)	948	901	895
Percentage change in number of revenue-generating professionals from prior year	5.2%	0.7%	
Utilization rate of billable professionals	66%	61%	65%
Average billable rate per hour	\$ 433	\$ 396	\$ 392

⁽¹⁾ Revenues less direct cost of revenues.

⁽²⁾ Gross profit as a percent of revenues.

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased \$82.4 million, or 17.1%, from 2017 to 2018. Acquisition-related revenues contributed \$9.5 million, or 2.0%, compared with 2017. Excluding the acquisition, revenues increased \$73.0 million, or 15.1%. The revenue increase was largely driven by increased demand for our restructuring services and business transformation and transactions services, primarily in North America and Europe, Middle East and Africa (“EMEA”), along with higher realization due to mix of client engagements and staffing globally, which was partially offset by lower success fees.

Gross profit increased \$46.8 million, or 28.7%, from 2017 to 2018. Gross profit margin increased 3.4 percentage points from 2017 to 2018. This increase was primarily due to increased utilization because of higher demand in our global restructuring services and business transformation and transaction services along with higher realization, partially offset by lower success fees.

SG&A expenses increased \$8.3 million, or 9.9%, from 2017 to 2018. SG&A expenses were 16.3% of revenues in 2018 compared with 17.4% in 2017. The increase in SG&A expenses was primarily due to higher bad debt, infrastructure support, recruiting and other general administrative expenses.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues decreased \$1.2 million, or 0.3%, from 2016 to 2017. Acquisition-related revenues contributed \$10.1 million, or 2.1%, compared with 2016. Excluding the acquisition, revenues decreased \$11.3 million, or 2.3%. This decrease was primarily driven by lower demand for restructuring practice offerings globally, which was partially offset by increased demand in the business transformation practice and higher success fees.

Gross profit decreased \$12.9 million, or 7.3%, from 2016 to 2017. Gross profit margin decreased 2.6 percentage points from 2016 to 2017. This decrease was due to lower utilization driven by an increase in billable headcount, which was partially offset by higher success fees.

SG&A expenses increased \$2.2 million, or 2.7%, from 2016 to 2017, which included \$1.2 million from a recent acquisition and the impact of higher bad debt expenses, partially offset by other general overhead expenses. Bad debt expenses in 2016 included collections of prior period write-offs. SG&A expenses were 17.4% of revenues in 2017 compared with 16.9% in 2016.

FORENSIC AND LITIGATION CONSULTING

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands, except rate per hour)		
Revenues	\$ 520,333	\$ 462,324	\$ 457,734
Percentage change in revenues from prior year	12.5%	1.0%	
Operating expenses:			
Direct cost of revenues	330,791	305,822	314,810
Selling, general and administrative expenses	96,958	88,056	89,532
Special charges	—	12,334	2,304
Amortization of other intangible assets	1,322	1,592	2,000
	429,071	407,804	408,646
Segment operating income	91,262	54,520	49,088
Percentage change in segment operating income from prior year	67.4%	11.1%	
Add back:			
Depreciation and amortization of intangible assets	5,559	5,851	6,490
Special charges	—	12,334	2,304
Adjusted Segment EBITDA	\$ 96,821	\$ 72,705	\$ 57,882
Gross profit ⁽¹⁾	\$ 189,542	\$ 156,502	\$ 142,924
Percentage change in gross profit from prior year	21.1%	9.5%	
Gross profit margin ⁽²⁾	36.4%	33.9%	31.2%
Adjusted Segment EBITDA as a percent of revenues	18.6%	15.7%	12.6%
Number of revenue-generating professionals (at period end)	1,153	1,067	1,110
Percentage change in number of revenue-generating professionals from prior year	8.1%	-3.9%	
Utilization rate of billable professionals	64%	61%	59%
Average billable rate per hour	\$ 326	\$ 321	\$ 327

⁽¹⁾ Revenues less direct cost of revenues.

⁽²⁾ Gross profit as a percent of revenues.

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased \$58.0 million, or 12.5%, from 2017 to 2018. The increase was driven by higher demand for our construction solutions, investigations and disputes services, particularly across North America and EMEA.

Gross profit increased \$33.0 million, or 21.1%, from 2017 to 2018. Gross profit margin increased 2.5 percentage points from 2017 to 2018. This increase in gross profit margin is related to higher utilization, primarily due to higher demand for our construction solutions and investigations services.

SG&A expenses increased \$8.9 million, or 10.1%, from 2017 to 2018. SG&A expenses were 18.6% of revenues in 2018 compared with 19.0% in 2017. The increase in SG&A expenses was due to higher personnel, rent and occupancy, travel and other administrative costs.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues increased \$4.6 million, or 1.0%, from 2016 to 2017. This increase was driven by increased volume in the global construction solutions practice and investigations practice in EMEA, which was partially offset by lower demand in the health solutions practice.

Gross profit increased \$13.6 million, or 9.5%, from 2016 to 2017. Gross profit margin increased 2.7 percentage points from 2016 to 2017. This increase in gross profit margin is related to higher utilization, largely in the construction solutions, disputes and investigations practices, partially offset by lower success fees in our health solutions practice.

SG&A expenses decreased \$1.5 million, or 1.6%, from 2016 to 2017. SG&A expenses were 19.0% of revenues in 2017 compared with 19.6% in 2016. The decrease in SG&A expenses was due to lower costs from headcount reductions, primarily in our health solutions practice, partially offset by higher bad debt expenses.

ECONOMIC CONSULTING

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands, except rate per hour)		
Revenues	\$ 533,979	\$ 496,029	\$ 500,487
Percentage change in revenues from prior year	7.7%	-0.9%	
Operating expenses:			
Direct cost of revenues	396,001	367,711	363,616
Selling, general and administrative expenses	73,630	71,943	67,383
Special charges	—	6,624	—
Amortization of other intangible assets	296	597	646
	<u>469,927</u>	<u>446,875</u>	<u>431,645</u>
Segment operating income	64,052	49,154	68,842
Percentage change in segment operating income from prior year	30.3%	-28.6%	
Add back:			
Depreciation and amortization of intangible assets	5,903	6,186	5,260
Special charges	—	6,624	—
Adjusted Segment EBITDA	\$ 69,955	\$ 61,964	\$ 74,102
Gross profit ⁽¹⁾	<u>\$ 137,978</u>	<u>\$ 128,318</u>	<u>\$ 136,871</u>
Percentage change in gross profit from prior year	7.5%	-6.2%	
Gross profit margin ⁽²⁾	25.8%	25.9%	27.3%
Adjusted Segment EBITDA as a percent of revenues	13.1%	12.5%	14.8%
Number of revenue-generating professionals (at period end)	708	683	656
Percentage change in number of revenue-generating professionals from prior year	3.7%	4.1%	
Utilization rate of billable professionals	69%	67%	73%
Average billable rate per hour	\$ 519	\$ 524	\$ 517

(1) Revenues less direct cost of revenues.

(2) Gross profit as a percent of revenues.

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased \$38.0 million, or 7.7%, from 2017 to 2018. The increase was primarily due to higher demand for antitrust services in EMEA and financial economic services in North America, which were partially offset by lower demand for antitrust services in North America and lower realization due to mix of client engagements in EMEA.

Gross profit increased \$9.7 million, or 7.5%, from 2017 to 2018. Gross profit margin was consistent from 2017 to 2018. Higher margins from improved utilization were entirely offset by lower realization and higher variable compensation as a percentage of revenues.

SG&A expenses increased \$1.7 million, or 2.3%, from 2017 to 2018. SG&A expenses were 13.8% of revenues in 2018 compared with 14.5% in 2017. The increase in SG&A expenses was primarily driven by higher rent and occupancy costs, which were partially offset by lower bad debt expense.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues decreased \$4.5 million, or 0.9%, from 2016 to 2017. This decrease was primarily driven by lower demand for financial economics services in North America, which was partially offset by higher demand for antitrust services in EMEA and international arbitration services in North America.

Gross profit decreased \$8.6 million, or 6.2%, from 2016 to 2017. Gross profit margin decreased 1.4 percentage points from 2016 to 2017. This decrease was primarily due to a decline in utilization, resulting from both lower demand and an increase in billable headcount.

SG&A expenses increased \$4.6 million, or 6.8%, from 2016 to 2017. SG&A expenses were 14.5% of revenues in 2017 compared with 13.5% in 2016. The increase in SG&A expenses was driven primarily by higher bad debt, compensation, depreciation and infrastructure support costs, which were partially offset by lower legal fees.

TECHNOLOGY

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Revenues	\$ 185,755	\$ 174,850	\$ 177,720
Percentage change in revenues from prior year	6.2%	-1.6%	
Operating expenses:			
Direct cost of revenues	111,129	101,505	107,591
Selling, general and administrative expenses	59,644	62,858	64,135
Special charges	—	5,057	7,529
Amortization of other intangible assets	70	635	648
	170,843	170,055	179,903
Segment operating (loss) income	14,912	4,795	-2,183
Percentage change in segment operating income from prior year	211.0%	-319.7%	
Add back:			
Depreciation and amortization of intangible assets	12,475	12,319	20,468
Special charges	—	5,057	7,529
Adjusted Segment EBITDA	\$ 27,387	\$ 22,171	\$ 25,814
Gross profit ⁽¹⁾	\$ 74,626	\$ 73,345	\$ 70,129
Percentage change in gross profit from prior year	1.7%	4.6%	
Gross profit margin ⁽²⁾	40.2%	41.9%	39.5%
Adjusted Segment EBITDA as a percent of revenues	14.7%	12.7%	14.5%
Number of revenue-generating professionals (at period end) ⁽³⁾	306	292	288
Percentage change in number of revenue-generating professionals from prior year	4.8%	1.4%	

(1) Revenues less direct cost of revenues.

(2) Gross profit as a percent of revenues.

(3) Includes personnel involved in direct client assistance and revenue-generating consultants and excludes professionals employed on an as-needed basis.

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased \$10.9 million, or 6.2%, from 2017 to 2018. The increase in revenues was primarily due to an increase in both demand and pricing for consulting services, an increase in demand for hosting and higher realized pricing for M&A-related managed reviews. This increase was partially offset by lower pricing for hosting and \$2.0 million in lower revenues from software licensing due to the Ringtail® divestiture. Higher consulting revenues were driven by increased demand for information governance, privacy and security services and global investigations.

Gross profit increased \$1.3 million, or 1.7%, from 2017 to 2018. Gross profit margin decreased 1.7 percentage points to 40.2% from 2017 to 2018. The decrease in gross profit margin was largely due to a lower mix of high-margin hosting and software licensing revenues.

SG&A expenses decreased \$3.2 million, or 5.1%, from 2017 to 2018. SG&A expenses were 32.1% of revenues in 2018 compared with 35.9% in 2017. The decrease in SG&A expenses was primarily due to lower research and development expenses due to the Ringtail® divestiture, partially offset by an increase in other general administrative expenses. Research and development expenses related to software development were \$8.7 million in 2018, a decline of \$6.2 million, compared with \$14.9 million in 2017.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues decreased \$2.9 million, or 1.6%, from 2016 to 2017. This decrease was primarily driven by lower pricing for hosting services as a result of a decline in legacy hosting matters at the end of their cycle, coupled with lower demand for managed review offerings, partially offset by higher demand for hosting services as a result of new engagements. Additionally, higher demand for consulting was driven by growth in new engagements, as well as growth in information governance engagements.

Gross profit increased \$3.2 million, or 4.6%, from 2016 to 2017. Gross profit margin increased 2.4 percentage points to 41.9% from 2016 to 2017. This margin increase was due to higher pricing for consulting, higher demand for hosting and lower depreciation expense, which was partially offset by lower pricing for hosting services.

SG&A expenses decreased \$1.3 million, or 2.0%, from 2016 to 2017. SG&A expenses were 35.9% of revenues in 2017 compared with 36.1% in 2016. This decrease was due to lower salary and benefits and lower research and development expenses, partially offset by higher sales commissions. Research and development expenses related to software development were \$14.9 million in 2017, a decline of \$2.6 million, compared with \$17.5 million in 2016.

STRATEGIC COMMUNICATIONS

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Revenues	\$ 223,331	\$ 192,488	\$ 191,184
Percentage change in revenues from prior year	16.0%	0.7%	
Operating expenses:			
Direct cost of revenues	135,943	121,916	117,858
Selling, general and administrative expenses	46,772	45,947	46,514
Special charges	—	7,752	—
Amortization of other intangible assets	3,366	3,725	3,702
	186,081	179,340	168,074
Segment operating income	37,250	13,148	23,110
Percentage change in segment operating income from prior year	183.3%	-43.1%	
Add back:			
Depreciation and amortization of intangible assets	5,668	6,130	5,945
Special charges	—	7,752	—
Fair value remeasurement of contingent consideration	—	702	1,403
Adjusted Segment EBITDA	\$ 42,918	\$ 27,732	\$ 30,458
Gross profit ⁽¹⁾	\$ 87,388	\$ 70,572	\$ 73,326
Percentage change in gross profit from prior year	23.8%	-3.8%	
Gross profit margin ⁽²⁾	39.1%	36.7%	38.4%
Adjusted Segment EBITDA as a percent of revenues	19.2%	14.4%	15.9%
Number of revenue-generating professionals (at period end)	641	630	647
Percentage change in number of revenue-generating professionals from prior year	1.7%	-2.6%	

⁽¹⁾ Revenues less direct cost of revenues.

⁽²⁾ Gross profit as a percent of revenues.

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased \$30.8 million, or 16.0%, from 2017 to 2018, which included a 1.6% estimated positive impact from FX. Excluding the estimated positive impact of FX, revenues increased \$27.8 million or 14.4%. The increase was primarily due to higher project-based revenues in North America and higher retainer- and project-based revenues in EMEA. These increases were primarily driven by an increase in public affairs and financial communications services, as well as an increase in pass-through revenues.

Gross profit increased \$16.8 million, or 23.8%, from 2017 to 2018. Gross profit margin increased 2.4 percentage points from 2017 to 2018. The increase in gross profit margin was due to lower fixed compensation as a percentage of revenues, partially offset by higher variable compensation and a higher proportion of lower margin pass-through revenues.

SG&A expenses increased \$0.8 million, or 1.8%, from 2017 to 2018. SG&A expenses were 20.9% of revenues in 2018 compared with 23.9% in 2017. The increase in SG&A expenses was primarily due to higher infrastructure support costs, bad debt and variable compensation, partially offset by lower expenses related to acquisition-related contingent consideration.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues increased \$1.3 million, or 0.7%, from 2016 to 2017. This increase was due to higher retainer-based revenues across all regions, which was partially offset by lower project income in North America, primarily in the financial communications practice.

Gross profit decreased \$2.8 million, or 3.8%, from 2016 to 2017. Gross profit margin decreased 1.7 percentage points from 2016 to 2017. This decrease was primarily due to fewer large, high-margin engagements in North America, as well as higher compensation as a result of increased average billable headcount.

SG&A expenses decreased \$0.6 million, or 1.2%, from 2016 to 2017. SG&A expenses were 23.9% of revenues in 2017 compared with 24.3% in 2016. The decrease in SG&A expenses was primarily due to lower staff costs, partially offset by higher travel and entertainment expenses.

Liquidity and Capital Resources

Cash Flows

	Year Ended December 31,		
	2018	2017	2016
Cash Flows	(dollars in thousands)		
Net cash provided by operating activities	\$ 230,672	\$ 147,625	\$ 233,488
Net cash provided by (used in) investing activities	\$ 18,744	\$ (40,638)	\$ (30,132)
Net cash used in financing activities	\$ (117,519)	\$ (140,934)	\$ (125,310)
DSO	93	91	91

We have generally financed our day-to-day operations, capital expenditures and acquisitions through cash flows from operations. During the first quarter of our fiscal year, our cash needs generally exceed our cash flows from operations due to the payment of annual incentive compensation. Our operating cash flows generally exceed our cash needs subsequent to the second quarter of each year.

Our operating assets and liabilities consist primarily of billed and unbilled accounts receivable, notes receivable from employees, accounts payable, accrued expenses and accrued compensation expenses. The timing of billings and collections of receivables, as well as compensation and vendor payments, affect the changes in these balances.

DSO is a performance measure used to assess how quickly revenues are collected by the Company. We calculate DSO at the end of each reporting period by dividing net accounts receivable reduced by billings in excess of services provided, by revenues for the quarter, adjusted for changes in foreign exchange rates. We multiply the result by the number of days in the quarter.

Free Cash Flow, a non-GAAP financial measure, for the three years ended December 31, 2018, 2017 and 2016 was \$198.4 million, \$115.6 million and \$204.6 million, respectively.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

Net cash provided by operating activities increased \$83.0 million, or 56.3%, from 2017 to 2018. The increase in net cash provided by operating activities was primarily due to higher cash collections, partially offset by an increase in cash paid for salaries and benefits and higher income tax payments. DSO was 93 days as of December 31, 2018 and 91 days as of December 31, 2017.

Net cash provided by investing activities increased \$59.4 million, or 146.1%, from 2017 to 2018. The Company received proceeds of \$50.3 million from the sale of Ringtail® in 2018. Capital expenditures were \$32.3 million for 2018 as compared with \$32.0 million for 2017.

Net cash used in financing activities decreased \$23.4 million, or 16.6%, from 2017 to 2018. Cash used in financing activities in 2018 included the \$300 million redemption of the 2022 Notes, \$100 million of net repayments under our senior secured bank revolving credit facility (as amended and restated on November 30, 2018, the "Credit Facility"), \$16.1 million payments of debt issue costs, redemption premium and other redemption costs, and \$55.7 million in common stock repurchases. These cash outflows were partially offset by \$316.3 million in proceeds from the issuance of the 2023 Convertible Notes and \$38.5 million from the issuance of common stock under our equity compensation plans. Net cash used in financing activities for the year ended December 31, 2017 included payments of \$168.1 million for common stock repurchases and \$5.2 million cash paid for acquisition-related contingent consideration, partially offset by \$30.0 million of net borrowings under our senior secured bank revolving credit facility.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Net cash provided by operating activities decreased \$85.9 million, or 36.8%, from 2016 to 2017. The decrease was primarily due to higher compensation payments, including salaries, bonuses and severance, and lower cash collections. This was partially offset by lower income tax payments in the year ended December 31, 2017. DSO was 91 days as of December 31, 2017 and 2016.

Net cash used in investing activities increased \$10.5 million, or 34.9%, from 2016 to 2017. Payment for the acquisition of substantially all of the assets of a business completed in 2017 by our Corporate Finance segment was \$8.9 million, net of cash received. Payment for the acquisition completed in 2016 by our Strategic Communications segment was \$1.2 million, net of cash received. Capital expenditures were \$32.0 million for 2017 as compared with \$28.9 million for 2016.

Net cash used in financing activities increased \$15.6 million, or 12.5%, from 2016 to 2017. Cash used in financing activities in 2017 included \$168.1 million in common stock repurchases and \$5.2 million cash paid for acquisition-related contingent consideration, partially offset by \$30.0 million of net borrowings under our senior secured bank revolving credit facility and the receipt of \$2.8 million of refundable deposits related to one of our foreign entities. Net financing activities for 2016 included repayments of \$130.0 million of borrowings under our senior secured bank revolving credit facility and \$21.5 million in common stock repurchases, partially offset by \$21.7 million in cash received from the issuance of common stock under our equity compensation plan and the receipt of \$4.0 million of refundable deposits related to one of our foreign entities.

Capital Resources

As of December 31, 2018, our capital resources included \$312.1 million of cash and cash equivalents and available borrowing capacity of \$549.0 million under a \$550.0 million revolving line of credit under our Credit Facility. As of December 31, 2018, we had no outstanding borrowings under our Credit Facility and \$1.0 million of outstanding letters of credit, which reduced the availability of borrowings under the Credit Facility. We use letters of credit primarily in lieu of security deposits for our leased office facilities. The \$550.0 million revolving line of credit under the Credit Facility includes a \$75.0 million sublimit for borrowings in currencies other than USD, including the euro, British pound, Australian dollar and Canadian dollar.

The availability of borrowings, as well as issuances and extensions of letters of credit, under our Credit Facility is subject to specified conditions. We may choose to repay outstanding borrowings under the Credit Facility at any time before maturity without premium or penalty. Borrowings under the Credit Facility in USD, euro and British pound bear interest at an annual rate equal to the London Interbank Offered Rate ("LIBOR"), plus an applicable margin or an alternative base rate plus an applicable margin. The alternative base rate means a fluctuating rate per annum equal to the highest of (1) the rate of interest in effect for such day as the prime rate announced by Bank of America, (2) the federal funds rate plus the sum of 50 basis points, and (3) the one-month LIBOR plus 100 basis points. Borrowings under the Credit Facility in Canadian dollars bear interest at an annual rate equal to the Canadian Dealer Offered Rate plus an applicable margin. Borrowings under the Credit Facility in Australian dollars bear interest at an annual rate equal to the Bank Bill Swap Reference Bid Rate plus an applicable margin. The Credit Facility is guaranteed by substantially all of our domestic subsidiaries and is secured by a first priority security interest in substantially all of the assets of FTI Consulting and such domestic subsidiaries. Subject to certain conditions, at any time prior to maturity, we will be able to invite existing and new lenders to increase the size of the facility up to a maximum of \$700.0 million.

Our Credit Facility and other indebtedness outstanding from time to time contains or may contain covenants that, among other things, may limit our ability to: incur additional indebtedness; create liens; pay dividends on our capital stock, make distributions or repurchases of our capital stock or make specified other restricted payments; consolidate, merge or sell all or substantially all of our assets; guarantee obligations of other entities or our foreign subsidiaries; enter into hedging agreements; enter into transactions with affiliates or related persons; or engage in any business other than consulting-related businesses. In addition, the Credit Facility includes a financial covenant that requires us not to exceed a maximum consolidated total net leverage ratio (the ratio of funded debt (less unrestricted cash up to \$150.0 million) to Consolidated EBITDA, as defined in the Credit Facility). As of December 31, 2018, we were in compliance with the covenants contained in the Credit Facility and the indenture, dated as of August 20, 2018, between us and U.S. Bank National Association, as trustee (the "Indenture") governing the 2023 Convertible Notes.

Future Capital Needs

We anticipate that our future capital needs will principally consist of funds required for:

- operating and general corporate expenses relating to the operation of our businesses;

- capital expenditures, primarily for information technology equipment, office furniture and leasehold improvements;
- debt service requirements, including interest payments on our long-term debt;
- compensation for designated executive management and senior managing directors under our various long-term incentive compensation programs;
- discretionary funding of our stock repurchase program;
- contingent obligations related to our acquisitions;
- potential acquisitions of businesses; and
- other known future contractual obligations.

We currently anticipate capital expenditures of \$31 million to \$38 million to support our organization during 2019, including direct support for specific client engagements. Our estimate takes into consideration the needs of our existing businesses but does not include the impact of any purchases that we may be required to make as a result of future acquisitions or specific client engagements that are not currently contemplated. Our capital expenditure requirements may change if our staffing levels or technology needs change significantly from what we currently anticipate, if we are required to purchase additional equipment specifically to support new client engagements or for their purposes or if we pursue and complete additional acquisitions.

2023 Convertible Notes

Our 2023 Convertible Notes were issued pursuant to the Indenture. The 2023 Convertible Notes bear interest at a fixed rate of 2.0% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2019. The 2023 Convertible Notes will mature on August 15, 2023, unless earlier converted or repurchased. Upon conversion, the 2023 Convertible Notes may be settled, at our election in cash, shares of our common stock or a combination of cash and shares of our common stock.

Each \$1,000 principal amount of the 2023 Convertible Notes will initially be convertible into 9.8643 shares of our common stock, which is equivalent to an initial conversion price of approximately \$101.38 per share of common stock, subject to adjustment upon the occurrence of specified events. Prior to the close of business on the business day immediately preceding May 15, 2023, the 2023 Convertible Notes may be converted only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2018 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "Measurement Period") in which the trading price (as defined in the Indenture) per \$1,000 principal amount of the 2023 Convertible Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate in effect on each such trading day; or (3) upon the occurrence of specified corporate events. On or after May 15, 2023, until the close of business on the business day immediately preceding the maturity date of August 15, 2023, holders may convert their 2023 Convertible Notes at any time, regardless of the foregoing circumstances.

We may not redeem the 2023 Convertible Notes prior to the maturity date.

If we undergo a fundamental change (as defined in the Indenture), subject to certain conditions, holders may require us to repurchase for cash all or part of their 2023 Convertible Notes in principal amounts of \$1,000 or a multiple thereof. The fundamental change repurchase price will be equal to 100% of the principal amount of the 2023 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, in certain circumstances, we may be required to increase the conversion rate for any 2023 Convertible Notes converted in connection with a make-whole fundamental change (as defined in the Indenture). See Note 1, "Description of Business and Summary of Significant Accounting Policies" and Note 13, "Long-Term Debt" in Part II, Item 8 and "Risk Factors" in Part I, Item 1A of this Annual Report for a further discussion of the 2023 Convertible Notes.

Cash Flows

For the last several years, our cash flows from operations have exceeded our cash needs for capital expenditures and debt service requirements. We believe that our cash flows from operations, supplemented by short-term borrowings under our

Credit Facility, as necessary, will provide adequate cash to fund our long-term cash needs from normal operations for the next 12 months or longer.

Our conclusion that we will be able to fund our cash requirements by using existing capital resources and cash generated from operations does not take into account the impact of any future acquisitions, unexpected significant changes in number of employees or other unanticipated uses of cash. The anticipated cash needs of our business could change significantly if we pursue and complete additional business acquisitions, if our business plans change, if economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that may have a material effect on the cash flow or profitability of our business, including material negative changes in the operating performance or financial results of our business. Any of these events or circumstances, including any new business opportunities, could involve significant additional funding needs in excess of the identified currently available sources and could require us to raise additional debt or equity funding to meet those needs. Our ability to raise additional capital, if necessary, is subject to a variety of factors that we cannot predict with certainty, including:

- our future profitability;
- the quality of our accounts receivable;
- our relative levels of debt and equity;
- the volatility and overall condition of the capital markets; and
- the market price of our securities.

Any new debt funding, if available, may be on terms less favorable to us than our Credit Facility or the Indenture that governs our 2023 Convertible Notes.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements other than operating leases, and we have not entered into any transactions involving unconsolidated subsidiaries or special purpose entities.

Future Contractual Obligations

The following table sets forth our estimates as to the amounts and timing of contractual payments for our most significant contractual obligations as of December 31, 2018. The information in the table reflects future unconditional payments and is based on the terms of the relevant agreements, appropriate classification of items under GAAP currently in effect and certain assumptions such as interest rates. Future events could cause actual payments to differ from these amounts.

Future contractual obligations related to our long-term debt assume that payments will be made based on the current payment schedule and that interest payments will be at their stated rates and exclude any additional revolving line of credit borrowings or repayments subsequent to December 31, 2018 and prior to the November 30, 2023 maturity date of our Credit Facility.

<u>Contractual Obligations</u>	<u>Total</u>	<u>Payments Due by Period</u>			
		<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More than 5 Years</u>
		(in thousands)			
Long-term debt ⁽¹⁾	\$ 347,805	\$ 6,255	\$ 12,650	\$ 328,900	\$ —
Operating leases	261,291	49,757	91,564	44,780	75,190
Total obligations	\$ 609,096	\$ 56,012	\$ 104,214	\$ 373,680	\$ 75,190

⁽¹⁾ Includes principal and interest payments. Projected interest payments may differ in the future based on the balance outstanding on our Credit Facility, as well as changes in market interest rates.

Effect of Inflation

Inflation is not generally a material factor affecting our business. General operating expenses such as salaries, employee benefits and lease costs are, however, subject to normal inflationary pressures.

Critical Accounting Policies

General. Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to allowance for doubtful accounts and unbilled services, goodwill, share-based compensation, income taxes and contingencies on an ongoing basis. We base our estimates on current facts and circumstances, historical experience and various other assumptions that we believe are reasonable. These results form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. Revenues are recognized when we satisfy a performance obligation by transferring goods or services promised in a contract to a customer, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Performance obligations in our contracts represent distinct or separate service streams that we provide to our customers.

We evaluate our revenue contracts with customers based on the five-step model under *Revenue from Contracts with Customers*: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied. If, at the outset of an arrangement, we determine that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met.

We generate the majority of our revenues by providing consulting services to our clients. Most of our consulting service contracts are based on one of the following types of arrangements:

- *Time and expense arrangements* require the client to pay us based on the number of hours worked at contractually agreed-upon rates. We recognize revenues for these arrangements based on hours incurred and contracted rates utilizing a right-to-invoice practical expedient because we have a right to consideration for services completed to date. When a time and expense arrangement has a not-to-exceed or "cap" amount and we expect to perform work in excess of the cap, we recognize revenue up to the cap amount specified by the client, based on the efforts or hours incurred as a percentage of total efforts or hours expected to be incurred (i.e., proportional performance method). Certain time and materials arrangements may be subject to third-party approval, e.g., a court or other regulatory institution, with interim billing and payments made and received based upon preliminarily agreed-upon rates. In such cases, we record revenues for the portion of our services based on our assessment of the expected probability of amounts ultimately to be agreed upon by the court or regulator. These assessments are made on a case-by-case basis depending on the nature of the engagement, client economics, historical experience and other appropriate factors.
- *Fixed fee arrangements* require the client to pay a pre-established fee in exchange for a predetermined set of professional services. We recognize revenues for these arrangements based on the proportional performance related to individual performance obligations within each arrangement, however, these arrangements generally have one performance obligation.
- *Performance-based or contingent arrangements* represent forms of variable consideration. In these arrangements, our fees are based on the attainment of contractually defined objectives with our client, such as completing a business transaction or assisting the client in achieving a specific business objective. When our performance obligation(s) are satisfied over time, we determine the transaction price based on the expected probability of achieving the agreed-upon outcome and recognize revenues earned to date by applying the proportional performance method. These arrangements include conditional payments, commonly referred to as success fees, which were previously recognized when the cash was collected.

In addition, we generate certain revenues from our Technology segment that are based on units of data stored or processed. Unit-based revenues are recognized as services are provided, based on either the amount of data stored or processed, the number of concurrent users accessing the information, or the number of pages or images processed for a client, and agreed-upon per unit rates. We also generate revenues from our on-premise software licenses. Software license revenues are generally recognized at a point in time when the customer acceptance occurs, in accordance with the provision of the arrangements.

Certain of our time and expense and fixed fee billing arrangements may include client incentives in the form of volume-based discounts, where if certain fee levels are reached, the client can receive future services at a discounted hourly rate.

Contracts with customers that have a prospective discounted pricing option based on predetermined volume thresholds are evaluated to determine whether they include a material right, which is an option that provides a customer the right to acquire free or discounted goods or services in the future. If the option provides a material right to the customer, we allocate a portion of the transaction price to the material right and defer revenues during the pre-discount period, compared with our previous practice of recognizing the reduction in revenues when customers became eligible to receive the volume discount.

Reimbursable expenses, including those relating to travel, out-of-pocket expenses, outside consultants and other outside service costs, are generally included in revenues, and an equivalent amount of reimbursable expenses is included in costs of services in the period in which the expense is incurred.

Allowance for Doubtful Accounts and Unbilled Services. We maintain an allowance for doubtful accounts and unbilled services for estimated losses resulting from disputes that affect our ability to fully collect our billed accounts receivable, potential fee reductions negotiated by clients or imposed by bankruptcy courts and the inability of clients to pay our fees. Even if a bankruptcy court approves our services, the court has the discretion to require us to refund all or a portion of our fees due to the outcome of the case or a variety of other factors. We estimate the allowance for all receivable risks by reviewing the status of each matter and recording reserves based on our experience and knowledge of the particular client and historical collection patterns. However, our actual experience may vary from our estimates. If the financial condition of our clients were to deteriorate, resulting in their inability or unwillingness to pay our fees, or bankruptcy courts require us to refund certain fees, we may need to record additional allowances or write-offs in future periods. This risk related to a client's inability to pay may be partially mitigated to the extent that we may receive retainers from some of our clients prior to performing services.

Timing of revenue recognition often differs from the timing of billing to our customers. Generally, we transfer goods or services to a customer before the customer pays consideration or payment is due. If we have an unconditional right to invoice and receive payment for goods or services already provided, we record billed and unbilled receivables on our Consolidated Balance Sheets. Payment terms and conditions vary depending on the jurisdiction, market and type of service and whether regulatory or other third-party approvals are required. In addition, contracts may be negotiated per the client's request, or at times we are asked to execute contracts in a form provided by customers that might include different terms. Our standard contract terms generally include a requirement of payment within 30 days where no contingencies exist.

We record adjustments to the allowance for doubtful accounts and unbilled services as a reduction in revenues when there are changes in estimates of fee reductions that may be imposed by bankruptcy courts and other regulatory institutions, for both billed and unbilled receivables. The allowance for doubtful accounts and unbilled services is also adjusted after the related work has been billed to the client and we later discover that collectability is not reasonably assured. These adjustments are recorded to "Selling, general and administrative expenses" on the Consolidated Statements of Comprehensive Income and totaled \$17.9 million, \$15.4 million and \$8.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Goodwill and Other Intangible Assets. Goodwill represents the purchase price of acquired businesses in excess of the fair market value of net assets acquired at the date of acquisition. Other intangible assets may include trade names, customer relationships, non-competition agreements and software.

We test our goodwill and other indefinite-lived intangible assets for impairment annually as of the first day of the fourth quarter and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. On a quarterly basis, we monitor the key drivers of fair value to detect events or other changes that would warrant an interim impairment test. Important factors we consider that could trigger an interim impairment review include, but are not limited to, the following:

- significant underperformance relative to expected historical or projected future operating results;
- a significant change in the manner of our use of the acquired asset or the strategy for our overall business;
- a significant market decline related to negative industry or economic trends; and/or
- our market capitalization relative to net carrying value.

We assess our goodwill for impairment at the reporting unit level. A reporting unit is an operating segment or a business one level below that operating segment if discrete financial information is available and regularly reviewed by the chief operating decision makers. Entities have an option, under certain circumstances, to perform a qualitative assessment regarding the reporting unit's fair value to determine whether it is necessary to perform the quantitative impairment test.

In the qualitative assessment, we consider various factors, events or circumstances, including macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant reporting unit specific events. If, based on the qualitative assessment, an entity determines that it is not "more likely than not" that the fair

value of a reporting unit is less than its carrying value, we do not prepare a quantitative impairment test. If we determine otherwise, we will prepare a quantitative assessment for potential goodwill impairment.

In the quantitative assessment, we compare the estimated fair value of the reporting unit with the carrying amount of that reporting unit. We estimate fair value using a combination of an income approach (based on discounted cash flows) and market approaches, using appropriate weighting factors. If the fair value exceeds the carrying amount, goodwill is not impaired. However, if the carrying value exceeds the fair value of the reporting unit, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The cash flows employed in the income approach are based on our most recent budgets, forecasts and business plans, as well as various growth rate assumptions for years beyond the current business plan period, discounted using an estimated weighted average cost of capital (“WACC”) based on our assessment of the risk inherent in the future revenue streams and cash flows and our WACC. The WACC consists of (1) a risk-free rate of return, (2) an equity risk premium that is based on the rate of return on equity of publicly traded companies with business characteristics comparable with our reporting units, (3) the current after-tax market rate of return on debt of companies with business characteristics similar to our reporting units, each weighted by the relative market value percentages of our equity and debt, and (4) an appropriate size premium. In the market approach, we utilize market multiples derived from comparable guideline companies and comparable market transactions to the extent available. These valuations are based on estimates and assumptions, including projected future cash flows and the determination of appropriate market comparables and determination of whether a premium or discount should be applied to such comparables.

We determine whether to perform qualitative assessment first or to bypass the qualitative assessment and proceed with the quantitative goodwill impairment test for each of our reporting units based on the headroom from the most recent quantitative tests and other events or changes in circumstances that could impact the fair value of the reporting units.

The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment and estimates. There can be no assurance that the estimates and assumptions used in our goodwill impairment testing will prove to be accurate predictions of the future. If our assumptions regarding forecasted cash flows are not achieved or market conditions significantly deteriorate, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment test or prior to that, if a triggering event occurs outside of the quarter during which the annual goodwill impairment test is performed. It is not possible at this time to determine if any future impairment charge would result or, if it does, whether such charge would be material.

Intangible assets with finite lives are amortized over their estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate an asset’s carrying value may not be recoverable. We amortize our acquired finite-lived intangible assets on a straight-line basis over periods ranging from five to 15 years.

Significant New Accounting Pronouncements

See Note 2, “New Accounting Standards” in Part II, Item 8 of this Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates, changes in the price of our common stock and changes in foreign exchange rates.

Interest Rate Risk

We are exposed to interest rate risk related to debt obligations outstanding. Interest rate changes expose our fixed rate long-term borrowings to changes in fair value and expose our variable rate borrowings to changes in our interest expense. From time to time, we use derivative instruments, primarily consisting of interest rate swap agreements, to manage our interest rate exposure by achieving a desired proportion of fixed rate vs. variable rate borrowings. All of our derivative transactions are entered into for non-trading purposes.

The following table presents principal cash flows and related interest rates by year of maturity for our 2023 Convertible Notes and the fair value of the debt as of December 31, 2018. The fair value has been determined based on the last actively traded prices for our 2023 Convertible Notes. As of December 31, 2018, there were no variable rate debt instruments outstanding as there were no borrowings under our Credit Facility. Future interest rate risk may be affected by revolving line of credit borrowings subsequent to December 31, 2018 and prior to the November 30, 2023 maturity date of our Credit Facility.

Long-Term Debt							December 31, 2018	
	2019	2020	2021	2022	2023	Thereafter	Total	Fair Value
	(dollars in thousands)							
Fixed rate	\$ —	\$ —	\$ —	\$ —	\$316,250	\$ —	\$316,250	\$291,837
Average interest rate	—	—	—	—	5.4%	—	5.4%	—

Foreign Currency Exchange Rate Risk

Exchange Rate Risk

Our foreign currency exposure primarily relates to intercompany receivables and payables and third-party receivables and payables that are denominated in currencies other than the functional currency of our legal entities. Our largest foreign currency exposure is unsettled intercompany payables and receivables, which are reviewed on a regular basis. In cases where settlement of intercompany balances is not practical, we may use cash to create offsetting currency positions to reduce exposure. Gains and losses from foreign currency transactions are included in interest income and other on our Consolidated Statements of Comprehensive Income and to date have not had a material impact on our consolidated financial statements. See Note 6, “Interest Income and Other” in Part II, Item 8 of this Annual Report for information.

Translation of Financial Results

Most of our foreign subsidiaries operate in a currency other than USD; therefore, increases or decreases in the value of USD against other major currencies will affect our operating results and the value of our balance sheet items denominated in foreign currencies. Our most significant exposures to translation risk currently relate to functional currency assets and liabilities that are denominated in the British pound, euro, Australian dollar and Canadian dollar. The following table details the unrealized changes in the net investments of foreign subsidiaries whose currencies are denominated in currencies other than USD for the years ended December 31, 2018, 2017 and 2016. These translation adjustments are reflected in “Other comprehensive income (loss)” on our Consolidated Statements of Comprehensive Income.

Changes in Net Investment of Foreign Subsidiaries	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
British pound	\$ (15,590)	\$ 20,394	\$ (34,329)
Euro	(2,753)	6,595	(1,274)
Australian dollar	(6,077)	4,058	922
Canadian dollar	(1,639)	1,439	328
All other	(1,543)	(1,822)	(7,531)
Total	\$ (27,602)	\$ 30,664	\$ (41,884)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FTI Consulting, Inc. and Subsidiaries

Consolidated Financial Statements

INDEX

	<u>Page</u>
<u>Management’s Report on Internal Control over Financial Reporting</u>	<u>62</u>
<u>Report of Independent Registered Public Accounting Firm — Internal Control over Financial Reporting</u>	<u>63</u>
<u>Report of Independent Registered Public Accounting Firm — Consolidated Financial Statements</u>	<u>64</u>
<u>Consolidated Balance Sheets — December 31, 2018 and 2017</u>	<u>65</u>
<u>Consolidated Statements of Comprehensive Income — Years Ended December 31, 2018, 2017 and 2016</u>	<u>66</u>
<u>Consolidated Statements of Stockholders’ Equity — Years Ended December 31, 2018, 2017 and 2016</u>	<u>67</u>
<u>Consolidated Statements of Cash Flows — Years Ended December 31, 2018, 2017 and 2016</u>	<u>68</u>
<u>Notes to Consolidated Financial Statements</u>	<u>69</u>

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2018. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018 based on the framework in the 2013 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

KPMG LLP, the independent registered public accounting firm that audited our financial statements, has issued an audit report on their assessment of internal control over financial reporting, which is included elsewhere in this Annual Report.

Date: February 26, 2019

/s/ STEVEN H. GUNBY

Steven H. Gunby
President and Chief Executive Officer
(principal executive officer)

/s/ AJAY SABHERWAL

Ajay Sabherwal
Chief Financial Officer and Interim
Chief Accounting Officer
(principal financial officer)

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
FTI Consulting, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited FTI Consulting, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement Schedule II, Valuation and Qualifying Accounts (collectively, the consolidated financial statements), and our report dated February 27, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

McLean, Virginia
February 27, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
FTI Consulting, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of FTI Consulting, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement Schedule II, Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 and 2 to the consolidated financial statements, effective January 1, 2018, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. This change was adopted using the modified retrospective method.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2006.

McLean, Virginia
February 27, 2019

Consolidated Balance Sheets
(in thousands, except per share data)

	December 31,	
	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 312,069	\$ 189,961
Accounts receivable:		
Billed receivables	437,797	390,996
Unbilled receivables	319,205	312,569
Allowance for doubtful accounts and unbilled services	(202,394)	(180,687)
Accounts receivable, net	554,608	522,878
Current portion of notes receivable	29,228	25,691
Prepaid expenses and other current assets	69,448	55,649
Total current assets	965,353	794,179
Property and equipment, net	84,577	75,075
Goodwill	1,172,316	1,204,803
Other intangible assets, net	34,633	44,150
Notes receivable, net	84,471	98,105
Other assets	37,771	40,929
Total assets	\$ 2,379,121	\$ 2,257,241
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, accrued expenses and other	\$ 104,600	\$ 94,873
Accrued compensation	333,536	268,513
Billings in excess of services provided	44,434	46,942
Total current liabilities	482,570	410,328
Long-term debt, net	265,571	396,284
Deferred income taxes	155,088	124,471
Other liabilities	127,067	134,187
Total liabilities	1,030,296	1,065,270
Commitments and contingent liabilities (Note 14)		
Stockholders' equity		
Preferred stock, \$0.01 par value; shares authorized — 5,000; none outstanding	—	—
Common stock, \$0.01 par value; shares authorized — 75,000; shares issued and outstanding — 38,147 (2018) and 37,729 (2017)	381	377
Additional paid-in capital	299,534	266,035
Retained earnings	1,196,727	1,045,774
Accumulated other comprehensive loss	(147,817)	(120,215)
Total stockholders' equity	1,348,825	1,191,971
Total liabilities and stockholders' equity	\$ 2,379,121	\$ 2,257,241

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(in thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenues	\$ 2,027,877	\$ 1,807,732	\$ 1,810,394
Operating expenses			
Direct cost of revenues	1,328,074	1,215,560	1,210,771
Selling, general and administrative expenses	465,636	432,013	436,716
Special charges	—	40,885	10,445
Amortization of other intangible assets	8,162	10,563	10,306
	1,801,872	1,699,021	1,668,238
Operating income	226,005	108,711	142,156
Other income (expense)			
Interest income and other	4,977	3,752	10,466
Interest expense	(27,149)	(25,358)	(24,819)
Gain on sale of business	13,031	—	—
Loss on early extinguishment of debt	(9,072)	—	—
	(18,213)	(21,606)	(14,353)
Income before income tax provision (benefit)	207,792	87,105	127,803
Income tax provision (benefit)	57,181	(20,857)	42,283
Net income	\$ 150,611	\$ 107,962	\$ 85,520
Earnings per common share — basic	\$ 4.06	\$ 2.79	\$ 2.09
Earnings per common share — diluted	\$ 3.93	\$ 2.75	\$ 2.05
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments, net of tax expense of \$373, \$— and \$—	\$ (27,602)	\$ 30,664	\$ (41,884)
Other comprehensive income (loss), net of tax	(27,602)	30,664	(41,884)
Comprehensive income	\$ 123,009	\$ 138,626	\$ 43,636

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at December 31, 2015	<u>41,234</u>	<u>\$ 412</u>	<u>\$ 400,705</u>	<u>\$ 855,481</u>	<u>\$ (108,995)</u>	<u>\$1,147,603</u>
Net income	—	\$ —	\$ —	\$ 85,520	\$ —	\$ 85,520
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	—	(41,884)	(41,884)
Issuance of common stock in connection with:						
Exercise of options, net of income tax benefit from share-based awards of \$2,051	820	8	25,234	—	—	25,242
Restricted share grants, less net settled shares of 137	520	5	(5,541)	—	—	(5,536)
Stock units issued under incentive compensation plan	—	—	1,842	—	—	1,842
Purchase and retirement of common stock	(537)	(5)	(21,484)	—	—	(21,489)
Share-based compensation	—	—	16,060	—	—	16,060
Balance at December 31, 2016	<u>42,037</u>	<u>\$ 420</u>	<u>\$ 416,816</u>	<u>\$ 941,001</u>	<u>\$ (150,879)</u>	<u>\$1,207,358</u>
Net income	—	\$ —	\$ —	\$ 107,962	\$ —	\$ 107,962
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	—	30,664	30,664
Issuance of common stock in connection with:						
Exercise of options	123	1	4,132	—	—	4,133
Restricted share grants, less net settled shares of 92	243	2	(4,442)	—	—	(4,440)
Stock units issued under incentive compensation plan	—	—	1,547	—	—	1,547
Purchase and retirement of common stock	(4,674)	(46)	(168,048)	—	—	(168,094)
Cumulative effect due to adoption of new accounting standard	—	—	—	(3,189)	—	(3,189)
Share-based compensation	—	—	16,030	—	—	16,030
Balance at December 31, 2017	<u>37,729</u>	<u>\$ 377</u>	<u>\$ 266,035</u>	<u>\$1,045,774</u>	<u>\$ (120,215)</u>	<u>\$1,191,971</u>
Net income	—	\$ —	\$ —	\$ 150,611	\$ —	\$ 150,611
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	—	(27,602)	(27,602)
Issuance of common stock in connection with:						
Exercise of options	1,051	11	41,557	—	—	41,568
Restricted share grants, less net settled shares of 58	319	3	(3,097)	—	—	(3,094)
Stock units issued under incentive compensation plan	—	—	1,059	—	—	1,059
Purchase and retirement of common stock	(952)	(10)	(55,728)	—	—	(55,738)
Cumulative effect due to adoption of new accounting standard	—	—	—	342	—	342
Conversion feature of convertible senior notes due 2023, net	—	—	34,131	—	—	34,131
Share-based compensation	—	—	15,577	—	—	15,577
Balance at December 31, 2018	<u>38,147</u>	<u>\$ 381</u>	<u>\$ 299,534</u>	<u>\$1,196,727</u>	<u>\$ (147,817)</u>	<u>\$1,348,825</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Operating activities			
Net income	\$ 150,611	\$ 107,962	\$ 85,520
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31,536	31,177	38,700
Amortization and impairment of other intangible assets	8,162	10,563	10,306
Acquisition-related contingent consideration	479	2,291	2,164
Provision for doubtful accounts	17,872	15,386	8,912
Non-cash share-based compensation	15,577	16,030	16,920
Amortization of debt discount and issuance costs	5,456	1,984	1,985
Loss on early extinguishment of debt	9,072	—	—
Gain on sale of business	(13,031)	—	—
Other	769	611	(1,204)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, billed and unbilled	(72,034)	(50,831)	3,471
Notes receivable	8,987	14,928	3,145
Prepaid expenses and other assets	(2,258)	629	(2,840)
Accounts payable, accrued expenses and other	8,908	4,421	3,268
Income taxes	11,941	(25,768)	22,012
Accrued compensation	52,510	1,795	40,350
Billings in excess of services provided	(3,885)	16,447	779
Net cash provided by operating activities	230,672	147,625	233,488
Investing activities			
Proceeds from sale of business	50,283	—	—
Payments for acquisition of businesses, net of cash received	—	(8,929)	(1,251)
Purchases of property and equipment	(32,270)	(32,004)	(28,935)
Other	731	295	54
Net cash provided by (used in) investing activities	18,744	(40,638)	(30,132)
Financing activities			
Borrowings (repayments) under revolving line of credit, net	(100,000)	30,000	(130,000)
Proceeds from issuance of convertible notes	316,250	—	—
Payments of long-term debt	(300,000)	—	—
Payments of debt issue and debt prepayment costs	(16,149)	—	—
Purchase and retirement of common stock	(55,738)	(168,094)	(21,489)
Net issuance of common stock under equity compensation plans	38,475	(504)	21,708
Payments for acquisition-related contingent consideration	(3,029)	(5,161)	(866)
Deposits and other	2,672	2,825	5,337
Net cash used in financing activities	(117,519)	(140,934)	(125,310)
Effect of exchange rate changes on cash and cash equivalents	(9,789)	7,750	(11,648)
Net increase (decrease) in cash and cash equivalents	122,108	(26,197)	66,398
Cash and cash equivalents, beginning of period	189,961	216,158	149,760
Cash and cash equivalents, end of period	<u>\$ 312,069</u>	<u>\$ 189,961</u>	<u>\$ 216,158</u>
Supplemental cash flow disclosures			
Cash paid for interest	\$ 21,687	\$ 23,285	\$ 23,154
Cash paid for income taxes, net of refunds	\$ 45,568	\$ 4,929	\$ 20,270
Non-cash investing and financing activities:			
Issuance of stock units under incentive compensation plans	\$ 1,059	\$ 1,547	\$ 1,842
Acquisition-related contingent liability	\$ —	\$ 3,426	\$ —

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(dollar and share amounts in tables expressed in thousands, except per share data)

1. Description of Business and Summary of Significant Accounting Policies**Description of Business**

FTI Consulting, Inc. including its consolidated subsidiaries (collectively, the “Company,” “we,” “our” or “FTI Consulting”), is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political and regulatory, reputational and transactional. Individually, each of our segments and practices is staffed with experts recognized for the depth of their knowledge and a track record of making an impact. Collectively, FTI Consulting offers a comprehensive suite of services designed to assist clients across the business cycle, from proactive risk management to rapid response to unexpected events and dynamic environments. We operate through five reportable segments: Corporate Finance & Restructuring, Forensic and Litigation Consulting, Economic Consulting, Technology and Strategic Communications.

Accounting Principles

Our financial statements are prepared in conformity with United States (“U.S.”) generally accepted accounting principles (“GAAP”). The consolidated financial statements include the accounts of FTI Consulting and all of our subsidiaries. All intercompany transactions and balances have been eliminated. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

Foreign Currency

Results of operations for our non-U.S. subsidiaries are translated from the designated functional currency to the reporting currency of the U.S. dollar (“USD”). Revenues and expenses are translated at average exchange rates for each month, while assets and liabilities are translated at balance sheet date exchange rates. Resulting net translation adjustments are recorded as a component of stockholders’ equity in “Accumulated other comprehensive income (loss).”

Transaction gains and losses arising from currency exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in “Interest income and other” on the Consolidated Statements of Comprehensive Income. Such transaction gains and losses may be realized or unrealized depending upon whether the transaction settled during the period or remains outstanding at the balance sheet date.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Due to the inherent uncertainty involved in making those assumptions, actual results could differ from those estimates. The most significant estimates made and assumptions used are the determination of the allowance for doubtful accounts and unbilled services, the assessment of the recoverability of goodwill, other intangible assets and realization of deferred tax assets, the valuation of share-based compensation and the fair value of acquisition-related contingent consideration. Management bases its estimates on historical trends, current experience and other assumptions that it believes are reasonable.

Concentrations of Risk

We do not have a single customer that represents 10% or more of our consolidated revenues. We derive the majority of our revenues from providing professional services to clients in the U.S. For the year ended December 31, 2018, we derived approximately 32% of our consolidated revenues from the work of professionals who are assigned to locations outside of the U.S. We believe that the geographic and industry diversity of our customer base throughout the U.S. and internationally minimizes the risk of incurring material losses due to concentrations of credit risk.

Revenue Recognition

Revenues are recognized when we satisfy a performance obligation by transferring goods or services promised in a contract to a customer, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Performance obligations in our contracts represent distinct or separate service streams that we provide to our customers.

We evaluate our revenue contracts with customers based on the five-step model under *Revenue from Contracts with Customers* (“ASC 606”): (1) identify the contract with the customer; (2) identify the performance obligations in the contract;

(3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied. If, at the outset of an arrangement, we determine that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met.

We generate the majority of our revenues by providing consulting services to our clients. Most of our consulting service contracts are based on one of the following types of arrangements:

- *Time and expense arrangements* require the client to pay us based on the number of hours worked at contractually agreed-upon rates. We recognize revenues for these arrangements based on hours incurred and contracted rates utilizing a right-to-invoice practical expedient because we have a right to consideration for services completed to date. When a time and expense arrangement has a not-to-exceed or "cap" amount and we expect to perform work in excess of the cap, we recognize revenues up to the cap amount specified by the client, based on the efforts or hours incurred as a percentage of total efforts or hours expected to be incurred (i.e., proportional performance method). Certain time and materials arrangements may be subject to third-party approval, e.g., a court or other regulatory institution, with interim billing and payments made and received based upon preliminarily agreed-upon rates. In such cases, we record revenues for the portion of our services based on our assessment of the expected probability of amounts ultimately to be agreed upon by the court or regulator. These assessments are made on a case-by-case basis depending on the nature of the engagement, client economics, historical experience and other appropriate factors.
- *Fixed fee arrangements* require the client to pay a pre-established fee in exchange for a predetermined set of professional services. We recognize revenues for these arrangements based on the proportional performance related to individual performance obligations within each arrangement; however, these arrangements generally have one performance obligation.
- *Performance-based or contingent arrangements* represent forms of variable consideration. In these arrangements, our fees are based on the attainment of contractually defined objectives with our client, such as completing a business transaction or assisting the client in achieving a specific business objective. When our performance obligation(s) are satisfied over time, we determine the transaction price based on the expected probability of achieving the agreed-upon outcome and recognize revenues earned to date by applying the proportional performance method. These arrangements include conditional payments, commonly referred to as success fees, which were previously recognized when the cash was collected.

In addition, we generate certain revenues from our Technology segment that are based on units of data stored or processed. Unit-based revenues are recognized as services are provided, based on either the amount of data stored or processed, the number of concurrent users accessing the information or the number of pages or images processed for a client, and agreed-upon per unit rates. We also generate revenues from our on-premise software licenses. Software license revenues are generally recognized at a point in time when the customer acceptance occurs, in accordance with the provision of the arrangements.

Certain of our time and expense and fixed fee billing arrangements may include client incentives in the form of volume-based discounts, where if certain fee levels are reached, the client can receive future services at a discounted hourly rate. Contracts with customers that have a prospective discounted pricing option based on predetermined volume thresholds are evaluated to determine whether they include a material right, which is an option that provides a customer the right to acquire free or discounted goods or services in the future. If the option provides a material right to the customer, we allocate a portion of the transaction price to the material right and defer revenues during the pre-discount period, compared with our previous practice of recognizing the reduction in revenues when customers became eligible to receive the volume discount.

Reimbursable expenses, including those relating to travel, out-of-pocket expenses, outside consultants and other outside service costs, are generally included in revenues, and an equivalent amount of reimbursable expenses is included in costs of services in the period in which the expense is incurred.

Direct Cost of Revenues

Direct cost of revenues consists primarily of billable employee compensation and related payroll benefits, the cost of contractors assigned to revenue-generating activities and direct expenses billable to clients. Direct cost of revenues also includes depreciation expense on the equipment of our Technology segment that is used to host and process client information, as well as amortization of software. Direct cost of revenues does not include an allocation of corporate overhead and non-billable segment costs.

Share-Based Compensation

Share-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period or performance period of the award. The amount of share-based compensation expense recognized at any date must at least equal the portion of grant date value of the award that is vested at that date.

We use the Black-Scholes pricing model to determine the fair value of stock options on the date of grant. The Black-Scholes pricing model requires the development of assumptions, including volatility and expected term, which are based on our historical experience. The risk-free interest rate is based on the term of U.S. Treasury interest rates that is consistent with the expected term of the share-based award.

The fair value of restricted share awards and restricted stock units is measured based on the closing price of the underlying stock on the date of grant. The fair value of performance share units that contain market-based vesting conditions is measured using a Monte Carlo pricing model. The compensation cost of performance stock units is based on the grant date fair value and is not subsequently reversed if it is later determined that the market condition is unlikely to be met or is expected to be lower than originally expected.

For all our share-based awards, we recognize forfeiture expense as forfeitures occur.

Research and Development

Research and development costs related to software development are expensed as incurred. When we have determined that technological feasibility for our software products is reached, development costs related to the project are capitalized until such products are available for general release to customers as discussed in “Capitalized Software to Be Sold, Leased or Otherwise Marketed.” Research and development expenses related to software development totaled \$8.7 million, \$14.9 million and \$17.5 million for the years ended December 31, 2018, 2017 and 2016, respectively, and are included in “Selling, general and administrative expenses” on the Consolidated Statements of Comprehensive Income.

Advertising Costs

Advertising costs consist of marketing, advertising through print and other media, professional event sponsorship and public relations. These costs are expensed as incurred. Advertising costs totaled \$15.5 million, \$14.8 million and \$15.9 million for the years ended December 31, 2018, 2017 and 2016, respectively, and are included in “Selling, general and administrative expenses” on the Consolidated Statements of Comprehensive Income.

Acquisition-Related Contingent Consideration

The fair value of acquisition-related contingent consideration is estimated at the acquisition date utilizing a probability weighted estimate of future cash flow adjusted for the expected timing of each payment. Subsequent to the acquisition date, on a quarterly basis, the contingent consideration liability is remeasured at current fair value with any changes recorded in earnings. Accretion expense is recorded to adjust the discounted value of acquisition-related contingent consideration liabilities to their present value. Remeasurement gains or losses and accretion expense are included in “Selling, general and administrative expenses” on the Consolidated Statements of Comprehensive Income.

Income Taxes

Our income tax provision (benefit) consists principally of U.S. federal, state and international income taxes. We generate income in a significant number of states located throughout the U.S., as well as foreign countries in which we conduct business. Our effective income tax rate may fluctuate due to a change in the mix of earnings between higher and lower state or country tax jurisdictions and the impact of non-deductible expenses. Additionally, we record deferred tax assets and liabilities using the asset and liability method of accounting, which requires us to measure these assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

Cash Equivalents

Cash equivalents consist of money market funds, commercial paper and certificates of deposit with maturities of three months or less at the time of purchase.

Allowance for Doubtful Accounts and Unbilled Services

We maintain an allowance for doubtful accounts and unbilled services for estimated losses resulting from potential fee reductions negotiated by clients or imposed by bankruptcy courts or other regulatory agencies and the inability of clients to pay our fees, as well as from disputes that affect our ability to fully collect our billed accounts receivable. Even if a bankruptcy court approves our services, the court has the discretion to require us to refund all or a portion of our fees due to the outcome of the case or a variety of other factors. We estimate the allowance for all receivable risks by reviewing the status of each matter and recording reserves based on our experience and knowledge of the particular client and historical collection patterns. However, our actual experience may vary significantly from our estimates. If the financial condition of our clients were to deteriorate, resulting in their inability or unwillingness to pay our fees, or bankruptcy courts require us to refund certain fees, we may need to record additional allowances or write-offs in future periods. This risk related to a client's non-payment may be mitigated to the extent that we receive a retainer from some of our clients prior to performing services.

We record adjustments to the allowance for doubtful accounts and unbilled services as a reduction in revenues when there are changes in estimates of fee reductions that may be imposed by bankruptcy courts and other regulatory institutions for both billed and unbilled receivables. The allowance for doubtful accounts and unbilled services is also adjusted after the related work has been billed to the client and we discover that collectability is not reasonably assured. These adjustments are recorded to "Selling, general and administrative expenses" on the Consolidated Statements of Comprehensive Income and totaled \$17.9 million, \$15.4 million and \$8.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Property and Equipment

We record property and equipment, including improvements that extend useful lives, at cost, while maintenance and repairs are expensed as incurred. We calculate depreciation using the straight-line method based on estimated useful lives ranging from three to seven years for furniture, equipment and software. We amortize leasehold improvements over the shorter of the estimated useful life of the asset or the lease term. We capitalize costs incurred during the application development stage of computer software developed or obtained for internal use. Capitalized software developed for internal use is classified within furniture, equipment and software and is amortized over the estimated useful life of the software, which is generally three years. Purchased software licenses to be sold to customers are capitalized and amortized over the license term.

Notes Receivable from Employees

Notes receivable from employees principally include unsecured general recourse forgivable loans and retention payments, which are provided to attract and retain certain of our senior employees and other professionals. Generally, all of the principal amount and accrued interest of the forgivable loans we make to employees and other professionals will be forgiven according to the stated terms of the loan agreement, provided that the professional is providing services to the Company on the forgiveness date and upon other specified events, such as death or disability. Professionals who terminate their employment or services with us prior to the end of the forgiveness period are required to repay the outstanding, unforgiven loan balance and any accrued but unforgiven interest. If the termination was by the Company without cause or by the employee with good reason, or, subject to certain conditions, if the employee terminates his or her employment due to retirement or non-renewal of his or her employment agreement, the loan may be forgiven or continue to be forgivable, in whole or in part. We amortize forgivable loans ratably over the requisite service period, which ranges from a period of two to 10 years. The amount of expense recognized at any date must at least equal to the portion of the principal forgiven on the forgiveness date.

Goodwill and Other Intangible Assets

Goodwill represents the purchase price of acquired businesses in excess of the fair market value of net assets acquired at the date of acquisition. Other intangible assets may include trade names, customer relationships, non-competition agreements and software.

We test our goodwill and other indefinite-lived intangible assets for impairment annually as of the first day of the fourth quarter or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. On a quarterly basis, we monitor the key drivers of fair value to detect events or other changes that would warrant an interim impairment test. Important factors we consider that could trigger an interim impairment review include, but are not limited to, the following:

- significant underperformance relative to expected historical or projected future operating results;
- a significant change in the manner of our use of the acquired asset or the strategy for our overall business;
- a significant market decline related to negative industry or economic trends; and/or
- our market capitalization relative to net carrying value.

We assess our goodwill for impairment at the reporting unit level. A reporting unit is an operating segment or a business one level below that operating segment if discrete financial information is available and regularly reviewed by the chief operating decision makers. Entities have an option, under certain circumstances, to perform a qualitative assessment regarding the reporting unit's fair value to determine whether it is necessary to perform the quantitative impairment test.

In the qualitative assessment, we consider various factors, events or circumstances, including macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant reporting unit specific events. If, based on the qualitative assessment, an entity determines that it is not "more likely than not" that the fair value of a reporting unit is less than its carrying value, we do not prepare a quantitative impairment test. If we determine otherwise, we will prepare a quantitative assessment for potential goodwill impairment.

In the quantitative assessment, we compare the estimated fair value of the reporting unit with the carrying amount of that reporting unit. We estimate fair value using a combination of an income approach (based on discounted cash flows) and market approaches, using appropriate weighting factors. If the fair value exceeds the carrying amount, goodwill is not impaired. However, if the carrying value exceeds the fair value of the reporting unit, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

We determine whether to perform a qualitative assessment first or to bypass the qualitative assessment and proceed with the quantitative goodwill impairment test for each of our reporting units based on the excess of fair value over carrying value from the most recent quantitative tests and other events or changes in circumstances that could impact the fair value of the reporting units.

Intangible assets with finite lives are amortized over their estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable. We amortize our acquired finite-lived intangible assets on a straight-line basis over periods ranging from five to 15 years.

Impairment of Long-Lived Assets

We review long-lived assets such as property and equipment and finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These events or changes in circumstances may include a significant deterioration of operating results, changes in business plans or changes in anticipated future cash flows. If an impairment indicator is present, we evaluate recoverability of assets to be held and used by a comparison of the carrying value of the assets with future undiscounted net cash flows expected to be generated by the assets. We group assets at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows generated by other asset groups. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset group, we estimate the fair value of the asset group to determine whether an impairment loss should be recognized.

Capitalized Software to Be Sold, Leased or Otherwise Marketed

We expense costs for software products that will be sold, leased or otherwise marketed until technological feasibility has been established. Thereafter, eligible software development costs are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. Capitalized costs are amortized based on current and future revenues for each product with an annual minimum equal to the straight-line amortization over the remaining estimated economic life of the product. We classify software products to be sold, leased or otherwise marketed as noncurrent "Other assets" on the Consolidated Balance Sheets. Unamortized capitalized software costs were \$0.2 million and \$14.8 million as of December 31, 2018 and 2017, respectively. Amortization expense for capitalized software costs was \$5.3 million, \$6.7 million and \$12.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Leases

We lease office space and equipment under non-cancelable operating leases. The leases normally provide for the payment of minimum annual rentals and may include scheduled rent increases. Some leases include provisions for renewal options of up to five years. Some of our leases for office space contain provisions whereby the future rental payments may be adjusted for increases in operating expenses above specified amounts.

We recognize rent expense under operating leases on a straight-line basis over the non-cancelable lease term. For leases with scheduled rent increases, this treatment results in a deferred rent liability, which is classified within "Other liabilities" on the Consolidated Balance Sheets. Lease inducements, such as tenant improvement allowances, cash inducements and rent abatements, are amortized on a straight-line basis over the life of the lease. Unamortized lease inducements are also included in deferred rent. Deferred rent totaled \$45.1 million and \$43.9 million for the years ended December 31, 2018 and 2017, respectively.

Billings in Excess of Services Provided

Billings in excess of services provided represent amounts billed to clients, such as retainers, in advance of work being performed. Clients may make advance payments, which are held on deposit until completion of work or are applied at predetermined amounts or times. Excess payments are either applied to final billings or refunded to clients upon completion of work. Payments in excess of related accounts receivable and unbilled receivables are recorded as billings in excess of services provided within the liabilities section of the Consolidated Balance Sheets.

Convertible Notes

On August 20, 2018, we issued 2.0% convertible senior notes due 2023 ("2023 Convertible Notes") with an aggregate principal amount of \$316.3 million, payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2019. The 2023 Convertible Notes will mature on August 15, 2023, unless earlier converted or repurchased. Upon conversion, the 2023 Convertible Notes may be settled, at our election in cash, shares of our common stock, or a combination of cash and shares of our common stock.

We separately recorded the liability and equity components of the 2023 Convertible Notes. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the 2023 Convertible Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is amortized to interest expense over the term of the 2023 Convertible Notes using the effective interest rate method.

We record debt issuance costs as an adjustment to the carrying amount of the related liability and equity components of our 2023 Convertible Notes. We amortize the debt discount and debt issuance costs on the liability component using the effective interest rate method over the expected life of the debt instrument.

2. New Accounting Standards

Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. On January 1, 2018, we adopted ASC 606 using the modified retrospective method and recorded an immaterial cumulative effect adjustment to the beginning balance of retained earnings for revenue contracts that existed at the adoption date. Under the modified retrospective method, prior year information has not been adjusted and continues to be reported under the accounting standards in effect for periods prior to the adoption date. We have not retroactively restated the existing contracts for modifications that occurred before January 1, 2018.

See Note 1, "Description of Business and Summary of Significant Accounting Policies" for a description of the significant accounting policies and methods used in preparation of the Consolidated Financial Statements. See Note 4, "Revenues" for the disclosures required under ASC 606. The adoption of ASC 606 had an immaterial impact on our Consolidated Statements of Comprehensive Income and Consolidated Balance Sheets and had no impact on our Consolidated Statements of Cash Flows.

In March 2018, the FASB issued ASU 2018-05, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (SEC Update), Income Taxes (Topic 740)*. ASU 2018-05 provides guidance regarding the recording of tax impacts where uncertainty exists, in the period of adoption of the 2017 U.S. Tax Cuts and Jobs Act (the "2017 Tax Act"), which

allowed companies to reflect provisional amounts for those specific income tax effects of the 2017 Tax Act for which the accounting under ASC Topic 740 is incomplete but for which a reasonable estimate could be determined. The Company recognized the income tax effects of the adoption of the 2017 Tax Act in its financial statements in accordance with ASU 2018-05. The Company finalized its accounting for the income tax effects of the adoption of the 2017 Tax Act in the fourth quarter of 2018 with the filing of its tax returns. There were no material changes to the provisional amounts recorded in the 2017 financial statements in connection with the 2017 Tax Act.

Accounting Standards Not yet Adopted

In February 2016, the FASB issued ASU 2016-02, amended in some respects by subsequent ASUs (collectively “ASC 842”), which supersedes existing lease guidance. Under ASC 842, we will be required to record right-of-use assets and corresponding lease liabilities on the balance sheet, as well as to disclose key quantitative and qualitative information about leasing arrangements. This guidance is effective on a modified retrospective basis for reporting periods beginning after December 15, 2018, with early adoption permitted. We elected to adopt ASC 842 using a modified transition approach, effective January 1, 2019. As permitted by the guidance, prior comparative periods will not be adjusted under this method. In addition, we elected the package of practical expedients available under the guidance that allows us not to reassess whether a contract contains a lease, lease classification or initial direct costs.

In preparation for adoption of the standard, the Company implemented internal controls and business process changes to enable the preparation of financial information in accordance with the standard. The standard will have a material impact on our Consolidated Balance Sheet. The most significant impact will be the recognition of right-of-use assets and lease liabilities for operating leases. The Company estimates that adoption of this standard will result in recognition of additional right-of-use assets in the range of \$145.0 million and \$155.0 million and additional lease liabilities in the range of \$210.0 million and \$220.0 million on the adoption date for operating leases. We do not currently expect that the adoption of ASC 842 will have a material impact on our results of operations or cash flow presentation.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements. The guidance promotes a framework to help improve the effectiveness of disclosures in the notes and is effective for annual and interim periods beginning after December 15, 2019, although early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Internal Use Software (Subtopic 350-40): Customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract*, which requires the Company to capitalize implementation costs of a hosting arrangement that is a service contract and expense those costs over the term of the hosting arrangement. The guidance is effective for annual and interim periods beginning after December 15, 2019 although early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

3. Earnings per Common Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share adjusts basic earnings per common share for the effects of potentially dilutive common shares. Potentially dilutive common shares include the dilutive effects of shares issuable under our equity compensation plans, including stock options and restricted shares, each using the treasury stock method.

Because we expect to settle the principal amount of the outstanding 2023 Convertible Notes in cash, we use the treasury stock method for calculating the potential dilutive effect of the conversion feature on earnings per common share, if applicable. The conversion feature will have a dilutive impact on earnings per common share when the average market price of our common stock for a given period exceeds the conversion price of \$101.38 per share. As we did not meet this threshold during the year ended December 31, 2018, any shares of common stock potentially issuable upon conversion of the 2023 Convertible Notes are excluded from the calculation of diluted earnings per share.

	Year Ended December 31,		
	2018	2017	2016
Numerator — basic and diluted			
Net income	\$ 150,611	\$ 107,962	\$ 85,520
Denominator			
Weighted average number of common shares outstanding — basic	37,098	38,697	40,943
Effect of dilutive stock options	491	117	281
Effect of dilutive restricted shares	729	378	485
Weighted average number of common shares outstanding — diluted	38,318	39,192	41,709
Earnings per common share — basic	\$ 4.06	\$ 2.79	\$ 2.09
Earnings per common share — diluted	\$ 3.93	\$ 2.75	\$ 2.05
Antidilutive stock options and restricted shares	175	1,561	1,404

4. Revenues

Revenues recognized during the current period may include revenues recognized from performance obligations satisfied or partially satisfied in previous periods. This primarily occurs when the estimated transaction price has changed based on a re-assessment of the expected probability of achieving the agreed-upon outcome for our performance-based and contingent arrangements, resulting in a catch-up adjustment for service provided in previous periods. The aggregate amount of revenues recognized related to the catch-up adjustment due to a change in the transaction price during the year ended December 31, 2018 was \$16.1 million.

Unfulfilled performance obligations represent the remaining contract transaction prices allocated to the performance obligations that are unsatisfied, or partially unsatisfied, and therefore revenues have not yet been recorded. Unfulfilled performance obligations primarily consist of the remaining fees not yet recognized under our proportional performance method for both our fixed fee arrangements and the portion of performance-based and contingent arrangements that we have deemed probable. As of December 31, 2018, the aggregate amount of the transaction price allocated to unfulfilled performance obligations was \$8.8 million, and we expect to recognize the majority of the related revenues over the next 24 months. We elected to utilize the optional exemption to exclude from this disclosure fixed fee and performance-based and contingent arrangements with an original expected duration of one year or less and to exclude our time and expense arrangements for which revenues are recognized using the right-to-invoice practical expedient.

Contract assets are defined as assets for which we have recorded revenue because we determined that it is probable that we will earn a performance-based or contingent fee, but we are not yet entitled to receive our fees because certain events, such as completion of the measurement period or client approval, must occur. The contract asset balance was \$2.4 million as of December 31, 2018 and immaterial as of December 31, 2017.

Contract liabilities are defined as liabilities incurred when we have received consideration from a client but have not yet performed the agreed-upon services. This may occur when we receive advance billings before delivery and acceptance of software licenses in our Technology segment and when clients pay us upfront fees before we begin work for them. The contract liability balance was immaterial as of December 31, 2018 and December 31, 2017.

5. Special Charges

There were no special charges recorded during the year ended December 31, 2018.

During the year ended December 31, 2017, we recorded special charges of \$40.9 million. The charges related to certain targeted reductions in areas of each segment where we needed to realign our workforce with then-current business demand. In addition, cost-cutting actions were taken in certain corporate departments where we were able to streamline support activities and reduce our real estate costs. The special charge included the following components:

- \$23.5 million of employee severance and other employee-related costs;
- \$14.4 million of exit costs associated with the curtailment of our lease on our executive office in Washington, D.C.; and
- \$3.0 million of other expenses, including costs related to disposing or closing several small international offices.

During the year ended December 31, 2016, we recorded special charges of \$10.4 million. The charges related to employee terminations in our Technology segment, health solutions practice of our Forensic and Litigation Consulting segment, and corporate infrastructure group. The charges consisted of salary continuance and other contractual employee-related costs.

The following table details the special charges by segment and corporate.

Special Charges by Segment	Year Ended December 31,	
	2017	2016
Corporate Finance & Restructuring	\$ 5,440	\$ —
Forensic and Litigation Consulting	12,334	2,304
Economic Consulting	6,624	—
Technology	5,057	7,529
Strategic Communications	7,752	—
	37,207	9,833
Unallocated Corporate	3,678	612
Total	\$ 40,885	\$ 10,445

6. Interest Income and Other

The table below presents the components of “Interest income and other” as shown on the Consolidated Statements of Comprehensive Income.

Interest Income and Other	Year Ended December 31,		
	2018	2017	2016
Interest income	\$ 5,448	\$ 3,968	\$ 4,420
Foreign exchange transaction gains (losses), net	261	(77)	4,937
Other	(732)	(139)	1,109
Total	\$ 4,977	\$ 3,752	\$ 10,466

7. Share-Based Compensation

Share-Based Incentive Compensation Plans

Under the Company's 2017 Omnibus Incentive Compensation Plan, effective as of June 7, 2017, there were 1,746,500 shares of common stock available for grant as of December 31, 2018.

Share-Based Compensation Expense

The table below reflects the total share-based compensation expense recognized in our Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016.

Income Statement Classification	2018		2017		2016	
	Options ⁽¹⁾	Restricted Shares ⁽²⁾	Options ⁽¹⁾	Restricted Shares ⁽²⁾	Options ⁽¹⁾	Restricted Shares ⁽²⁾
Direct cost of revenues	\$ 780	\$ 9,804	\$ 370	\$ 9,691	\$ 2,815	\$ 7,530
Selling, general and administrative expenses	2,027	8,191	1,207	4,870	1,085	8,998
Special charges	—	—	—	269	56	49
Total	\$ 2,807	\$ 17,995	\$ 1,577	\$ 14,830	\$ 3,956	\$ 16,577

(1) Includes options and cash-settled stock appreciation rights.

(2) Includes restricted share awards, restricted stock units, performance stock units and cash-settled restricted stock units.

Stock Options

We did not grant any options during the year ended December 31, 2018. We used the Black-Scholes option-pricing model to determine the fair value of our option grants during the years ended December 31, 2017 and 2016 using the assumptions in the following table.

Assumptions	Year Ended December 31,	
	2017	2016
Risk-free interest rate	1.60%	0.98%
Dividend yield	—%	—%
Expected term	3 years	3 years
Stock price volatility	31.94%	34.33%

A summary of our stock option activity during the year ended December 31, 2018 is presented below. The aggregate intrinsic value of stock options outstanding and exercisable, or fully vested, at December 31, 2018 in the table below represents the total pre-tax intrinsic value, which is calculated as the difference between the closing price of our common stock on the last trading day of 2018 and the exercise price, multiplied by the number of in-the-money options that would have been received by the option holders had all option holders exercised their options on December 31, 2018. The aggregate intrinsic value changes based on fluctuations in the fair market value per share of our common stock.

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Stock options outstanding at December 31, 2017	2,258	\$ 40.63		
Stock options granted	—	N/A		
Stock options exercised	(1,051)	\$ 39.55		
Stock options forfeited	(272)	\$ 58.93		
Stock options outstanding at December 31, 2018	<u>935</u>	<u>\$ 36.50</u>	<u>5.0</u>	<u>\$ 28,181</u>
Stock options exercisable at December 31, 2018	<u>679</u>	<u>\$ 36.59</u>	<u>4.5</u>	<u>\$ 20,401</u>

Cash received from option exercises for the years ended December 31, 2018, 2017 and 2016 was \$41.6 million, \$4.1 million and \$27.3 million, respectively. The tax benefit realized from stock options exercised totaled \$4.0 million, \$1.1 million and \$4.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The intrinsic value of stock options exercised is the amount by which the market value of our common stock on the exercise date exceeds the exercise price. The total intrinsic value of stock options exercised for the years ended December 31, 2018, 2017 and 2016 was \$26.4 million, \$0.9 million and \$6.9 million, respectively.

The following is a summary of stock options outstanding and exercisable as of December 31, 2018.

Exercise Price Range	Options Outstanding			Options Exercisable	
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Shares	Weighted Average Exercise Price
\$26.68-\$33.95	200	\$ 31.39	4.7	124	\$ 31.38
\$34.33-\$36.04	193	\$ 34.74	5.4	152	\$ 34.85
\$36.43-\$36.89	222	\$ 36.79	5.7	179	\$ 36.81
\$37.09-\$40.36	245	\$ 39.27	5.3	158	\$ 38.67
\$41.69-\$55.99	75	\$ 44.62	1.4	66	\$ 44.88
	<u>935</u>			<u>679</u>	

As of December 31, 2018, there was \$0.8 million of unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized ratably over a weighted average period of 1.0 year.

Restricted Share Awards

A summary of our unvested restricted share activity during the year ended December 31, 2018 is presented below.

	Shares	Weighted Average Grant Date Fair Value
Unvested restricted share awards outstanding at December 31, 2017	933	\$ 38.58
Restricted share awards granted	263	\$ 56.97
Restricted share awards vested	(188)	\$ 37.11
Restricted share awards forfeited	(16)	\$ 36.74
Unvested restricted share awards outstanding at December 31, 2018	<u>992</u>	<u>\$ 43.76</u>

As of December 31, 2018, there was \$22.9 million of unrecognized compensation cost related to unvested restricted share awards. That cost is expected to be recognized ratably over a weighted average period of 4.1 years. The total fair value of restricted share awards that vested during the years ended December 31, 2018, 2017 and 2016 was \$10.4 million, \$9.9 million and \$10.4 million, respectively.

Restricted Stock Units

A summary of our restricted stock units activity during the year ended December 31, 2018 is presented below. The aggregate intrinsic value represents the total pre-tax intrinsic value based on the closing price of our common stock on the last trading day of 2018.

	Shares	Weighted Average Grant Date Fair Value	Intrinsic Value
Restricted stock units outstanding at December 31, 2017	402	\$ 37.49	
Restricted stock units granted	32	\$ 52.67	
Restricted stock units released	(99)	\$ 34.90	
Restricted stock units forfeited	—	N/A	
Restricted stock units outstanding at December 31, 2018	<u>335</u>	<u>\$ 39.72</u>	<u>\$ 22,329</u>

The intrinsic value of restricted stock units released reflects the market value of our common stock on the date of release. The total intrinsic value of restricted stock units released for the years ended December 31, 2018, 2017 and 2016 was \$5.4 million, \$4.1 million and \$9.3 million, respectively.

As of December 31, 2018, there was \$0.2 million of unrecognized compensation cost related to unvested restricted stock units. That cost is expected to be recognized ratably over a weighted average period of 0.6 years. The total fair value of restricted stock units that vested during the years ended December 31, 2018, 2017 and 2016 was \$1.7 million, \$1.9 million and \$2.4 million, respectively.

Performance Stock Units

A summary of our performance stock units activity during the year ended December 31, 2018 is presented below. The performance stock units are subject to market conditions based on the total shareholder return of the Company as compared with the total shareholder return of the Standard & Poor's 500. The aggregate intrinsic value represents the total pre-tax intrinsic value based on the closing price of our common stock on the last trading day of 2018.

	Shares	Weighted Average Grant Date Fair Value	Intrinsic Value
Performance stock units outstanding at December 31, 2017	252	\$ 25.71	
Performance stock units granted	91	\$ 36.34	
Performance stock units released	(29)	\$ 29.11	
Performance stock units forfeited	(39)	\$ 29.11	
Performance stock units outstanding at December 31, 2018	<u>275</u>	<u>\$ 28.40</u>	<u>\$ 18,348</u>

As of December 31, 2018, there was \$2.1 million of unrecognized compensation cost related to unvested performance stock units. That cost is expected to be recognized ratably over a weighted average period of 0.8 years. The total fair value of performance stock units that vested during the year ended December 31, 2018 was \$1.4 million. There were no performance stock units that vested during the years ended December 31, 2017 and 2016.

The table below reflects the weighted average grant date fair value per share of stock options, restricted share awards, restricted stock units and performance stock units awarded during the years ended December 31, 2018, 2017 and 2016. The fair value of our stock options is calculated using the Black-Scholes option-pricing model. The fair value of our restricted stock awards and restricted stock units is determined based on the closing market price per share of our common stock on the grant date. The fair value of the performance stock units reflects the market conditions as of the grant date using a Monte Carlo simulation.

	Year Ended December 31,		
	2018	2017	2016
Weighted average fair value of grants			
Stock options	\$ —	\$ 9.56	\$ 8.41
Restricted share awards, restricted stock units and performance stock units	\$ 51.73	\$ 38.88	\$ 37.64

8. Balance Sheet Details

	December 31,	
	2018	2017
Prepaid expenses and other current assets		
Prepaid expenses	\$ 35,762	\$ 35,667
Income tax receivable	18,947	7,194
Other current assets	14,739	12,788
Total	\$ 69,448	\$ 55,649
Accounts payable, accrued expenses and other		
Accounts payable	\$ 17,728	\$ 14,078
Accrued expenses	52,461	45,676
Accrued interest payable	2,358	2,354
Accrued taxes payable	13,119	12,075
Other current liabilities	18,934	20,690
Total	\$ 104,600	\$ 94,873

9. Financial Instruments

The following table presents the carrying amounts and estimated fair values of our other financial instruments by hierarchy level as of December 31, 2018 and 2017.

	December 31, 2018			
	Carrying Amount	Hierarchy Level		
		Level 1	Level 2	Level 3
Liabilities				
Acquisition-related contingent consideration, including current portion ⁽¹⁾	\$ 2,960	\$ —	\$ —	\$ 2,960
Long-term debt	316,250	—	291,837	—
Total	\$ 319,210	\$ —	\$ 291,837	\$ 2,960

	December 31, 2017			
	Carrying Amount	Hierarchy Level		
		Level 1	Level 2	Level 3
Liabilities				
Acquisition-related contingent consideration, including current portion ⁽¹⁾	\$ 3,750	\$ —	\$ —	\$ 3,750
Long-term debt	400,000	—	409,000	—
Total	\$ 403,750	\$ —	\$ 409,000	\$ 3,750

⁽¹⁾ The short-term portion is included in “Accounts payable, accrued expenses and other,” and the long-term portion is included in “Other liabilities” on the Consolidated Balance Sheets.

The fair values of financial instruments not included in this table are estimated to be equal to their carrying values as of December 31, 2018 and 2017.

We estimate the fair value of our 2023 Convertible Notes based on their last actively traded prices. The fair value of our debt is classified within Level 2 of the fair value hierarchy because it is traded in less active markets.

We estimate the fair value of acquisition-related contingent consideration using a probability-weighted discounted cash flow model. This fair value estimate represents a Level 3 measurement as it is based on significant inputs not observed in the

market and reflect our own assumptions. The significant unobservable inputs used in the fair value measurements of our acquisition-related contingent consideration are our measures of the future profitability and related cash flows and discount rates. The fair value of the contingent consideration is reassessed at each reporting period by the Company based on additional information as it becomes available.

Any change in the fair value of an acquisition's contingent consideration liability results in a remeasurement gain or loss that is recorded in "Selling, general and administrative expenses" on the Consolidated Statements of Comprehensive Income. During the year ended December 31, 2018, there was no change in the estimated fair value of future expected contingent consideration payments. During the years ended December 31, 2017 and 2016, we recorded \$0.7 million and \$1.4 million in expense related to increases in the fair value of future expected contingent consideration payments, respectively.

10. Property and Equipment

Property and equipment consist of the following.

	December 31,	
	2018	2017
Leasehold improvements	\$ 88,623	\$ 77,921
Construction in progress	2,754	806
Furniture and equipment	34,865	33,827
Computer equipment and software	106,318	100,186
	232,560	212,740
Accumulated depreciation	(147,983)	(137,665)
Property and equipment, net	\$ 84,577	\$ 75,075

Depreciation expense for property and equipment totaled \$26.2 million, \$24.4 million and \$26.7 million during the years ended December 31, 2018, 2017 and 2016, respectively.

11. Goodwill and Other Intangible Assets

Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment.

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Total
Balance at December 31, 2016						
Goodwill	\$ 440,666	\$ 230,544	\$ 268,209	\$ 117,607	\$ 317,114	\$ 1,374,140
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2016	440,666	230,544	268,209	117,607	122,975	1,180,001
Acquisitions ⁽¹⁾	11,900	—	—	—	—	11,900
Foreign currency translation adjustment and other	2,250	3,175	786	133	6,558	12,902
Balance at December 31, 2017						
Goodwill	454,816	233,719	268,995	117,740	323,672	1,398,942
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2017	454,816	233,719	268,995	117,740	129,533	1,204,803
Sale of business ⁽²⁾	—	—	—	(20,928)	—	(20,928)
Foreign currency translation adjustment and other	(3,819)	(2,182)	(448)	(89)	(5,021)	(11,559)
Balance at December 31, 2018						
Goodwill	450,997	231,537	268,547	96,723	318,651	1,366,455
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2018	\$ 450,997	\$ 231,537	\$ 268,547	\$ 96,723	\$ 124,512	\$ 1,172,316

USPS-20-1215-A-009489

- (1) During the year ended December 31, 2017, we made an initial payment of \$8.9 million at closing to acquire a restructuring business within our Corporate Finance & Restructuring segment. We recorded \$11.9 million in goodwill as a result of the acquisition. We have included the results of the acquired business' operations in the Corporate Finance & Restructuring segment since the acquisition date.
- (2) During the year ended December 31, 2018, we sold a business within our Technology segment for proceeds of \$50.3 million. We wrote off \$20.9 million in goodwill as a result of the sale.

Other Intangible Assets

Other intangible assets were as follows:

	Weighted Average Useful Life in Years	December 31, 2018			December 31, 2017		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets							
Customer relationships ⁽¹⁾	14.3	\$ 99,080	\$ 71,036	\$28,044	\$117,192	\$ 80,523	\$36,669
Acquired software	9.8	3,107	1,618	1,489	3,264	1,383	1,881
	14.2	102,187	72,654	29,533	120,456	81,906	38,550
Non-amortizing intangible assets							
Trade names ⁽¹⁾	Indefinite	5,100	—	5,100	5,600	—	5,600
Total		\$ 107,287	\$ 72,654	\$34,633	\$126,056	\$ 81,906	\$44,150

- (1) During the year ended December 31, 2018, we sold a business and related intangible assets within our Technology segment.

Other intangible assets with finite lives are amortized over their estimated useful lives. We recorded amortization expense of \$8.2 million, \$10.6 million and \$10.3 million during the years ended December 31, 2018, 2017 and 2016, respectively.

We estimate our future amortization expense for our intangible assets with a finite life to be as follows:

Year	As of December 31, 2018 ⁽¹⁾
2019	\$ 7,291
2020	7,176
2021	6,657
2022	4,913
2023	1,693
Thereafter	1,803
	<u>\$ 29,533</u>

- (1) Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives, or other relevant factors or changes.

12. Notes Receivable from Employees

The table below summarizes the changes in the carrying amount of our notes receivable from employees.

	December 31,	
	2018	2017
Notes receivable from employees — beginning	\$ 123,796	\$ 136,388
Notes granted	32,937	18,247
Repayments	(5,405)	(7,394)
Amortization expense	(36,418)	(26,821)
Cumulative translation adjustment and other	(1,211)	3,376
Notes receivable from employees — ending	113,699	123,796
Less: current portion	(29,228)	(25,691)
Notes receivable from employees, net of current portion	<u>\$ 84,471</u>	<u>\$ 98,105</u>

As of December 31, 2018 and 2017, there were 294 and 270 notes outstanding, respectively. Total amortization expense for the years ended December 31, 2018, 2017 and 2016 was \$36.4 million, \$26.8 million and \$25.6 million, respectively.

13. Long-Term Debt

The table below summarizes the components of the Company's long-term debt.

	December 31,	
	2018	2017
2023 Convertible Notes	\$ 316,250	\$ —
2022 Notes	—	300,000
Credit Facility	—	100,000
Total debt	316,250	400,000
Less: deferred debt discount	(43,998)	—
Less: deferred debt issue costs	(6,681)	(3,716)
Long-term debt, net ⁽¹⁾	<u>\$ 265,571</u>	<u>\$ 396,284</u>
Additional paid-in capital	\$ 35,306	\$ —
Discount attribution to equity	(1,175)	—
Equity component, net	<u>\$ 34,131</u>	<u>\$ —</u>

⁽¹⁾ There were no current portions of long-term debt as of December 31, 2018 and 2017.

2023 Convertible Notes

On August 20, 2018, we issued \$316.3 million aggregate principal amount of the 2023 Convertible Notes, which includes the notes issued pursuant to an option granted to the initial purchasers of the 2023 Convertible Notes to purchase additional notes. The 2023 Convertible Notes bear interest at a fixed rate of 2.0% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2019. The 2023 Convertible Notes will mature on August 15, 2023, unless earlier converted or repurchased.

The 2023 Convertible Notes are senior unsecured obligations of the Company and will rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the 2023 Convertible Notes; equal in right of payment to any of our unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including all amounts outstanding, from time to time, under the Credit Facility) to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

The 2023 Convertible Notes are convertible at an initial conversion rate of 9.8643 shares of our common stock per \$1,000 principal amount of the 2023 Convertible Notes (equivalent to an initial conversion price of approximately \$101.38 per

share of common stock). Holders may convert their 2023 Convertible Notes at any time prior to the close of business on the business day immediately preceding May 15, 2023. The 2023 Convertible Notes may be converted only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2018 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "Measurement Period") in which the trading price (as defined in the indenture governing the 2023 Convertible Notes) per \$1,000 principal amount of the 2023 Convertible Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate in effect on each such trading day; or (3) upon the occurrence of specified corporate events. On or after May 15, 2023, until the close of business on the business day immediately preceding the maturity date of August 15, 2023, holders may convert their 2023 Convertible Notes at any time, regardless of the foregoing circumstances. The circumstances required to allow the holders to convert their 2023 Convertible Notes were not met as of December 31, 2018.

If we undergo a fundamental change (as defined in the indenture governing the 2023 Convertible Notes), subject to certain conditions, holders may require us to repurchase for cash all or part of their 2023 Convertible Notes.

Debt issuance costs of \$8.4 million related to the 2023 Convertible Notes were comprised primarily of discounts and commissions payable to the initial purchasers. We allocated the total amount incurred to the liability and equity components of the 2023 Convertible Notes based on their relative values. Issuance costs attributable to the liability component were \$7.2 million and will be amortized to interest expense using the effective interest rate method over the expected life of the 2023 Convertible Notes. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity.

For the year ended December 31, 2018, we recognized contractual interest expense of \$2.3 million and amortization of the debt discount and issuance costs of \$3.0 million for the 2023 Convertible Notes. The effective interest rate of the liability component was 5.45%.

2022 Notes

On November 15, 2018, we redeemed the \$300.0 million outstanding principal amount of our 6.0% senior notes due 2022 ("2022 Notes"), pursuant to the terms of the indenture governing the 2022 Notes. We recognized a loss on early extinguishment of debt of \$9.1 million, consisting primarily of a redemption premium of \$6.0 million and a \$3.1 million non-cash write-off of unamortized deferred financing costs. This loss has been recorded in "Loss on early extinguishment of debt" within the Consolidated Statements of Comprehensive Income.

Credit Facility

On June 26, 2015, we entered into a credit agreement, which provides for a \$550.0 million senior secured revolving line of credit maturing on June 26, 2020. In November 2018, we amended and restated the credit agreement to extend the maturity to November 30, 2023 and incurred \$1.7 million of debt issuance costs (the "2018 Credit Agreement"). At the Company's option, borrowings under the 2018 Credit Agreement in USD, euro and British pound will bear interest at either one-, two- or three-month London Interbank Offered Rate ("LIBOR") or an alternative base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.25% per annum and 2.00% per annum, in the case of LIBOR borrowings, or between 0.25% per annum and 1.00% per annum, in the case of base rate borrowings, in each case, based upon the Company's Consolidated Total Net Leverage Ratio (as defined in the 2018 Credit Agreement) at such time. The lenders have a security interest in substantially all of the assets of the Company and substantially all of its domestic subsidiaries.

Under the 2018 Credit Agreement, we are required to pay a commitment fee rate that fluctuates between 0.20% and 0.35% per annum and the letter of credit fee rate that fluctuates between 1.25% and 2.00% per annum, in each case, based upon the Company's Consolidated Total Net Leverage Ratio.

There were no borrowings outstanding under the 2018 Credit Agreement as of December 31, 2018. The Company classified the borrowings outstanding as of December 31, 2017 as long-term debt in the accompanying Consolidated Balance Sheets as the amounts due were not contractually required or expected to be liquidated for more than one year from the applicable balance sheet date. Additionally, \$1.0 million of the borrowing limit was used (and, therefore, unavailable) as of December 31, 2018 for letters of credit.

There were \$3.6 million and \$3.1 million of unamortized debt issue costs related to the Credit Facility as of December 31, 2018 and 2017, respectively. These amounts were included in "Other assets" on our Consolidated Balance Sheets.

14. Commitments and Contingencies

Operating Lease Commitments

Rental expense, net of rental income was \$55.3 million, \$56.0 million and \$54.8 million during the years ended December 31, 2018, 2017 and 2016, respectively. For years subsequent to December 31, 2018, future minimum payments for all operating lease obligations that have initial non-cancelable lease terms exceeding one year, net of rental income from subleases are as follows.

	Operating Leases	Sublease Rental Income
2019	\$ 49,757	\$ 4,760
2020	47,084	3,944
2021	44,480	3,864
2022	24,471	707
2023	20,309	614
Thereafter	75,190	939
Total	\$ 261,291	\$ 14,828

Contingencies

We are subject to legal actions arising in the ordinary course of business. In management's opinion, we believe we have adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions. We do not believe any settlement or judgment relating to any pending legal action would materially affect our financial position or results of operations.

15. Income Taxes

On December 22, 2017, the 2017 Tax Act was signed into law. The 2017 Tax Act included a number of changes to the U.S. Internal Revenue Code, including a reduction of the U.S. corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017, and a one-time transition tax on certain unrepatriated foreign earnings (the "Transition Tax"). Prospective changes from the 2017 Tax Act that began in 2018 include imposed limitations on the deductibility of executive compensation and interest, a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries, and a new provision designed to tax global intangible low-taxed income ("GILTI"). The Company has made an accounting policy election to account for the tax effects of the GILTI provision as a period cost.

The Company recognized the income tax effects of the 2017 Tax Act in its financial statements for the year ended December 31, 2017, in accordance with Staff Accounting Bulletin No. 118, which provides SEC staff guidance for the application of ASC Topic 740, Income Taxes. The Company finalized its accounting for the income tax effects of the 2017 Tax Act in the fourth quarter of 2018 and there was no material change.

The table below summarizes significant components of deferred tax assets and liabilities.

	Year Ended December 31,	
	2018	2017
Deferred tax assets		
Allowance for doubtful accounts	\$ 11,792	\$ 11,279
Accrued vacation and bonus	23,545	23,896
Deferred rent	9,016	8,491
Share-based compensation	11,837	15,108
Notes receivable from employees	12,993	12,879
State net operating loss carryforward	3,510	3,586
Foreign net operating loss carryforward	9,857	12,075
Federal tax credit and capital loss carryforward	9,470	7,403
Deferred compensation	1,801	2,688
Other, net	1,129	7,159
Total deferred tax assets	94,950	104,564
Deferred tax liabilities		
Revenue recognition	(5,087)	(7,227)
Property, equipment and capitalized software	(6,652)	(2,308)
Equity debt discount	(11,014)	—
Goodwill and other intangible asset amortization	(199,964)	(190,638)
Total deferred tax liabilities	(222,717)	(200,173)
Foreign withholding tax	(413)	(1,035)
Valuation allowance	(21,929)	(21,621)
Net deferred tax liabilities	\$ (150,109)	\$ (118,265)

As of December 31, 2018 and 2017, the Company believes certain deferred tax assets principally associated with foreign tax credit, capital loss and foreign net operating loss carryforwards, which can be carried forward for periods ranging from 5 years to indefinite, will expire based on updated forward-looking financial information. Therefore, valuation allowances of \$21.9 million and \$21.6 million are recorded against the Company's net deferred tax assets as of December 31, 2018 and 2017, respectively.

Prior to the passage of the 2017 Tax Act, the Company asserted that substantially all of the undistributed earnings of our foreign subsidiaries were considered indefinitely reinvested and accordingly, no deferred taxes were recognized. Pursuant to the provisions of the U.S. Tax Act, these earnings were subjected to U.S. federal taxation as a result of the one-time Transition Tax; however, these earnings may still be subject to foreign withholding taxes upon distribution. We have re-evaluated our historical assertion as a result of the 2017 Tax Act and determined that we no longer consider a majority of the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested. As of December 31, 2018, the Company has recognized a deferred tax liability of \$0.4 million for foreign withholding tax on undistributed earnings of our foreign subsidiaries that are not indefinitely reinvested.

As of December 31, 2018, the Company has not recorded a \$17.8 million deferred tax liability related to the basis difference in the investment in our foreign subsidiaries, as the investment is considered permanent in nature.

The table below summarizes the components of income before income tax provision (benefit) from continuing operations.

	Year Ended December 31,		
	2018	2017	2016
Domestic	\$ 96,543	\$ 30,013	\$ 66,202
Foreign	111,249	57,092	61,601
Total	\$ 207,792	\$ 87,105	\$ 127,803

The table below summarizes the components of income tax provision (benefit) from continuing operations.

	Year Ended December 31,		
	2018	2017	2016
Current			
Federal	\$ 10,847	\$ 15,164	\$ (3,326)
State	4,447	742	1,686
Foreign	21,056	14,816	13,864
	36,350	30,722	12,224
Deferred			
Federal	14,538	(47,820)	23,182
State	503	(152)	8,284
Foreign	5,790	(3,607)	(1,407)
	20,831	(51,579)	30,059
Income tax provision (benefit)	\$ 57,181	\$ (20,857)	\$ 42,283

Our income tax provision (benefit) from continuing operations resulted in effective tax rates that varied from the statutory federal income tax rate as summarized below.

	Year Ended December 31,		
	2018	2017	2016
Income tax expense at federal statutory rate	\$ 43,636	\$ 30,487	\$ 44,731
State income taxes, net of federal benefit	4,950	781	6,075
Detriment (benefit) from lower foreign tax rates	3,655	(8,500)	(7,827)
Valuation allowance on foreign net operating loss carryforward	(450)	253	254
Other expenses not deductible for tax purposes	3,543	2,466	3,082
Adjustment to reserve for uncertain tax positions	(132)	456	(3,547)
Impact of 2017 U.S. tax reform — deferred tax	(706)	(63,525)	—
Impact of 2017 U.S. tax reform — Transition Tax	50	18,655	—
Sale of Ringtail business	3,798	—	—
Other adjustments, net	(1,163)	(1,930)	(485)
Income tax provision (benefit)	\$ 57,181	\$ (20,857)	\$ 42,283

The income tax expense for 2018 was \$57.2 million, as compared with an income tax benefit of \$20.9 million in 2017. The increase in expense is primarily attributable to higher pre-tax income in 2018 as compared with 2017 and the impact of the discrete income tax benefit of \$44.9 million recorded in 2017 in connection with accounting for tax effects related to the 2017 Tax Act.

We file numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and in many city, state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations for years prior to 2014. We are also no longer subject to state and local or foreign tax examinations by tax authorities for years prior to 2012.

Our liability for uncertain tax positions was \$3.7 million and \$2.7 million as of December 31, 2018 and 2017, respectively. The Company does not expect any of the uncertain tax positions to settle within the next 12 months. As of December 31, 2018, our accrual for the payment of tax-related interest and penalties was not significant.

16. Stockholders' Equity

2016 Stock Repurchase Program

On June 2, 2016, our Board of Directors authorized a stock repurchase program of up to \$100.0 million (the "Repurchase Program"). On May 18, 2017 and December 1, 2017, our Board of Directors authorized an additional \$100.0 million, respectively, increasing the Repurchase Program to an aggregate authorization of \$300.0 million. No time limit has been established for the completion of the program, and the program may be suspended, discontinued or replaced by the Board of Directors at any time without prior notice. As of December 31, 2018, we have \$72.6 million available under this program to repurchase additional shares.

The following table details our stock repurchases under the Repurchase Program:

	Year Ended December 31,		
	2018	2017	2016
Shares of common stock repurchased and retired	756	4,674	452
Average price per share	\$ 53.88	\$ 35.94	\$ 41.06
Total cost	\$ 40,722	\$ 168,001	\$ 18,577

2018 Repurchase Transaction

On August 13, 2018, our Board of Directors authorized the use of a portion of the proceeds from the issuance of the 2023 Convertible Notes to repurchase up to \$25.0 million of common stock. On August 16, 2018, 196,050 shares of our common stock were repurchased at \$76.51 per share for a total cost of \$15.0 million. This is a separate repurchase transaction outside of the Repurchase Program.

2015 Stock Repurchase Program

On November 5, 2015, our Board of Directors authorized a six-month stock repurchase program of up to \$50.0 million (the "2015 Repurchase Program"). During the year ended December 31, 2016, we repurchased and retired 85,100 shares of our common stock for an average per share price of \$34.16, at a total cost of \$2.9 million, which was paid in full in 2016. The 2015 Repurchase Program expired on May 5, 2016.

17. Employee Benefit Plans

We maintain a qualified defined contribution 401(k) plan, which covers substantially all of our U.S. employees. Under the plan, participants are entitled to make pre-tax and/or Roth post-tax contributions up to the annual maximums established by the Internal Revenue Service. We match a certain percentage of participant contributions pursuant to the terms of the plan, which contributions are limited to a percentage of the participant's eligible compensation. Effective in 2018, we increased our matching percentage. We made contributions related to the plan of \$15.2 million, \$11.6 million and \$11.4 million during the years ended December 31, 2018, 2017 and 2016, respectively.

We also maintain several defined contribution pension plans for our employees in the United Kingdom and other foreign countries. We contributed to these plans \$7.7 million, \$6.4 million and \$6.3 million during the years ended December 31, 2018, 2017 and 2016, respectively.

18. Segment Reporting

We manage our business in five reportable segments: Corporate Finance & Restructuring ("Corporate Finance"), Forensic and Litigation Consulting ("FLC"), Economic Consulting, Technology and Strategic Communications.

Our Corporate Finance segment focuses on the strategic, operational, financial and capital needs of our clients around the world and delivers a wide range of service offerings related to restructuring, business transformation and transaction support. Our restructuring practice includes corporate restructuring, including bankruptcy and interim management services. Our business transformation and transaction support practices include financings, mergers and acquisitions ("M&A"), M&A integration, valuations and tax advice, as well as financial, operational and performance improvement services.

Our FLC segment provides law firms, companies, government clients and other interested parties with multidisciplinary, independent dispute advisory, investigations, data analytics, forensic accounting, business intelligence and risk mitigation services, as well as interim management and performance improvement services for our health solutions practice clients.

Our Economic Consulting segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the U.S. and around the world.

Our Technology segment provides corporations and law firms with a comprehensive and global portfolio of consulting and services for information governance, privacy and security, electronic discovery and insight analytics. Our consulting expertise enables clients to more confidently govern, secure, find, analyze and rapidly understand their data in the context of compliance and risk.

Our Strategic Communications segment designs and executes communications strategies for management teams and boards of directors to help them seize opportunities, manage financial, regulatory and reputational challenges, navigate market disruptions, articulate their brand, stake a competitive position, and preserve and grow their operations.

We evaluate the performance of our operating segments based on Adjusted Segment EBITDA, a GAAP financial measure. We define Adjusted Segment EBITDA as a segment's share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We define Total Adjusted Segment EBITDA, a non-GAAP financial measure, as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We use Adjusted Segment EBITDA to internally evaluate the financial performance of our segments because we believe it reflects current core operating performance and provides an indicator of the segment's ability to generate cash.

The table below presents revenues and Adjusted Segment EBITDA for our reportable segments for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Corporate Finance	\$ 564,479	\$ 482,041	\$ 483,269
FLC	520,333	462,324	457,734
Economic Consulting	533,979	496,029	500,487
Technology	185,755	174,850	177,720
Strategic Communications	223,331	192,488	191,184
Total revenues	<u>\$ 2,027,877</u>	<u>\$ 1,807,732</u>	<u>\$ 1,810,394</u>
Adjusted Segment EBITDA			
Corporate Finance	\$ 121,660	\$ 82,863	\$ 97,688
FLC	96,821	72,705	57,882
Economic Consulting	69,955	61,964	74,102
Technology	27,387	22,171	25,814
Strategic Communications	42,918	27,732	30,458
Total Adjusted Segment EBITDA	<u>\$ 358,741</u>	<u>\$ 267,435</u>	<u>\$ 285,944</u>

The table below reconciles net income to Total Adjusted Segment EBITDA. Unallocated corporate expenses primarily include indirect costs related to centrally managed administrative functions that have not been allocated to the segments. These administrative costs include costs related to executive management, legal, corporate office support costs, information technology, accounting, marketing, human resources and company-wide business development and strategy functions.

	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 150,611	\$ 107,962	\$ 85,520
Add back:			
Income tax provision (benefit)	57,181	(20,857)	42,283
Interest income and other	(4,977)	(3,752)	(10,466)
Interest expense	27,149	25,358	24,819
Gain on sale of business	(13,031)	—	—
Loss on early extinguishment of debt	9,072	—	—
Unallocated corporate expenses	96,595	83,140	88,182
Segment depreciation expense	27,979	27,112	34,064
Amortization of other intangible assets	8,162	10,563	10,306
Segment special charges	—	37,207	9,833
Remeasurement of acquisition-related contingent consideration	—	702	1,403
Total Adjusted Segment EBITDA	\$ 358,741	\$ 267,435	\$ 285,944

The table below presents assets by segment. Segment assets primarily include accounts and notes receivable, fixed assets purchased specifically for the segment, goodwill and other intangible assets.

	December 31,	
	2018	2017
Corporate Finance	\$ 707,924	\$ 726,176
FLC	412,667	401,905
Economic Consulting	516,123	501,471
Technology	171,002	195,399
Strategic Communications	212,147	215,083
Total segment assets	2,019,863	2,040,034
Unallocated corporate assets	359,258	217,207
Total assets	\$ 2,379,121	\$ 2,257,241

The table below details information on our revenues for the years ended December 31, 2018, 2017 and 2016. Revenues have been attributed to locations based on the location of the legal entity generating the revenues.

	Year Ended December 31,		
	2018	2017	2016
United States	\$ 1,372,116	\$ 1,262,682	\$ 1,298,492
United Kingdom	302,576	251,843	246,236
All other foreign countries	353,185	293,207	265,666
Total revenues	\$ 2,027,877	\$ 1,807,732	\$ 1,810,394

We do not have a single customer that represents 10% or more of our consolidated revenues.

The table below details information on our long-lived assets and net assets by geographic location, which is based on the location of the legal entity holding the assets. We define net assets as total assets less total liabilities.

	December 31, 2018			December 31, 2017		
	United States	United Kingdom	All Other Foreign Countries	United States	United Kingdom	All Other Foreign Countries
Property and equipment, net	\$ 59,611	\$ 14,023	\$ 10,943	\$ 52,709	\$ 14,761	\$ 7,605
Net assets	\$ 867,321	\$ 160,894	\$ 320,610	\$ 654,010	\$ 207,885	\$ 330,076

19. Quarterly Financial Data (unaudited)

	Quarter Ended			
	March 31	June 30	September 30	December 31
2018				
Revenues	\$ 497,774	\$ 512,098	\$ 513,012	\$ 504,993
Operating expenses				
Direct cost of revenues	321,117	330,318	336,477	340,162
Selling, general and administrative expenses	112,128	117,897	117,448	118,163
Amortization of other intangible assets	2,270	2,052	1,975	1,865
	435,515	450,267	455,900	460,190
Operating income	62,259	61,831	57,112	44,803
Interest income and other	(1,800)	2,474	1,400	2,903
Interest expense	(6,244)	(6,583)	(7,246)	(7,076)
Gain on sale of business	—	—	13,031	—
Loss on early extinguishment of debt	—	—	—	(9,072)
Income before income tax provision	54,215	57,722	64,297	31,558
Income tax provision	15,270	14,113	19,964	7,834
Net income	\$ 38,945	\$ 43,609	\$ 44,333	\$ 23,724
Earnings per common share — basic ⁽¹⁾	\$ 1.06	\$ 1.18	\$ 1.19	\$ 0.63
Earnings per common share — diluted ⁽¹⁾	\$ 1.04	\$ 1.14	\$ 1.14	\$ 0.61
Weighted average common shares outstanding				
Basic	36,700	37,001	37,318	37,368
Diluted	37,612	38,271	38,756	38,628

	Quarter Ended			
	March 31	June 30	September 30	December 31
2017				
Revenues	\$ 446,344	\$ 444,715	\$ 448,962	\$ 467,711
Operating expenses				
Direct cost of revenues	309,072	304,071	294,851	307,566
Selling, general and administrative expenses	107,690	108,119	104,161	112,043
Special charges	—	30,074	—	10,811
Amortization of other intangible assets	2,493	2,422	2,882	2,766
	419,255	444,686	401,894	433,186
Operating income	27,089	29	47,068	34,525
Interest income and other	605	1,592	1,103	452
Interest expense	(5,801)	(6,250)	(6,760)	(6,547)
Income before income tax provision (benefit)	21,893	(4,629)	41,411	28,430
Income tax provision (benefit)	7,877	527	9,197	(38,458)
Net income	\$ 14,016	\$ (5,156)	\$ 32,214	\$ 66,888
Earnings per common share — basic ⁽¹⁾	\$ 0.35	\$ (0.13)	\$ 0.86	\$ 1.81
Earnings per common share — diluted ⁽¹⁾	\$ 0.34	\$ (0.13)	\$ 0.85	\$ 1.78
Weighted average common shares outstanding				
Basic	40,527	39,555	37,431	36,906
Diluted	41,245	39,555	37,746	37,643

⁽¹⁾ The sum of the quarterly earnings per share amounts may not equal the annual amounts due to changes in the weighted average number of common shares outstanding during each quarterly period.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (a) were effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported, and (b) included, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Management’s report on internal control over financial reporting is included in Part II, Item 8, “Financial Statements and Supplementary Data.”

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required in Part III is omitted from this report but is incorporated herein by reference from our definitive proxy statement for the 2019 Annual Meeting of Stockholders to be filed within 120 days after the end of our fiscal year ended December 31, 2018, pursuant to Regulation 14A with the U.S. Securities and Exchange Commission ("SEC").

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained in our proxy statement under the captions "Information about the Board of Directors and Committees," "Corporate Governance," "Executive Officers and Compensation" and "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

We have adopted the FTI Consulting, Inc. Code of Ethics and Business Conduct ("Code of Ethics"), which applies to our Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller, and our other financial professionals, as well as all our other executive officers, including chief strategy and transformation officer, chief human resources officer, general counsel, and chief risk officer, and our other officers, directors, employees and independent contractors. The Code of Ethics is publicly available on our website at <http://www.fticonsulting.com/~media/Files/us-files/our-firm/guidelines/fti-code-of-conduct.pdf>. If we make any substantive amendments to the Code of Ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Ethics to our President, Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller or persons performing similar functions, other executive officers or directors, we will disclose the nature of such amendment or waiver on our website or in a Current Report on Form 8-K filed with the SEC. We will provide a copy of our Code of Ethics without charge upon request to our Corporate Secretary, FTI Consulting, Inc., 6300 Blair Hill Lane, Suite 303, Baltimore, Maryland 21209.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in our proxy statement under the caption "Executive Officers and Compensation" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained in our proxy statement under the captions "Security Ownership of Certain Beneficial Owners and Management" and this Annual Report under the caption Part II, Item 5, "Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Securities Authorized for Issuance under Equity Compensation Plans" is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information contained in our proxy statement under the captions "Certain Relationships and Related Party Transactions," "Information about the Board of Directors and Committees," and "Corporate Governance" is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information contained in our proxy statement under the caption "Principal Accountant Fees and Services" is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

- (a) (1) The following financial statements are included in this Annual Report:

Management's Report on Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firm — Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firm — Consolidated Financial Statements

Consolidated Balance Sheets — December 31, 2018 and 2017

Consolidated Statements of Comprehensive Income — Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Stockholders' Equity — Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows — Years Ended December 31, 2018, 2017 and 2016

Notes to Consolidated Financial Statements

- (2) The following financial statement schedule is included in this Annual Report:

Schedule II — Valuation and Qualifying Accounts

All schedules, other than the schedule listed above, are omitted as the information is not required or is otherwise provided.

FTI Consulting, Inc. and Subsidiaries
Schedule II — Valuation and Qualifying Accounts
(in thousands)

Description	Balance at Beginning of Period	Additions		Deductions**	Balance at End of Period
		Charged to Expense	Charged to Other Accounts*		
Year Ended December 31, 2018					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts and unbilled services	\$ 180,687	\$ 17,872	\$ 25,300	\$ 21,465	\$ 202,394
Valuation allowance for deferred tax asset	\$ 21,621	\$ 308	\$ —	\$ —	\$ 21,929
Year Ended December 31, 2017					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts and unbilled services	\$ 178,819	\$ 15,386	\$ 9,656	\$ 23,174	\$ 180,687
Valuation allowance for deferred tax asset	\$ 18,900	\$ 2,721	\$ —	\$ —	\$ 21,621
Year Ended December 31, 2016					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts and unbilled services	\$ 185,754	\$ 8,912	\$ 9,501	\$ 25,348	\$ 178,819
Valuation allowance for deferred tax asset	\$ 13,167	\$ 5,733	\$ —	\$ —	\$ 18,900

* Includes estimated provision for unbilled services recorded as a reduction to revenues (i.e., fee, rate and other adjustments).

** Includes estimated direct write-offs of uncollectible and unrealizable accounts receivable.

Exhibit Number	Description of Exhibits
3.1	Articles of Incorporation of FTI Consulting, Inc., as Amended and Restated. (Filed with the Securities and Exchange Commission on May 23, 2003 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 21, 2003 and incorporated herein by reference.)
3.2	Articles of Amendment dated June 1, 2011 to Charter of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
3.3	Bylaws of FTI Consulting, Inc., as Amended and Restated on June 1, 2011. (Filed with the Securities and Exchange Commission on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
3.4	Amendment No. 1 to Bylaws of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on December 16, 2013 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 13, 2013 and incorporated herein by reference.)
3.5	Amendment No. 2 to Amended and Restated Bylaws of FTI Consulting, Inc. (Filed with the SEC on September 22, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated September 17, 2014 and incorporated herein by reference.)
4.1	Indenture, dated as of August 20, 2018, between FTI Consulting, Inc. and U.S. Bank National Association, as Trustee. (Filed with the Securities and Exchange Commission on August 20, 2018 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated August 20, 2018 and incorporated herein by reference.)
4.2	Form of 2.0% Convertible Senior Notes due 2023 (included in Exhibit 4.1). (Filed with the Securities and Exchange Commission on August 20, 2018 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated August 14, 2018 and incorporated herein by reference.)
10.1 *	FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as Amended and Restated as of April 27, 2005. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)
10.2 *	Form of Incentive Stock Option Agreement used with 2004 Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on November 9, 2004 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference.)
10.3 *	Form of Restricted Stock Agreement used with 2004 Long-Term Incentive Plan, as amended. (Filed with the Securities and Exchange Commission on November 9, 2004 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference.)
10.4 *	FTI Consulting, Inc. Non-Employee Director Compensation Plan established effective April 27, 2005. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)
10.5 *	Form of FTI Consulting, Inc. Non-Employee Director Compensation Plan Stock Option Agreement. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)
10.6 *	Form of FTI Consulting, Inc. Non-Employee Director Compensation Plan Restricted Stock Agreement. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)

Exhibit Number	Description of Exhibits
10.7 *	Form of FTI Consulting, Inc. Non-Employee Director Compensation Plan Stock Unit Agreement. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)
10.8 *	Form of Nonqualified Stock Option Agreement used with 2004 Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on January 13, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-4/A and incorporated herein by reference.)
10.9 *	Amendment to FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as Amended and Restated Effective April 27, 2005. (Filed with the Securities and Exchange Commission on March 31, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 29, 2006 and incorporated herein by reference.)
10.10 *	Amendment dated as of June 6, 2006 to the FTI Consulting, Inc. Non-Employee Director Compensation Plan. (Filed with the Securities and Exchange Commission on June 7, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 6, 2006 and incorporated herein by reference.)
10.11 *	Amendment dated as of June 6, 2006 to the FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as Amended and Restated Effective as of April 27, 2005, as further amended. (Filed with the Securities and Exchange Commission on June 7, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 6, 2006 and incorporated herein by reference.)
10.12 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on June 6, 2006 as exhibit 4.3 to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134789) and incorporated herein by reference.)
10.13 *	Form of FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan Incentive Stock Option Agreement. (Filed with the Securities and Exchange Commission on June 6, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134789) and incorporated herein by reference.)
10.14 *	Form of FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan Restricted Stock Agreement. (Filed with the Securities and Exchange Commission on June 6, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134789) and incorporated herein by reference.)
10.15 *	FTI Consulting, Inc. Deferred Compensation Plan for Key Employees and Non-Employee Directors. (Filed with the Securities and Exchange Commission on April 28, 2006 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A and incorporated herein by reference.)
10.16 *	Form of FTI Consulting, Inc. Deferred Compensation Plan For Key Employees and Non-Employee Directors Restricted Stock Unit Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 6, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134790) and incorporated herein by reference.)
10.17 *	Form of FTI Consulting, Inc. Deferred Compensation Plan For Key Employees and Non-Employee Directors Stock Unit Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 6, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134790) and incorporated herein by reference.)
10.18 *	FTI Consulting, Inc. 2007 Employee Stock Purchase Plan. (Filed with the Securities and Exchange Commission on April 28, 2006 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A and incorporated herein by reference.)
10.19 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan, Amended and Restated Effective October 25, 2006. (Filed with the Securities and Exchange Commission on October 26, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated October 25, 2006 and incorporated herein by reference.)
10.20 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan/Appendix II: Australian Sub-Plan. (Filed with the Securities and Exchange Commission on December 15, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-4 (File No. 333-139407) and incorporated herein by reference.)

Exhibit Number	Description of Exhibits
10.21 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan/Appendix III: Ireland Sub-Plan. (Filed with the Securities and Exchange Commission on December 15, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-4 (File No. 333-139407) and incorporated herein by reference.)
10.22 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan/Appendix IV: United Kingdom Sub-Plan. (Filed with the Securities and Exchange Commission on December 15, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-4 (File No. 333-139407) and incorporated herein by reference.)
10.23 *	FTI Consulting, Inc. Non-Employee Director Compensation Plan Stock Option Agreement under FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on December 13, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 11, 2006 and incorporated herein by reference.)
10.24 *	FTI Consulting, Inc. Non-Employee Director Compensation Plan Restricted Stock Agreement under FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on December 13, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 11, 2006 and incorporated herein by reference.)
10.25 *	FTI Consulting, Inc. Non-Qualified Stock Option Agreement under FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on May 9, 2007 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and incorporated herein by reference.)
10.27 *	FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on May 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference.)
10.28 *	FTI Consulting, Inc. Deferred Compensation Plan For Key Employees and Non-Employee Directors Restricted Stock Unit Agreement for Non-Employee Directors Under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on May 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference.)
10.29 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan Restricted Stock Agreement Under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on May 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference.)
10.30 *	Form of Restricted Stock Unit Agreement for Non-Employee Directors under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
10.31 *	Form of Stock Unit Agreement for Non-Employee Directors under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
10.32 *	Form of FTI Consulting, Inc. 2004 Long-Term Incentive Plan Incentive Stock Option Agreement. (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
10.33 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan (Amended and Restated Effective as of May 14, 2008). (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)

Exhibit Number	Description of Exhibits
10.34 *	Form of FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan Restricted Stock Agreement under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
10.36 *	Form of Incentive Stock Option Agreement under the FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan, as Amended and Restated. (Filed with the Securities and Exchange Commission on November 6, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference.)
10.37 *	FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission on April 23, 2009 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement and incorporated herein by reference.)
10.38 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Incentive Stock Option Agreement. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.39 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Restricted Stock Agreement. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.40 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Restricted Stock Unit Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.41 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Stock Unit Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.42 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Restricted Stock Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.43 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Nonstatutory Stock Option Agreement. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.44 *	FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Cash-Based Performance Award Agreement. (Filed with the Securities and Exchange Commission on March 29, 2010 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 25, 2010 and incorporated herein by reference.)
10.45 *	FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan as Amended and Restated Effective as of June 2, 2010. (Filed with the Securities and Exchange Commission on April 23, 2010 as Appendix A to FTI Consulting, Inc.'s Definitive Proxy Statement dated April 23, 2010 and incorporated herein by reference.)
10.46 *	FTI Consulting, Inc. Incentive Compensation Plan. (Filed with the Securities and Exchange Commission on April 18, 2011 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A and incorporated herein by reference.)
10.47 *	Employment Agreement dated as of December 13, 2013, by and between FTI Consulting, Inc. and Steven Gunby. (Filed with the Securities and Exchange Commission on December 16, 2013 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 13, 2013 and incorporated herein by reference.)

Exhibit Number	Description of Exhibits
10.48 *	Form of Cash-Based Stock Appreciation Right Award Agreement. (Filed with the Securities and Exchange Commission on March 27, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 26, 2014 and incorporated herein by reference.)
10.49 *	Form of Cash Unit Award Agreement. (Filed with the Securities and Exchange Commission on March 27, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 26, 2014 and incorporated herein by reference.)
10.50 *	Form of Cash-Based Performance Award Agreement. (Filed with the Securities and Exchange Commission on March 27, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 26, 2014 and incorporated herein by reference.)
10.51 *	Form of FTI Consulting, Inc. Restricted Stock Agreement for Employment Inducement Awards to Chief Financial Officer and Chief Strategy and Transformation Officer. (Filed with the Securities and Exchange Commission on August 22, 2014 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (File No.: 333-198311) and incorporated herein by reference.)
10.52 *	Form of FTI Consulting, Inc. Non-Statutory Stock Option Agreement for Employment Inducement Award to Chief Financial Officer and Chief Strategy and Transformation Officer. (Filed with the Securities and Exchange Commission on August 22, 2014 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (File No.: 333-198311) and incorporated herein by reference.)
10.53 *	Offer of Employment Letter dated July 15, 2014, by and between FTI Consulting, Inc. and Paul Linton. (Filed with the Securities and Exchange Commission on October 30, 2014 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference.)
10.54 *	Offer of Employment Letter dated July 2, 2014, by and between FTI Consulting, Inc. and Holly Paul. (Filed with the Securities and Exchange Commission on October 30, 2014 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference.)
10.55 *	Amendment No. 1 to Offer of Employment Letter dated July 27, 2014, by and between FTI Consulting, Inc. and Holly Paul. (Filed with the Securities and Exchange Commission on October 30, 2014 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference.)
10.56 *	The FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan (Amended and Restated Effective as of June 3, 2015). (Filed as Appendix A to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A filed with the SEC on April 21, 2015.)
10.57 *	Form of Non-Statutory Stock Option Award Agreement under FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan (Amended and Restated Effective as of June 3, 2015). (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.58 *	Form of Incentive Stock Option Award Agreement under FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan (Amended and Restated Effective as of June 3, 2015). (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.59 *	Form of Restricted Stock Award [or Restricted Stock Unit] Agreement under FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan (Amended and Restated Effective as of June 3, 2015). (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.60 **	Security Agreement dated as of June 26, 2015, by and among FTI Consulting, Inc., the other grantors party thereto and Bank of America, N.A., as administrative agent. (Filed as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 26, 2015 filed with the SEC on June 30, 2015 and incorporated herein by reference.)

Exhibit Number	Description of Exhibits
10.61 **	Pledge Agreement, dated as of June 26, 2015, by and among FTI Consulting, Inc., the other pledgors party thereto and Bank of America, N.A., as administrative agent. (Filed as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 26, 2015 filed with the SEC on June 30, 2015 and incorporated herein by reference.)
10.62 *	Employment Letter dated May 14, 2015 between FTI Consulting, Inc. and Curtis Lu. (Filed as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 filed with the Securities and Exchange Commission on July 30, 2015 and incorporated by reference herein.)
10.63	FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated as of January 1, 2016. (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.64	Form of Deferred Restricted Stock Unit Award Agreement for Non-Employee Directors Pursuant to the FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated as of January 1, 2016. (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.65	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors Pursuant to the FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated as of January 1, 2016. (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.66	Form of Restricted Stock [or Restricted Stock Unit] Award Agreement for Non-Employee Directors Pursuant to the FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated as of January 1, 2016. (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.67 *	FTI Consulting, Inc. Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as Appendix A to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A dated April 20, 2016 filed with the SEC on April 20, 2016 and incorporated herein by reference.)
10.68 *	Offer of Employment Letter dated as of July 5, 2016, by and between FTI Consulting, Inc. and Ajay Sabherwal. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated July 14, 2016 filed with the SEC on July 18, 2016 and incorporated herein by reference.)
10.69 *	Amendment No. 1 dated as of December 5, 2016 to Employment Agreement made and entered into as of December 13, 2013, by and between FTI Consulting, Inc. and Steven Gunby. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 5, 2016 filed with the SEC on December 5, 2016 and incorporated herein by reference.)
10.70 *	Amendment No. 2 effective as of March 21, 2017 to Employment Agreement dated as of December 13, 2013, as amended, by and between FTI Consulting, Inc. and Steven Gunby. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)
10.71 *	Amendment No. 1 effective as of March 21, 2017 to Offer of Employment Letter dated as of July 5, 2016, by and between FTI Consulting, Inc. and Ajay Sabherwal. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)
10.72 *	Amendment No. 1 effective as of March 21, 2017 to Offer of Employment Letter dated July 15, 2014, by and between FTI Consulting, Inc. and Paul Linton. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)

Exhibit Number	Description of Exhibits
10.73 *	Amendment No. 1 effective as of March 21, 2017 to Employment Letter dated May 14, 2015, by and between FTI Consulting, Inc. and Curtis Lu. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)
10.74 *	Amendment No. 2 effective as of March 21, 2017 to Offer of Employment Letter dated July 15, 2014, by and between FTI Consulting, Inc. and Holly Paul. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)
10.75 *	FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan (Effective as of June 7, 2017). (Included as Appendix A to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A filed on April 25, 2017 and incorporated herein by reference.)
10.76 *	Form of Executive Long-Term Incentive Pay Restricted Stock Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.77 *	Form of Executive Long-Term Incentive Pay Incentive Stock Option Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.78 *	Form of Executive Long-Term Incentive Pay Performance-Based Restricted Stock Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.79 *	Form of General Restricted Stock Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.80 *	Form of General Restricted Stock Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.81 *	Form of General Incentive Stock Option Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.82 *	Form of General Nonstatutory Stock Option Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.83 *	Form of General Performance-Based Restricted Stock Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.84 *	Form of General Cash Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)

Exhibit Number	Description of Exhibits
10.85 *	Form of General Cash-Based Stock Appreciation Right Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.86 *	Form of General Cash-Based Performance Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.87 *	Form of Restricted Stock Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.88 *	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.89 *	Form of Deferred Stock Unit Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.90 *	Form of Deferred Restricted Stock Unit Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.91 *	Amendment No. 3 dated March 16, 2018 to that Employment Agreement dated as of December 13, 2013, by and between FTI Consulting, Inc. and Steven H. Gunby. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, filed with the SEC on April 26, 2018 and incorporated herein by reference.)
10.92 **	Amendment and Restatement Agreement, dated as of November 30, 2018, among FTI Consulting, Inc., a Maryland corporation, the Subsidiaries of the Company party thereto, as Guarantors, the Lenders and L/C Issuers party thereto and Bank of America, N.A., as administrative agent (including Annex C-Amended and Restated Credit Agreement dated as of November 30, 2018), by and among FTI Consulting, Inc., the designated borrowers party thereto, the guarantors party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent. (Filed with the Securities and Exchange Commission on December 3, 2018 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated November 30, 2018 and incorporated herein by reference.)
11.1 †	Computation of Earnings per Share (included in Note 3 to the Consolidated Financial Statements included in Part II, Item 8 herein).
14.0 †	FTI Consulting, Inc. Code of Ethics and Business Conduct, as Amended and Restated effective February 21, 2018.
21.1 †	Subsidiaries of FTI Consulting, Inc.
23.0 †	Consent of KPMG LLP.
31.1 †	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).
31.2 †	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).

Exhibit Number	Description of Exhibits
32.1 †	Certification of Principal Executive Officer Pursuant to 18 USC. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
32.2 †	Certification of Principal Financial Officer Pursuant to 18 USC. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
99.1	Policy on Disclosure Controls, as Amended and Restated Effective as of January 1, 2016. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 28, 2017 and incorporated herein by reference.)
99.2	Policy on Inside Information and Insider Trading, as Amended and Restated Effective January 1, 2016. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 28, 2017 and incorporated herein by reference.)
99.3 †	Corporate Governance Guidelines, as last Amended and Restated Effective as of September 20, 2018.
99.4	Categorical Standards of Director Independence, as last Amended and Restated Effective as of February 25, 2009. (Filed with the Securities and Exchange Commission on February 28, 2013 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 and incorporated herein by reference.)
99.5	Charter of Audit Committee of the Board of Directors, as last Amended and Restated Effective as of February 23, 2011. (Filed with the Securities and Exchange Commission on April 18, 2011 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A and incorporated herein by reference.)
99.6	Charter of the Compensation Committee of the Board of Directors, as last Amended and Restated Effective as of February 27, 2013. (Filed with the Securities and Exchange Commission on May 9, 2013 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and incorporated herein by reference.)
99.7	Charter of the Nominating and Corporate Governance Committee, as last Amended and Restated Effective as of December 16, 2009. (Filed with the Securities and Exchange Commission on February 26, 2010 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.)
99.8	Anti-Corruption Policy, as Amended and Restated Effective February 19, 2014. (Filed with the Securities and Exchange Commission on May 2, 2014 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and incorporated herein by reference.)
101	The following financial information from the Annual Report on Form 10-K of FTI Consulting, Inc. for the year ended December 31, 2018, filed herewith, and formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Statements of Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to the Consolidated Financial Statements, tagged as blocks of text.

* Management contract or compensatory plan or arrangement.

† Filed herewith.

** With certain exceptions, annexes, exhibits and schedules (or similar attachments) to the Amendment and Restatement Agreement and exhibits and Schedules to the Amended and Restated Credit Agreement are not filed. FTI Consulting, Inc. will furnish supplementally a copy of any omitted annex, exhibit or schedule to the Securities and Exchange Commission upon request.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized this 26th day of February 2019.

FTI CONSULTING, INC.

By: /s/ STEVEN H. GUNBY

Name: Steven H. Gunby

Title: President and Chief Executive Officer

SIGNATURE	CAPACITY IN WHICH SIGNED	DATE
<u>/s/ STEVEN H. GUNBY</u> Steven H. Gunby	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2019
<u>/s/ AJAY SABHERWAL</u> Ajay Sabherwal	Chief Financial Officer and Interim Chief Accounting Officer (Principal Financial and Accounting Officer)	February 26, 2019
<u>/s/ GERARD E. HOLTHAUS</u> Gerard E. Holthaus	Director and Chairman of the Board	February 26, 2019
<u>/s/ BRENDA J. BACON</u> Brenda J. Bacon	Director	February 26, 2019
<u>/s/ MARK S. BARTLETT</u> Mark S. Bartlett	Director	February 26, 2019
<u>/s/ CLAUDIO COSTAMAGNA</u> Claudio Costamagna	Director	February 26, 2019
<u>/s/ NICHOLAS C. FANANDAKIS</u> Nicholas C. Fanandakis	Director	February 26, 2019
<u>/s/ LAUREEN E. SEEGER</u> Laureen E. Seeger	Director	February 26, 2019

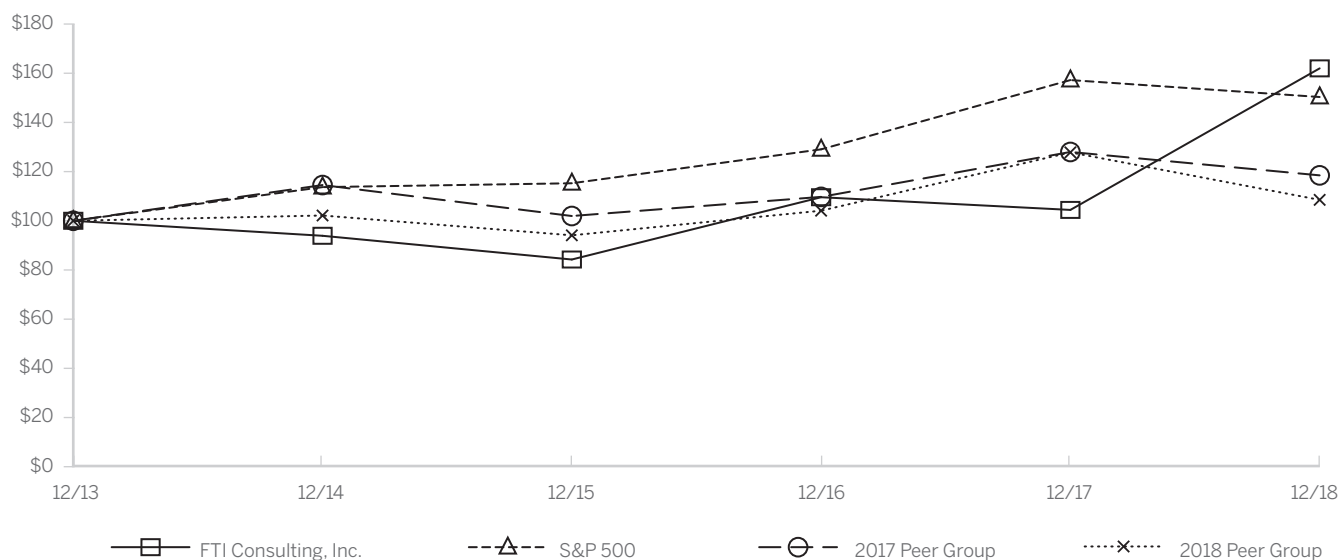
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Performance Graph

The graph below compares the cumulative total shareholder return on our common stock from December 31, 2013 through December 31, 2018 with the cumulative total return of the S&P 500 Index and two customized peer groups. For 2018, the Company has changed its peer group as compared to 2017. The new peer group of six companies includes CRA International, Inc., Houlihan Lokey, Inc., Huron Consulting Group, Inc., Moelis & Co., Navigant Consulting, Inc., and PJT Partners, Inc. (collectively, the “2018 Peer Group”). The old peer group of seven companies included Evercore, Inc., Greenhill & Co, Inc., Huron Consulting Group, Inc., Lazard Limited, Navigant Consulting, Inc., Resources Connection, Inc., and Robert Half International, Inc. (collectively, the “2017 Peer Group”). The changes made from the 2017 Peer Group to the 2018 Peer Group were driven by several factors. In September 2018, the Company selected a peer group for executive compensation purposes, and all of the members of the 2018 Peer Group are also members of that compensation peer group. We also determined that the companies in the 2018 Peer Group are more comparable to the Company than some of the companies in the 2017 Peer Group in terms of one or more of the types of services offered to clients, including with respect to restructuring or mergers and acquisitions, size of market capitalization, or professional employee demographics.

Comparison of 5-Year Cumulative Total Return*

Among FTI Consulting, Inc., the S&P 500 Index, 2017 Peer Group and 2018 Peer Group



*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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	12/13	12/14	12/15	12/16	12/17	12/18
FTI Consulting, Inc.	100.00	93.90	84.25	109.58	104.42	161.98
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
2017 Peer Group	100.00	114.53	101.94	109.72	127.98	118.47
2018 Peer Group	100.00	102.15	94.09	104.10	127.82	108.51

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Corporate Leadership

Steven H. Gunby

President and Chief Executive Officer

Ajay Sabherwal

Chief Financial Officer

Jeffrey S. Amling

Chief Marketing Officer and Head of Business Development

Brendan J. Keating

Chief Accounting Officer and Controller

John Klick

Senior Vice President

Paul Linton

Chief Strategy and Transformation Officer

Curtis Lu

General Counsel

Matthew Pachman

Vice President—Chief Risk and Compliance Officer

Holly Paul

Chief Human Resources Officer

Business Leadership

Michael C. Eisenband

Global Segment Co-Leader
Corporate Finance & Restructuring

Carlyn R. Taylor

Global Segment Co-Leader
Corporate Finance & Restructuring
and FTI Consulting Industry
Initiative Leader

Paul S. Ficca

Global Segment Leader
Forensic and Litigation Consulting

Charles D. Overstreet

Global Practice Leader
Health Solutions

Sophie Ross

Global Segment Leader
Technology

Mark McCall

Global Segment Leader
Strategic Communications

Leslie H. Moeller

Chairman of North and South America

Kevin Hewitt

Chairman of Europe, Middle East & Africa

Board of Directors

Gerard E. Holthaus

Non-Executive Chairman of the Board of FTI Consulting, Inc. and Non-Executive Chairman of the Board of WillScot Corporation

Steven H. Gunby

President and Chief Executive Officer of FTI Consulting, Inc.

Brenda J. Bacon

President and Chief Executive Officer of Brandywine Senior Living LLC

Mark S. Bartlett

Former Partner at Ernst & Young LLP

Claudio Costamagna

Chairman of CC e Soci S.r.l.

Sir Vernon Ellis

Former Chair of the Board of Trustees of the British Council

Nicholas C. Fanandakis

Executive Vice President of DowDuPont, Inc.

Laureen E. Seeger

Chief Legal Officer of the American Express Company

Corporate Information

Executive Office

555 12th Street NW
Washington, D.C. 20004
+1.202.312.9100

Principal Maryland Place of Business

16701 Melford Blvd.
Bowie, MD 20715
+1.800.334.5701

Annual Stockholders' Meeting

The 2019 Annual Meeting of Stockholders will be held on June 5, 2019, at 9:30 a.m. at our offices at 555 12th Street NW, Washington, D.C. 20004

Independent Registered Public Accounting Firm

KPMG LLP
Baltimore, MD

Transfer Agent

American Stock Transfer & Trust Company
New York, NY

Stock

FTI Consulting's common stock trades on the New York Stock Exchange (NYSE) under the symbol FCN

Investor Relations

Mollie Hawkes
200 State Street, 8th Floor
Boston, MA 02109
+ 1.617.747.1791

Our website is www.fticonsulting.com. We make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports, and proxy statements, as soon as reasonably practicable after we electronically file with, or furnish such materials to, the Securities and Exchange Commission. We also make available on our website our Corporate Governance Guidelines, Categorical Standards of Director Independence, Code of Ethics and Business Conduct, Anti-Corruption Policy, Charters of the Audit, Compensation and Nominating and Corporate Governance Committees of our Board of Directors, other corporate governance documents, and any amendments to those documents.



555 12th Street NW
Washington, D.C. 20004
+1.202.312.9100

fticonsulting.com

NYSE: FCN



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Update on COVID-19 Financial Impact

1

- Information available when initial projections were developed was extremely limited.
- The economic shut-down was in early stages and trends were not yet fully evident.

Delivery Week	Entered Commercial Letters	Entered Commercial Flats	Presort First Class	Marketing Mail	DPS 2nd Pass	Flats Incoming Secondary & FSS	Total Delivered Mail Volume	Delivered Domestic Packages	International and Military Packages
Total Week (3/16 - 3/21)	-6.80%	-22.70%	9.00%	-21.60%	-2.00%	-16.60%	-5.30%	-1.00%	-24.20%
Total Week (3/22 - 3/28)	-21.00%	-23.70%	5.10%	-35.50%	-6.00%	-13.20%	-7.50%	5.00%	-34.80%
Total Week (3/29 - 4/4)	-28.90%	-35.20%	-15.70%	-38.90%	-22.70%	-32.20%	-24.20%	11.70%	-43.20%

*Percentages represent change from the same time frame of the previous year

Previous Short-Term Outlook – Volume

Index value – Pre-COVID															Index value – Post-COVID (compared to pre-Covid)										Integrated Financial Plan (IFP)	
					Depth of Impact		Duration of Impact				Level of Return															
Volume Index	2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	Q1 2022	Q2 2022												
First Class	100	100	100	100	70	60	72	84	80	82	83	83	90	88												
Marketing Mail	100	100	100	100	30	30	50	63	68	68	68	68	90	91												
Periodicals	100	100	100	100	50	40	50	63	69	69	67	67	90	87												
Shipping & Packages	100	100	100	100	95	70	80	89	89	89	100	105	100	106												
International	100	100	100	100	30	30	40	50	50	50	70	70	75	79												
Other	100	100	100	100	88	88	88	88	76	76	76	76	82	91												
Total	100	100	100	100	49	43	60	72	74	74	75	75	90	90												

Volume:	2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2
First Class	13,101	12,712	14,318	14,050	9,171	7,627	10,309	11,732	10,481	10,360	11,813	11,591
Marketing Mail	17,673	18,293	20,302	17,581	5,302	5,488	10,151	10,988	12,017	12,439	13,805	11,955
Periodicals	1,183	1,091	1,109	1,082	591	436	555	676	816	753	738	719
Shipping & Packages	1,420	1,451	1,737	1,430	1,349	1,016	1,390	1,273	1,264	1,291	1,737	1,501
International	202	180	240	187	61	54	96	94	101	90	168	131
Other	85	72	94	65	75	64	83	58	65	55	71	50
Total	33,664	33,799	37,801	34,395	16,549	14,685	22,584	24,820	24,744	24,988	28,333	25,948
4 Quarter Rolling Total:	139,659				122,544	103,430	88,212	78,637	86,832	97,136	102,885	104,013

Sensitive Commercial Information – Do Not Disclose / Attorney-Client Privileged / Attorney Work Product

April 8, 2020

3

- **Most recent volume trends are showing strong growth in packages with First-Class Presort showing some initial resilience**

Week	Entered Presort First-Class Mail	Entered USPS Marketing Mail	Entered Periodicals	Delivered Mail Volume*	Delivered Packages
Total Week (3/16 - 3/21)	9.0%	-21.6%	1.3%	-5.3%	-1.0%
Total Week (3/22 - 3/28)	5.1%	-35.5%	-1.6%	-7.5%	5.0%
Total Week (3/29 - 4/4)	-15.7%	-38.9%	-26.7%	-24.2%	11.8%
Total Week (4/5 - 4/11)	-2.2%	-42.5%	-17.7%	-32.2%	20.7%
Total Week (4/12 - 4/18)	-8.1%	-50.1%	-7.4%	-29.7%	29.0%
Total Week (4/19 - 4/25)	-2.0%	-43.7%	-38.7%	-28.4%	50.0%

*Consists of all delivered letter and flat volume

4

Mail Class	Actual - Week of 4/25 index versus last year	Actual - Avg Previous 3 weeks index versus last year	April 8 Assumed Q3 Growth/Decline	April 8 Assumed Q4 Growth/Decline
First-Class Mail	94	91	70	60
Marketing Mail	56	55	30	30
Periodicals	61	79	50	40
Shipping & Packages	150	133	95	70
International	57	53	30	30
Total:	75	73	49	43

Original April 8 2020 quarterly projections versus current trends:

- First-Class Mail stronger than projection, census and a small impact from the initial mailing of stimulus checks have buttressed some of the declines
- Marketing Mail has reduced quickly and is expected to decline further as businesses fail
- Periodicals have declined but not as much as initial estimates
- Shipping & Packages have increased significantly, there is much uncertainty as to whether this trend will continue
- International volumes have slowed and are expected to decline further as international trade slows and self-declared rates begin

- Factors supporting First-Class Mail volume in FY 2020 are likely one-time
- Marketing Mail is highly dependent on the state of the economy
 - The length and depth of the recession will be critical to Marketing Mail volume
 - Past experience in the Great Recession indicates that lost volume is not likely to return
- Potential for stronger package growth in the short-term with significant risk in the longer-term
 - Current package growth is due to shift to online fulfillment, America stocking up and reliance on USPS to handle surge in volumes (for example, Amazon fulfillment centers have focused on essential items)
 - Risks still exist with the long-term
 - Customer concerns regarding our financial condition and stability have increased, which may encourage shift to other channels for advertising and package delivery.
 - Higher unemployment and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the advertising and package markets.
 - Package growth may be adversely impacted by supply chain (production and transportation) disruptions, not only in the U.S but internationally.
 - Recent package growth was fueled by consumers stockpiling household items and food via e-commerce channels. As this surge in spending subsides, repeat purchasing will decline. As society begins to reopen, many consumers will return to retail stores.
 - FedEx has publicly announced that they would be bringing up to 400 million packages back into their network by the end of this calendar year.

- Short-term volume trends are becoming more evident, although much uncertainty remains about future course of economy and mail and package volumes.
- Index values shown below represent percentage of IFP volume forecasts retained in subsequent periods.

April 8 Projections

Preliminary Projections:

Volume Index	Depth of Impact		Duration of Impact			
	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
First Class	70	60	72	84	80	82
Marketing Mail	30	30	50	63	68	68
Periodicals	50	40	50	63	69	69
Shipping & Packages	95	70	80	89	89	89
International	30	30	40	50	50	50
Total	49	43	60	72	74	74

Package Increases with adjustments to FCM, Marketing and Periodicals

Alternative Scenario 1:

Volume Index	Depth of Impact		Duration of Impact			
	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
First Class	90	82	80	78	78	85
Marketing Mail	50	50	65	60	60	60
Periodicals	70	65	60	60	65	65
Shipping & Packages	120	115	105	105	105	105
International	30	50	50	50	50	50
Total	69	65	72	69	69	72

Scenario 1 with lower packages in FY2020 And package declines into 2021

Alternative Scenario 2:

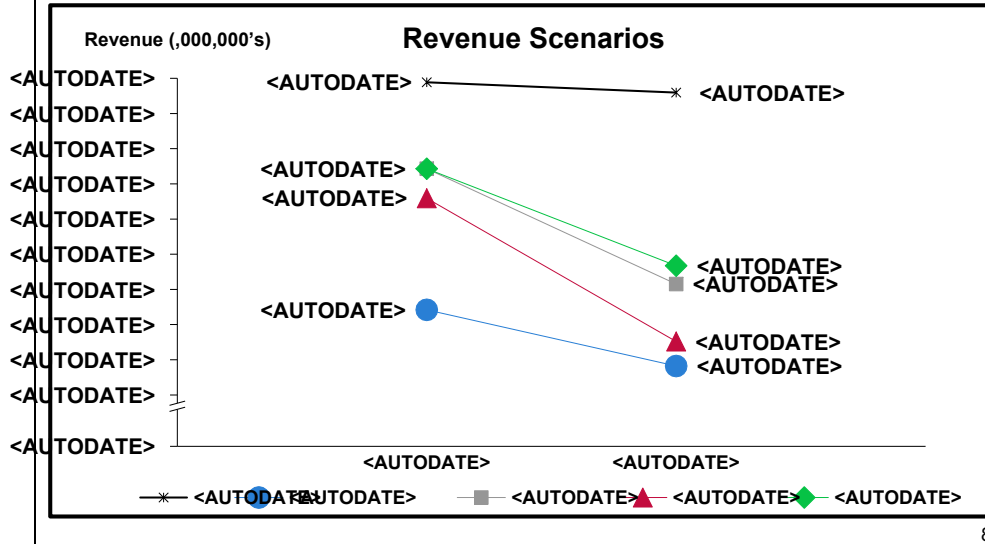
Volume Index	Depth of Impact		Duration of Impact			
	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
First Class	90	82	80	78	78	85
Marketing Mail	50	50	65	60	60	60
Periodicals	70	65	60	60	65	65
Shipping & Packages	110	95	95	90	90	90
International	30	50	50	50	50	50
Total	69	65	72	69	68	71

Scenario 1 with slightly higher FCM, marketing and Periodicals in 2021

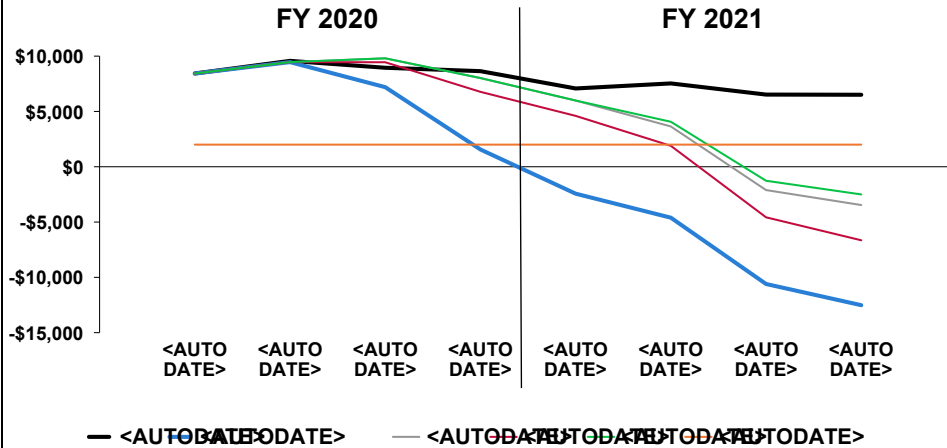
Alternative Scenario 3:

Volume Index	Depth of Impact		Duration of Impact			
	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
First Class	90	82	80	84	80	82
Marketing Mail	50	50	65	63	68	68
Periodicals	70	65	60	63	69	69
Shipping & Packages	120	115	105	105	105	105
International	30	50	50	50	50	50
Total	69	65	72	73	74	75

- Assessed higher volume assumptions in light of most recent data



Without the \$10B in additional borrowing, the Postal Service could be illiquid as early as Q4 2020 or as late as Q3 2021, based on updated projections



Note: Assumes continued default on year-end payments for RHB, FERS and CSRS
Assumes \$3B short-term note will be repaid in Q3 FY2021 based on debt schedule



UNITED STATES
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APPENDIX

10



Revenue Comparison by Product

**Base:
Revenue**

	FY2020	FY2021
First Class	20,381	19,622
Marketing Mail	10,718	10,248
Periodicals	840	744
Shipping & Packages	21,267	20,571
International	1,600	1,177
Other	3,713	3,272
Total	58,519	55,634

**Base:
Revenue**

	FY2020	FY2021
First Class	20,381	19,622
Marketing Mail	10,718	10,248
Periodicals	840	744
Shipping & Packages	21,267	20,571
International	1,600	1,177
Other	3,713	3,272
Total	58,519	55,634

**Base:
Revenue**

	FY2020	FY2021
First Class	20,381	19,622
Marketing Mail	10,718	10,248
Periodicals	840	744
Shipping & Packages	21,267	20,571
International	1,600	1,177
Other	3,713	3,272
Total	58,519	55,634

Scenario 1:

Revenue	FY2020	FY2021
First Class	22,911	19,884
Marketing Mail	12,152	10,038
Periodicals	955	727
Shipping & Packages	25,558	25,238
International	1,789	1,280
Other	3,495	3,138
Total	66,860	60,305

Scenario 2:

Revenue	FY2020	FY2021
First Class	22,911	19,884
Marketing Mail	12,152	10,038
Periodicals	955	727
Shipping & Packages	23,878	21,971
International	1,789	1,280
Other	3,495	3,138
Total	65,180	57,038

Scenario 3:

Revenue	FY2020	FY2021
First Class	22,911	20,152
Marketing Mail	12,152	10,781
Periodicals	955	758
Shipping & Packages	25,558	25,238
International	1,789	1,280
Other	3,495	3,138
Total	66,860	61,346

Difference from Base:

Scenario 1:

Revenue	FY2020	FY2021
First Class	2,530	263
Marketing Mail	1,434	(210)
Periodicals	114	(16)
Shipping & Packages	4,292	4,666
International	189	103
Other	(218)	(135)
Total	8,341	4,670

Scenario 2:

Revenue	FY2020	FY2021
First Class	2,530	263
Marketing Mail	1,434	(210)
Periodicals	114	(16)
Shipping & Packages	2,612	1,400
International	189	103
Other	(218)	(135)
Total	6,661	1,404

Scenario 3:

Revenue	FY2020	FY2021
First Class	2,530	530
Marketing Mail	1,434	533
Periodicals	114	14
Shipping & Packages	4,292	4,666
International	189	103
Other	(218)	(135)
Total	8,341	5,712

\$ in Millions

Outlook for 2020 and 2021 is for significant revenue declines and net losses. Network cannot contract sufficiently to offset declining volume.

Note: Board of Actuaries has revised assumptions underlying the CSRDF liability which has increased the amortization payments for FERS and CSRS

	IFP		Preliminary Projection		Scenario 1		Scenario 2		Scenario 3	
\$ in millions	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Total Revenue	71,774	71,189	58,839	55,644	66,860	60,305	65,180	57,038	66,860	61,346
Total Salaries & Benefits	57,337	57,795	56,480	53,104	57,393	54,957	57,159	53,759	57,393	54,957
Transportation	8,466	8,432	7,763	7,478	8,124	7,659	7,933	7,549	8,124	7,659
Depreciation and Amortization	1,715	1,569	1,715	1,569	1,715	1,569	1,715	1,569	1,715	1,569
Supplies & Services*	2,711	2,699	2,887	2,693	2,967	2,704	2,984	2,699	2,967	2,731
Other Non-Personnel Expense	5,560	5,763	5,487	5,624	5,676	5,643	5,670	5,631	5,676	5,699
Total Controllable Expenses	75,788	76,259	74,332	70,468	75,896	72,533	75,462	71,207	75,896	72,615
Controllable Loss	(4,014)	(5,069)	(15,494)	(14,824)	(9,036)	(12,228)	(10,282)	(14,169)	(9,036)	(11,269)
Retiree Health Benefits Amortization	900	1,000	900	1,000	900	1,000	900	1,000	900	1,000
FERS Amortization	1,060	1,060	1,286	1,286	1,286	1,286	1,286	1,286	1,286	1,286
CSRS Amortization	1,617	1,617	1,798	1,798	1,798	1,798	1,798	1,798	1,798	1,798
Workers' Comp Fair Value Adjustment**	-	-	2,092	-	2,092	-	2,092	-	2,092	-
Total Noncontrollable Expenses	3,577	3,677	6,076	4,084	6,076	4,084	6,076	4,084	6,076	4,084
Net Loss	(7,591)	(8,746)	(21,570)	(18,908)	(15,112)	(16,312)	(16,358)	(18,253)	(15,112)	(15,353)

Post-COVID period requires significant workhour reductions due to declining volumes. There is a lag to achievement of significant work hour savings due to contractual obligations and the fixity of the mail processing and delivery infrastructure.

Baseline Forecast using preliminary volume projection: Reduction of 123M work hours, or approximately 70,000 Full Time Equivalent employees

Scenario 1: Reduction of 54M work hours, or approximately 30,000 Full Time Equivalent employees

Scenario 2: Reduction of 89M work hours, or approximately 50,000 Full Time Equivalent employees

Scenario 3: Reduction of 54M work hours, or approximately 30,000 Full Time Equivalent employees

* The increase in supplies and services is associated with additional purchases related to COVID including purchases of personal protective equipment such as sanitizer, masks, as well as increases related to contract cleaning of facilities due to COVID.

** The workers' compensation fair value adjustment is a non-cash expense that reflects the impact that changes in interest rates has on the liability. It fluctuates on a monthly basis.

	Previous base		Scenario 1		Scenario 2		Scenario 3	
	2020	2021	2020	2021	2020	2021	2020	2021
Volume	103,048	97,136	117,193	98,403	116,761	97,576	117,193	102,422
Revenues	58,839	55,644	66,860	60,305	65,180	57,038	66,860	61,346
Controllable expenses	74,332	70,468	75,896	72,533	75,462	71,207	75,896	72,615
Controllable loss	(15,494)	(14,824)	(9,036)	(12,228)	(10,282)	(14,169)	(9,036)	(11,269)
Non-controllable expenses	6,076	4,084	6,076	4,084	6,076	4,084	6,076	4,084
Net loss	(21,570)	(18,908)	(15,112)	(16,312)	(16,358)	(18,253)	(15,112)	(15,353)
Cash	1,560	(12,516)	8,018	(3,462)	6,772	(6,648)	8,018	(2,503)

Dollars and pieces in millions

Previous base								
	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
Volume	37,801	34,013	16,549	14,685	22,584	24,820	24,744	24,988
Revenues	19,395	17,876	11,890	9,677	13,632	14,145	13,984	13,883
Controllable expenses	19,783	18,668	17,859	18,023	18,749	17,702	16,934	17,083
Controllable loss	(387)	(792)	(5,969)	(8,345)	(5,116)	(3,557)	(2,951)	(3,200)
Non-controllable expenses	361	3,723	996	996	1,021	1,021	1,021	1,021
Net loss	(748)	(4,515)	(6,965)	(9,341)	(6,137)	(4,578)	(3,972)	(4,221)
Cash	8,430	9,459	7,195	1,560	(2,435)	(4,606)	(10,600)	(12,516)

Dollars and pieces in millions

Scenario 1								
	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
Volume	37,801	34,013	23,277	22,101	27,344	23,634	23,258	24,167
Revenues	19,395	17,876	15,210	14,378	16,523	14,730	14,410	14,641
Controllable expenses	19,783	18,668	18,572	18,873	19,675	18,463	17,116	17,279
Controllable loss	(387)	(792)	(3,362)	(4,495)	(3,151)	(3,733)	(2,707)	(2,637)
Non-controllable expenses	361	3,723	996	996	1,021	1,021	1,021	1,021
Net loss	(748)	(4,515)	(4,358)	(5,491)	(4,172)	(4,754)	(3,728)	(3,658)
Cash	8,430	9,459	9,802	8,018	5,987	3,641	(2,109)	(3,462)

Dollars and pieces in millions

Scenario 2								
	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
Volume	37,801	34,013	23,135	21,811	27,170	23,412	23,045	23,949
Revenues	19,395	17,876	14,654	13,254	15,846	13,857	13,557	13,779
Controllable expenses	19,783	18,668	18,372	18,639	19,140	17,952	16,977	17,139
Controllable loss	(387)	(792)	(3,718)	(5,385)	(3,294)	(4,094)	(3,420)	(3,360)
Non-controllable expenses	361	3,723	996	996	1,021	1,021	1,021	1,021
Net loss	(748)	(4,515)	(4,714)	(6,381)	(4,315)	(5,115)	(4,441)	(4,381)
Cash	8,430	9,459	9,447	6,772	4,599	1,891	(4,572)	(6,648)

Dollars and pieces in millions

Scenario 3								
	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
Volume	37,801	34,013	23,277	22,101	27,344	24,867	24,982	25,229
Revenues	19,395	17,876	15,210	14,378	16,523	15,181	14,862	14,780
Controllable expenses	19,783	18,668	18,572	18,873	19,675	18,489	17,151	17,300
Controllable loss	(387)	(792)	(3,362)	(4,495)	(3,151)	(3,308)	(2,289)	(2,520)
Non-controllable expenses	361	3,723	996	996	1,021	1,021	1,021	1,021
Net loss	(748)	(4,515)	(4,358)	(5,491)	(4,172)	(4,329)	(3,310)	(3,541)
Cash	8,430	9,459	9,802	8,018	5,987	4,066	(1,267)	(2,503)

Dollars and pieces in millions

On April 2, 2020, the Board of Actuaries of the Civil Service Retirement System recommended that OPM adopt new discount and inflation rates

Summary of Changes:

- Discount rate decreased from 4.25% to 4.00%
- Inflation assumption decreased from 2.50% to 2.40%
- General salary increase assumption decreased from 2.75% to 2.65%

Financial Impact:

- Estimated FERS amortization payment increased by \$226M in FY2020
- Estimated CSRS amortization payment increased by \$181M in FY2020
- Estimated workers' compensation (non-cash) increased by \$901M in FY2020
- Note: FERS and CSRS amortization amounts are estimates and could change once OPM sends the final bill in September

Contribution Defense Strategy and Scenarios

Section 0. Context & Table of Contents

Amazon is USPS' largest customer. It represented ~\$3.9B revenue in FY19, driving **\$1.6B in contribution and 24% of Air/Ground package delivery volume**. FY20 revenue is up 12.6% YTD¹ through February, and experiencing COVID-driven increase of **47% vs. SPLY**². Over 50% of 1.5B packages shipped in FY19 were at non-discounted prices. Amazon may **grow from 50% of e-commerce market today to 70%+ of the market by 2022**, with 8B+ packages.

Of total Amazon volume, 77% is overall Parcel Select (37% is PS Lightweight), representing ~80% of total contribution.³

The following pages articulate the following:

- **Section 1: Competitor Insourcing Capabilities.** *Explains why no Parcel Select volume should be considered “anyhow” volume*
- **Section 2: Framework for New Term with Consequences.** *Outlines path to leverage Amazon's recent ask for price certainty to improve overall contracts and install economic consequences for volume insourcing.*
- **Section 3: Contribution Impact of a Declining Amazon.** *Articulates the relative contribution impact of both decline and growth scenarios with Amazon relationship*
- **Section 3 Addendum: Impact of 4x Price Increase in Parcel Select.** *Articulates the relative contribution impact of increasing published prices and terminating Parcel Select relationships.*
- **Appendix.** *Defines key assumptions outlines in Section 3 and Section 3 Addendum.*

¹ Direct revenue not including revenue through alternative carriers (e.g., UPS sent ~13M Amazon packages through USPS network in FY19)

² Since March 10th, 2020

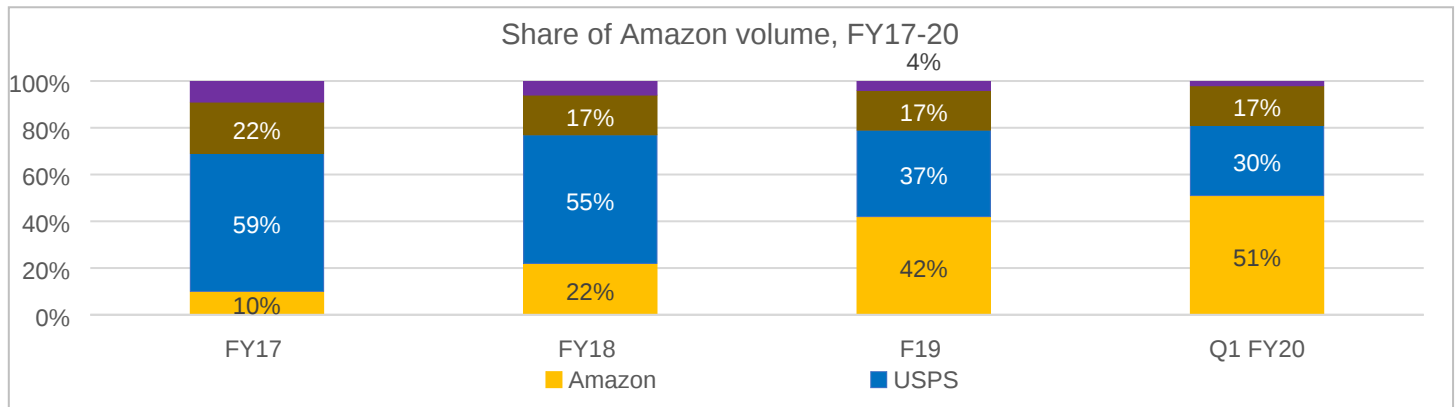
³ Based on March YTD volume profile. Source: BCI's March Amazon Dashboard. Parcel Select Contribution based on partner-adjusted costs, with remaining volume assumed to be national average based on the FY19 ACR, assuming a 2.5% cost increase to FY20.

Section 1: Summary of Competitor Capabilities

Comparing Amazon to other major Parcel Select NSAs, we see that Amazon is not only our largest customer, but also one with strength and growth, not achieved through heavy discounting. Currently, USPS and Amazon are entering negotiations to expand partnership, introduce increased operational stability, and secure multi-year contribution.

Given the pressures of COVID-19 stressing Amazon's capacity, **we are at an inflection point** in the USPS-Amazon relationship. Increased eCommerce volume is pressuring Amazon to rely on USPS more than ever, which we can cement if we continue to actively partner with them in the long-term. Otherwise, USPS will cede ground to Amazon's insourcing and other competitors. **USPS has no guarantee to retain business** under current contractual arrangements.

Amazon has been aggressively insourcing volume with Amazon Logistics, sending 2B+ packages in FY19, which primarily cuts into USPS' share:



Major USPS last-mile competitors (UPS, FedEx and Amazon Logistics) are **all currently making investments** to increase capacity and network capabilities. While FedEx is not building out capabilities for <11b parcels (or currently taking a large share of Amazon), UPS and AMZL have investments that suggest expanded capacity across both lightweight and heavyweight parcels.

UPS has the capability to absorb a majority of USPS-Amazon volume in the near future with limited incremental investment.

- **Major investments in new and expanded facilities will increase UPS daily capacity by ~3-5M pieces per day in 2020:**
 - 1 new regional super-hub in Harrisburg, PA with ability to process up to 100K packages per hour.
 - 2 new super-hubs in Tacoma, WA & Ontario, CA with ability to process ~50K packages per hour.
 - 3 new automated sortation & distribution centers with ability to process at least ~20K packages per hour.
 - Transition to ~100% sortation automation increases efficiency by 30%.
- **Ability to handle incremental volume in the last mile will require significant expansion of workforce** (+100K temporary workers employed during peak) and delivery fleet (+25%)

By end of 2020, UPS will increase daily capacity to 33-40M and be able to absorb 100% of USPS Amazon volume.

Section 2: Potential terms to protect USPS interests

To secure contribution and prevent continued share-loss, recommend aggressively using Amazon's most-recent ask for price certainty to **modify entire Parcel Select contractual relationship and establish high-consequence commitments**.

Proposed terms would align closely to UPS agreement.

UPS "no-decline" requirement was a critical feature of the negotiation, and ensures that any volume loss triggers rate escalations. These escalations occur quickly enough to "harvest margin" in instances where customers choose to adjust long-term network plans.

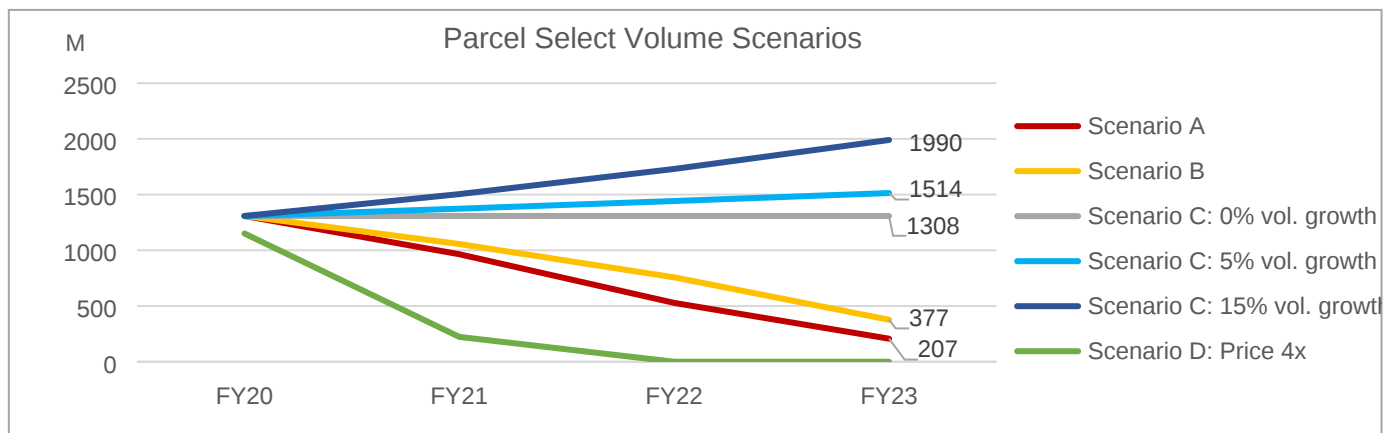
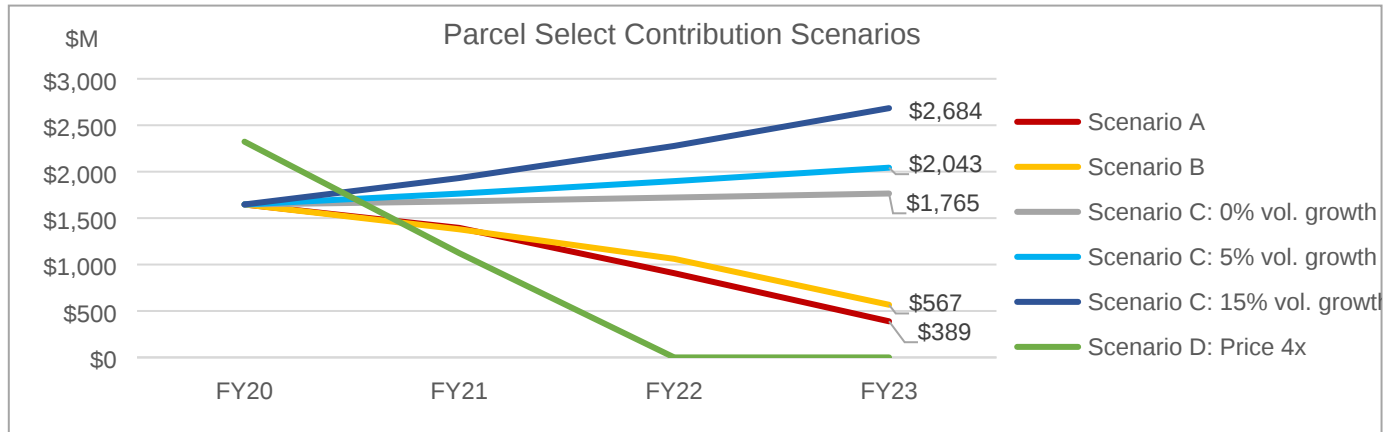
Exhibit: Potential Terms to Improve Amazon NSA and Secure Contribution Certainty

Term	Opening Ask	Similar NSA Examples	Improvement on current Amazon NSA
Commitment length	5 years	-36 mo+ for UPS -36 mo+ for FedEx <i>Note: UPS has no black-out date for termination but requires 1 year notice.</i>	Secures commitments for entire book of business . NO guaranteed commitments today.
Decline Penalty (non-negotiable)	Move all Parcel Select volume to published pricing if growth falls below minimum commitments	UPS	Shift of NSA volume to published pricing would result in 44% revenue increase per package. This would capture significant contribution in event Amazon began to divert
Geo-segments	Align price to relative <u>competitive price required to win the business</u>	UPS	Maximizes contribution by aligning to customer economics
Products	Parcel Select Lightweight / Parcel Select Heavyweight	Parcel Select Lightweight / Parcel Select Heavyweight commitments developed for FedEx	Secures commitments for previously non-NSA products <i>Example: shift all rates to non-discounted if Amazon begins to decline in net volume</i>
Volume Growth Tiers (Negotiable)	Volume growth calculated on rolling 4Q basis; Earned growth must also occur in non-Peak quarters Volume Baseline will factor in pre-COVID FY20 YTD growth, along with a COVID-growth assumption	-Volume tiers for FedEx -Growth tiers for UPS NSA	Ensures revenue increase of up to \$3B+ over 3 years
Rapid volume reduction (Negotiable)	Reduction of more than 2 tiers in 3 quarters or fewer reverts all PS volume to published rates	FedEx (ZIP-level)	Adds volume certainty which protects network cost structure

Section 3. Potential contribution outcomes⁴

USPS management has assessed the multi-year contribution impact based on the following go-forward Amazon scenarios:

- a) Contribution harvest strategy through rate increases while maintaining NSA.
- b) Steady-state contract status with steady contribution decline.
- c) Contractually “locked-in” state to grow contribution.
 - o C1: Maintain minimum 0% volume growth (“no decline”) to keep NSA pricing
 - o C2: Maintain low 5% volume growth to steal share from competitors
 - o C3: Maintain strong 15% volume growth in line with Amazon’s eCommerce growth
- d) Increase published prices to 4X (*see Addendum*)
 - o D1: Terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)
 - o D2: Terminate all Parcel Select NSAs (*assessed in Addendum – not in below chart*)



Scenario A: Contribution harvest strategy.

Example: Raise published prices by 50% in Parcel Select Lightweight, effectively increasing prices in all of Amazon’s lightweight volume (37% of total volume).

This strategy will lead Amazon to rapidly pull volume from USPS. Capability analysis indicates both Amazon and UPS are capable of absorbing USPS’ entire share of existing Amazon volumes. Based on demonstrated in-sourcing capabilities of both carriers, predict >75%+ of all Amazon volume by 2024 will no longer be with USPS.

In parallel, if UPS takes share from USPS, it will: (1) improve their last-mile economics and increase UPS ability to self-deliver and pull last-mile volume from USPS, (2) create downward price pressure on USPS full-network products (Priority Mail, First Class Package Service).

⁴ Note: Section 2 Assumptions documented in APPENDIX

Wednesday, April 29, 2020

Scenario B: Steady-state contract.

*Example: Pursue **no significant changes to contractual agreements**. No contribution is guaranteed to USPS year-to-year.*

In mid-term, USPS expected to maintain volumes from COVID period. However, due to a lack of USPS pricing certainty, there is expectation that insourcing would continue, and volume would **shift steadily to UPS** while accelerating its internal capabilities and growing density. USPS would **lose 35%+ of current Amazon volume by FY23**, heavily reducing contribution.

Scenario C: Contractually lock-in contribution.

*Example: Use recent ask for “price certainty” to **modify relationship and install contribution certainty**.*

Pursue contribution certainty by locking in customer volume commitments. PS contribution could remain flat or increase by up to \$1B+ by creating significant economic disincentive for volume declines.

Requires aggressive negotiation strategy that forces new levels of commitment in alignment with UPS negotiation outcomes.

Section 3 ADDENDUM: Considering a 4x price increase on Parcel Select⁵

Context

This section analyzes the potential impact of a 4-5x price increase of USPS Parcel Select product (both heavyweight and lightweight).

Three scenarios are considered below:

- D1: Terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)
- D2: Terminate all Parcel Select NSAs (*assessed in Addendum – not in below chart*)

In addition, the following key items can be found in the Appendix:

- Detailed articulation of assumptions explanations for Scenario D1
- Summary of impact of price increase to existing USPS price ladder
- Summary of current NSA termination clauses

Scenario D1: Raising published rates 4x, terminating Amazon NSA

Only Amazon is terminated as an NSA using 365 day out clause, while also installing “defensive terms” for alternative customers (e.g., rate caps for DHL and Pitney Bowes’ lightweight business).

In mid-term, USPS would see a contribution uplift during FY21, but would see a rapid loss in contribution due to accelerated in-sourcing behaviors and Amazon partnership with UPS.

USPS would see contribution from Parcel Select with customer shift from ~\$1.3B in FY19, surge to ~\$2.3B in FY20, and then decline significantly to ~\$1.1B in FY21 and ~\$0M annually afterwards.

NOTE: this scenario assumes other customer relationships are held constant. UPS does not provide significant share of Amazon business back to USPS via SurePost or Mail Innovations (~13M pieces in FY19).

Even with additional network volumes, USPS is **unlikely to see any significant “volume return” via SurePost or Mail Innovations:**

- During **Peak season**, UPS can nearly double daily package deliveries to 20 million/day on average by hiring additional workers (100K in 2019) and establishing small annexes. To deliver USPS Amazon volume, **UPS would need to absorb only ~4M daily pieces on average, which is 20% of their reported peak operating ability.**⁶
- Furthermore, **SurePost and Mail Innovation will not be well-aligned to the current service standards** Amazon experiences at the DDU, making the products unlikely substitutes.

Terminating the Amazon NSA will have **implications for all Parcel Select customer relationships**. Despite favorable “defensive terms” added to their NSAs, shippers will have reason to believe that

Overall, this action sends the **message that USPS is not in control of its financial position or customer strategy**, and that customers can presume no pricing certainty or trust even within NSA relationships. Beyond the largest Parcel Select customers, big box retailers (e.g., Walmart, Target) and pharmaceutical shippers (e.g., CVS) seeking a carrier partner for building out their delivery networks would question USPS’ viability for that long-term role.

Scenario D2: Assuming all major Parcel Select/etc NSAs are terminated with either 365-day 30-day clause (see above):

Majority of USPS Parcel Select business would be lost under the scenario where USPS raises all published rates by 4x and terminates all customer relationships.

	Total Parcel Select impact after termination	FY19 PS Volume at risk ⁷	FY19 PS Revenue at risk	FY19 PS Contribution at risk
Amazon	Accelerates insource drive to include absorbing volume from UPS, FedEx, other USPS customers	1,148M	\$2.6B	\$1.3B
UPS	Increases insourcing and uses new Teamster contract to solidify position	630M	\$1.4B	\$745M

⁵ Note: Section 2 Assumptions documented in APPENDIX

⁶ Source: UPS press release. https://pressroom.ups.com/pressroom/ContentDetailsViewer_page?ConceptType=PressReleases&id=1568030066733-734. Assumes that UPS would be able to quickly ramp up to peak-like operations in response to the USPS’ Amazon’s termination notice in order to compete for and handle the excess volume.

⁷ Source: Volume and revenue figures from Business Customer Intelligence. Contributions are estimated based costs provided by the Costing team, adjusting each partner’s cost with its volume and inject profile.

FedEx	Increases insourcing for larger packages; uses UPS/Amazon for small packages	463M	\$1.1B	\$584
DHL	Almost all volume absorbed by other carriers. Business line becomes non-viable given current capabilities.	247M	\$483M	\$226M
Pitney Bowes	Almost all volume absorbed by other carriers. Business line becomes non-viable given current capabilities.	69M	\$158M	\$83M

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Scenario A: Contribution harvest

	FY21	FY22	FY23
<i>Competitor Response</i>	Assumes Amazon grows at 18% annually due to long-term customer behavior change. In response to USPS' actions, will pursue network expansions and UPS partnership. They increase their planned 100K add'l last-mile vans by 2024 to 118K vans, with aggressive deployment (e.g. 50%+ by 2022) and improved package density. UPS partnership is accelerated, and UPS begins quickly investing in its network to handle volume. Decline is concentrated in PSLW, but also results in substantial PSHW decline		
<i>Outsourced Volume</i>	2.4B	2.2B	2.3B
<i>UPS volume (annual growth)</i>	1.3B (18%)	1.6B (25%)	2.0B (25%)
<i>Remaining volume</i>	1.1B	0.6B	0.3B
<i>Implied Overall PS decline⁸</i>	-25%	-46%	-60%
<i>Implied PSLW annual decline⁹</i>	-40%	-65%	-80%
<i>Implied PSHW annual decline</i>	-27%	-37%	-54%
<i>Price increase</i>	PSHW price increase is 5% for all years except FY21 (assumed to be 2.1% due to their growth) PSLW price increase is 50% in FY21, and 5% in subsequent years		

Outcome: USPS retains ~16% of current PS volumes, equivalent to the portions of volume in USPS Core and ~1/5 of the Battleground, as determined by previous geo-analysis.¹⁰

Scenario B: Maintain current agreements

	FY21	FY22	FY23
<i>Competitor Response</i>	Similar to above, Amazon grows at 18% annually. They increase their planned 100K add'l last-mile vans by 2024 only to 115K vans, but still with aggressive deployment (e.g. 50%+ by 2022) and improved package density. UPS begins significant network investments in 2021, which are complete by 2023. Decline is equivalent across PS.		
<i>Outsourced Volume</i>	2.5B	2.4B	2.4B

⁸ Considers the relative decline compared to USPS' overall Amazon volume (~1.54B) and applies to PS.

⁹ Assumes PSLW decline does not begin until Q2 FY21, when the pricing change would go into effect. Also assumes that ~65% of PSLW volume will be manifested at the 2lb DDU NSA rate, with 35% being subject to the full 50% price increase. This is in-line with the proportion of NSA/Non-NSA PSHW volumes, based on March YTD Data.

¹⁰ Based on projected FY20 volumes, and Enterprise Analytics prior geo-segmentation analysis. Projected FY20 volumes assume 75% sustained COVID growth impacting Q3, with Q4 growth based on March YTD trends (with ~1-2% increase assumed for COVID impact. Source: BCI's March Amazon Dashboard

Note: Scenario A and B assume 2.5% annual inflation, along with a 2.1% PSHW price increase in FY21, followed by 5% price increases in FY22 and FY23. The 2.1% PSHW increase is in line with Amazon's current cap. In Scenario A, a 50% price increase is used for PSLW in 2021, with subsequent 5% price increases in 2021 and 2022. In Scenario B, the 2021 PSLW price increase is assumed to be 5% instead of 50%.

<i>UPS volume (annual growth)</i>	1.3B (15%)	1.5B (20%)	2.0B (30%)
<i>Remaining volume</i>	1.2B	0.9B	0.4B
<i>Implied Overall PS decline</i>	-20%	-28%	-50%
<i>Implied PSLW annual decline</i>	-20%	-28%	-50%
<i>Implied PSHW annual decline</i>	-20%	-28%	-50%
<i>Price increase</i>	Assume 5.5% price increase on both PSLW and PSHW.		

Outcome: USPS retains ~30% of current PS volumes, equivalent to the portions of volume in USPS Core and ~1/2 of the Battleground.

Scenario C: Lock-in contribution

Scenarios rely on projected FY20 volumes as the baseline.

- FY20 Baseline assumes 75% sustained COVID growth impacting FY20Q3 volumes, with FY20Q4 growth based on March YTD trends (with a ~1-2% increase assumed for COVID impact).
- In Scenario C, 2.1% PSHW and 2.5% PSLW and PSHW price increases assumed for FY21. All subsequent years assume 2.5% price increase across all products.
- 2.5% cost inflation used.

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Scenario D1: Core Assumptions

Impact on USPS Amazon Volume by quarter involves the following assumptions:

	Volume Assumption	What you have to believe
Amazon	Amazon increases annual capacity by 2.6B+ by Q4 FY21, 20% more aggressive than current public plans	• Amazon adds 44k last-mile vans by Q4 FY21 • 35k from standing Rivian order (100k by 2024) and 9K from new orders (Mercedes makes 450k+ vans/yr) • Each van can deliver 165 parcels/360 days a year • Continues fulfillment/middle mile investments on track
UPS	UPS will add 3-5M new packages/day by end of 2020, increasing capacity by 1B-1.5B packages annually	• Continues current investment in 3 new super-hubs by end of 2020, totaling 200k hourly add'l capacity • 3 sortation/automation centers w/ 60k hourly capacity • Complete transition to 100% automated sortation

USPS-20-1215-A-009545

Wednesday, April 29, 2020

FedEx	Run rate capacity for Amazon at ~ 200M Amazon packages annually	FedEx can reallocate all 200M of FY19 Amazon capacity back to Amazon by January 2021
PSLW	PSLW published rates increase 4X on 6/1/2020; NSA-eligible volume is manifested at lower HW NSA rates until contract termination goes into effect on 5/1/2021 and all LW is at 4X	
PSHW	Published rates increase 4X on 6/1/2020; NSA volume continues at NSA rates until NSA termination goes into effect on 6/1/2021	

	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
Volume Shift Summary	<i>Sudden price shift leaves majority of volume intact</i>	<i>Volume loss minimized by SurePost; FedEx capacity unlocked</i>	<i>Decrease in contribution despite peak; UPS/FedEx boost new capacity</i>	<i>UPS/FedEx hit go-forward capacity as Amazon begins major insource drive</i>	<i>Rate increase makes no contribution boost as UPS builds last-mile</i>	<i>USPS only gets rural and other high-cost volume; Big 3 build density</i>
Amazon	6k new vans	13k new vans	22k new vans	29k new vans	37k new vans	44k new vans
UPS	UPS completes 3 new sortation centers	UPS completes 2 new superhubs	UPS finishes full automation , all hubs	UPS has completed 2020 investments	1-1.5B new annual capacity	1-1.5B new annual capacity
FedEx	Amazon enters talks to reengage FedEx	FedEx opens 60M annual capacity	150M/yr capacity	200M/yr capacity	200M/yr capacity	200M/yr capacity
PSLW NSA	6/1 - use 1lb HW NSA rate	1 lb HW NSA rate	1 lb HW NSA rate	1 lb HW NSA rate	5/1 - 4X published	4X published
PSLW	6/1 - raised to 4X published	4X published	4X published	4X published	4X published	4X published
PSHW NSA	NSA pricing	NSA pricing	NSA pricing	NSA pricing	5/1 - 4X published	4X published
PSHW Pub	6/1 - 4X published	4X current published	4X current published	4X current published	4X current published	4X published
Volume AMZN	261M	186M	176M	38M	9M	0M
Contribution	\$0.6B	\$878M	\$834B	\$211M	\$78M	\$0M

FOR INTERNAL USE ONLY – ASSUMPTION DOCUMENTATION FOR SECTION 2

Product price ladder impact of major price increase

	PS Heavyweight (Published)	PS Heavyweight (Amazon)	Priority Mail Z1	PS Heavyweight 4x (Published)	PS Heavyweight 4x (Amazon)
2lb	\$3.29	\$2.44	\$7.64	\$13.16	\$9.76

	Parcel Select Lightweight (Published)	First Class Z1	Parcel Select Heavyweight 4x (Lightweight)
8oz	\$1.82	\$3.21	\$7.28

Summary of rate caps by NSA customers

	Rate Caps? (max rate cap)	Termination Term (assume term activated end of April)	NSA Voidable?
Amazon	<i>PSHW (~5%)</i>	<i>1-year termination notice.</i>	<i>See term below.</i>
UPS	<i>PSLW (~4.5%) and PSHW (lesser of 5% or published rate increase - 1%)</i>	<i>1-year termination notice.</i>	
FedEx	<i>N/A</i>	<i>Termination active in Sept.</i>	
DHL	<i>PSHW (~3%)</i>	<i>30-day termination notice.</i>	
Pitney Bowes	<i>PSHW (~3%)</i>	<i>30-day termination notice.</i>	

Back-up document of source and ranged ADV capacities

SUMMARY PAGE (Proceeding pages have source data).

Assuming 260(ish) working days:

- UPS = ~18M ADV IN US, 21M WW
- FedEx = ~13M ADV IN US / Canada, ~17M WW
- AMZN = ~8.4M ADV IN US

During Peak

- UPS = ~32-40M delivered (WW)
- FedEx = ~38M moved (WW)
- AMZN = Unknown.

Fleet rentals: North American Fleet Rental fleets are robust and likely struggling

Overall, 490,000 commercial vans were sold domestically in the United States in 2019, a 13% increase from the previous year. Similar sales figures were projected for 2020 (<https://www.goodcarbadcar.net/2019-us-commercial-van-sales-figures-by-model/>)

- Budget has 27k (<https://www.budgettruck.com/resources/factsheet>)
- U-Haul has 167k trucks (<https://www.amerco.com/history.aspx>)
- Penske had 50k+ in North America (<https://www.pensketruckrental.com/commercial-truck-rental/commercial-trucks/>)
- Etc.

UPS: Peak Capacity of 32-40M parcels DELIVERED per day (assumes 6 days), versus ~20M average daily volume. 125k global trucks, but rentals are available.

- Would need to hire new employees, but they have interviewed 100k in ONE DAY in the US previously.
- They continue to invest in automation, increasing automated capacity by 400k pieces / hour in 2019, and have plans to continue to invest.

FedEx: 38M parcels moved on Cyber Monday (WW). ADV in the US / Canada of 13M (~10M ground and ~3M Express).

- Less information available, but they are investing less in their ground operations than UPS.
- However, they clearly can scale volume when needed. FedEx hired 55k temporary workers in peak 2019.

Amazon: ~6M parcels delivered per day on average. 30K domestic last-mile vans, with 100K additional vans expected to be on the road by 2024.

- Have continually demonstrated ability to accelerate ramp-up, such as through hiring 100K additional warehouse and delivery workers during COVID-19.
- Current investments could quickly be bolstered through additional purchases and leasing.

UPS: Peak Capacity of 32-40M parcels DELIVERED per day (assumes 6 days), versus ~20M average daily volume. 125k global trucks, but rentals are available. Would need to hire new employees, but they have interviewed 100k in ONE DAY in the US previously. They continue to invest in automation, increasing automated capacity by 400k pieces / hour in 2019, and have plans to continue to invest.

- 32M low end: >32M parcels / day during peak (<https://postandparcel.info/117540/news/parcel/ups-expects-to-deliver-around-32-million-packages-a-day-during-peak/>)
- 40M High end: Their COO estimated it as even higher at “nearly double” the ~20M deliveries a day they handle now
(<https://pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=PressReleases&id=1568030066733-734>)
 - US deliveries are ~18.7M a day as of last year.
(<https://pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=FactSheets&id=1426321563187-193>)
- They’ve hired 100k temps before (<https://www.supplychaindive.com/news/ups-prepares-to-hire-100k-temporary-employees-for-peak-season/562548/>)
 - They brought through 100k people in ONE DAY for interviews last peak
(<https://postandparcel.info/117540/news/parcel/ups-expects-to-deliver-around-32-million-packages-a-day-during-peak/>)
- They have 125k global vehicles (168 parcels / day delivered based on 21M total deliveries GLOBALLY)
 - They would need an additional ~25k vehicles to handle this capacity
- They are making investments in additional capacity:
 - From 2019: <https://www.supplychaindive.com/news/ups-automation-investment-2019/553562/>,
 - From 2020 (<https://finance.yahoo.com/news/ups-investing-in-pennsylvania-and-automated-sorting-facilities-210603144.html>)
- Earnings call:
 - *George Willis (Prez, US Ops): We delivered over 32 million packages, 16 of the 18 delivery days between Thanksgiving and Christmas. The majority of our volume, as you heard us talk about investments and handle that growth was -- year-over-year, was done in our automated facilities*
 - *Juan Perez (Chief Information / Engineering Office): The first one that I think it's important for you guys to know is that at the end of 2019, 75% of our U.S. eligible ground volume was actually sorted through automation. In addition to that, we had completed the rollout of UPS ORION navigation.*

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- FedEx continuing to invest in package capacity, primarily in heavyweight, while making sure that they can do LW profitably. From Fred Smith:
 - *Now the changes. As we announced last summer, FedEx is aggressively expanding North American packages -- package services for the rapidly growing e-commerce market to include year-round seven-day delivery, in sourcing most SmartPost volumes formally given to the postal service, standing up more dedicated ground large package facilities, given the remarkable growth in demand for the delivery of oversize items and new unique short-haul services.*
 - *While these are the most visible changes, numerous other new technologies and operating processes are being deployed to ensure we can profitably deliver increasing numbers of lighter weight residential packages. These strategies are being well received in the marketplace with record peak volume -- package volumes which are substantially above last year and well over forecast with excellent service levels and high overall customer satisfaction. In the fourth fiscal quarter, we forecast FedEx Ground margins will again be in the teens. ()*
- NOTE: FedEx doesn't break out domestic versus international

Sources (by bullet)

- CYBER MONDAY: <https://www.fool.com/earnings/call-transcripts/2019/12/17/fedex-corp-fdx-q2-2020-earnings-call-transcript.aspx>
- VOLUME BASELINE: http://s1.q4cdn.com/714383399/files/doc_financials/quarterly/2020/q3/FedEx-Q3-FY20-Stat-Book.pdf
- QUARTERLY CALL: <https://www.fool.com/earnings/call-transcripts/2019/12/17/fedex-corp-fdx-q2-2020-earnings-call-transcript.aspx>

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- Assumes 365 days / year.
- At 300 days = 7.3M / day
- At 260 days = 8.4M / day
- At the end of 2019, Amazon's current last-mile fleet size was 30,000 vans across 800 Delivery Service Providers
- While bulk of their vans have come from Mercedes Sprinter vans, they have used a variety of vendors
 - Ordered 2,200+ vans from Spartan in July 2019, and have also been seen with RAM models
- Their biggest source of additional capacity will be their purchase of 100,000 electric vans from Rivian
 - Pilots are expected to be on the road by 2020, with Bezos expecting all 100K deployed by 2024
 - This was part of a \$700M+ investment made by Amazon in Rivian
- With their current fleet size and operating model (365 days/year), assuming ~175 packages/day/van, Amazon's internal capacity for 2019 was ~1.9B. However, they also deploy Flex for about ~15% of deliveries, bringing total to ~2.3B. This enables Amazon to deliver ~40-50% of their own volume, in-line with many industry reports and confirmed by Amazon representatives.
- The additional 100,000 vans can bring 6.4B of additional capacity to Amazon's network

Sources (by bullet)

- <https://www.bloomberg.com/news/articles/2019-12-19/amazon-van-buying-supports-banner-year-for-auto-fleet-business>
- # of DSPs - <https://www.bizjournals.com/seattle/news/2020/02/20/amazon-ends-delivery-firm-contracts.html>
- <https://www.businessinsider.com/amazon-van-order-worry-usps-ups-2019-7>
- "Amazon will order 100,000 electric delivery vans from EV startup Rivian, Jeff Bezos says" The Verge. <https://www.theverge.com/2019/9/19/20873947/amazon-electric-delivery-van-rivian-jeff-bezos-order>
- Flex usage: <https://www.businessinsider.com/amazon-drivers-say-flex-delivery-jobs-are-disappearing-2019-1>

Talking Points for Call with Congressman Connolly

- Congressman Connolly, I am calling to discuss what I believe is a misunderstanding of some comments I made during yesterday's open Board meeting, about the Postal Service's ability to provide an essential service to the country during the COVID-19 crisis.
- First, let me extend my appreciation for your efforts on behalf of the Postal Service during negotiations of the CARES Act, and for your continued advocacy.
- You are responsible for making the Postal Service a central part of the national debate on emergency funding during this crisis.
- Chairman Duncan and I agreed before yesterday's meeting that he would address the Postal Service's critical liquidity challenges, and I would discuss the operations of Postal Service as part of America's critical infrastructure, with an unrivaled ability to deliver an essential service during this crisis, as well as what we are doing to protect the health and safety of our employees.
- We wanted to balance a sense of urgency about addressing our worsening financial condition, with a clear statement about why addressing the Postal Service's liquidity challenges was so important to the country.
- We also wanted our employees, to hear that we are still up and running, even though things are getting tough, and that their well-being remains our number one concern. They are showing tremendous courage every day in the face of significant personal risk to themselves and their families. They needed to hear that their jobs are not going away.

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- We also wanted to alleviate any immediate concerns of our customers that our ability to address their current needs was at risk.
- We knew that trying to balance both messages would be difficult. But we felt that since this was the first time the Board would be publically discussing the COVID crisis, it was important to address multiple audiences and their varying concerns.

Introduction

Let me start by taking this opportunity to thank the men and women of the United States Postal Service

At least six days per week, and in some instances seven, Postal Service employees accept, process, transport, and deliver vital mail and packages like medicine, products that sustain us, benefits checks, and important information, all with their usual resolve and quiet efficiency.

Postal employees provide an essential public service to all Americans as a part of the country's critical infrastructure. They go to work every day to serve their communities. We all owe them our sincere gratitude and thanks.

As Americans are urged to stay home, the importance of the mail will only grow as people will need access to communications, essential packages and other necessities.

That said, we are at a critical juncture in the life of the Postal Service. At a time when America needs us more than ever, the reason we are so needed is having a devastating effect on our business.

Because of the significant impacts to our volume and revenues that we project as a direct result of the COVID-19 pandemic, we are in serious danger of running out of cash this fiscal year.

Furthermore, even if we get access to the borrowing authority provided by the CARES Act as we expect, we project that we will run out of cash next fiscal year absent significant additional assistance from Congress.

I would like to provide more details about these and other subjects in our discussion today.

Let me start with our employees. Our number one priority is to protect the health and safety of our employees.

A. How are we protecting our employees?

- We are following the guidance of the Centers for Disease Control and Prevention and other public health authorities

- We are coordinating our policies to protect our employees with all four of our union presidents
- We have established a dedicated COVID-19 Command Response leadership team
- We share CDC guidance with all of our employees on ways to avoid contracting and spreading the virus.
- Based on CDC's April 3 guidance recommending that cloth face coverings be worn in public settings, we are strongly encouraging all employees to follow this recommendation. We have sufficient inventory to provide non-medical masks to employees upon request or they may bring their own personal cloth face coverings to work for use while on duty.
- We have distributed gloves and hand sanitizers in our facilities. However, the increased demand for gloves and sanitizer depleted supplies of those items in some locations, but we are replenishing our stock.
- **Expanded employee leave provisions, including adding temporary additional paid leave for Non-Career Employees and ability to use sick leave dependent care to include child care.**
- We have instituted a liberal leave policy to encourage employees who think they might be sick or are developing symptoms potentially related to COVID-19 to stay at home and take leave. Pursuant to the Families First Coronavirus Response Act, all employees will also receive 80 hours of emergency sick leave in addition to what they otherwise have accrued.
- We closely keep track of individuals that test positive for COVID-19 and work with local, state or municipal Health Departments in those situations.
- Social distancing is now being applied to every Postal Service function and facility.
- We are installing sneeze guards in our retail facilities.

To practice social distancing in our retail lobbies, we placed social distancing notices on the outer and inner lobby doors, and place floor tape in the queue line six feet apart

- To protect our employees and customers, we eliminated the requirement that customers sign our Mobile Delivery Devices for delivery
- Updated our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance to prevent the spread of coronavirus
- Expanded the use of telework for employees who are able to perform their jobs remotely, Enabled almost 17,000 employees with telework capability, including over 2,000 bargaining unit employees
- In the case of senior centers we have designated several alternative means by which the Postal Service can accommodate delivery.

B. Shift to **Volume Decline**

- **Here's what we are seeing right now - the mail has been declining significantly over the past three weeks.**

Week	Delivered Mail Volume	Delivered Packages	Entered Presort First-Class	Entered USPS Marketing	Entered Periodicals
Total Week (3/16 - 3/21)	-5.3%	-1.0%	9.0%	-21.6%	1.3%
Total Week (3/22 - 3/28)	-7.5%	5.0%	5.1%	-35.5%	-1.6%
Total Week (3/29 - 4/4)	-24.2%	11.8%	-15.7%	-38.9%	-26.7%
Week to Date (4/5 - 4/7)	-30.4%	19.9%	-1.0%	-44.5%	-51.4%

- **The week of March 16, the total delivered mail (which is a lagging indicator) declined 5.3%; the week of March 22 the total delivered mail declined 7.5%; and last week it declined 24.3%**
- **This week through Tuesday the mail has declined 30.4%**
- **For the past two weeks packages have increased, primarily Priority and First Class**

- **The week of March 22 packages increased 5%; the week of March 30 packages increased 11.7%**
- **This week through Tuesday packages have increased 20%**
 - **Although package growth has accelerated, we believe that trend is likely to reverse for several reasons.**
 - **First, some of our customers are already expressing concerns about what they are reading about our financial condition, and are pursuing alternatives to move their products.**
 - **Second, the impact of the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.**
 - Finally, package growth will also be likely be impacted by supply chain disruptions across the system, as manufactured goods that go into the boxes decrease, thus reducing package volume.

Volume Impact Estimates:

- There are three components to the COVID impact, that make the effects of the pandemic difficult to quantify:
 - **Depth** of the short-term impact during Calendar Q2 and Q3
 - **Duration** of the economic impact which will influence FY2021
 - **Volume Levels** to which mail returns after the pandemic is concluded, which will influence the out-years
 - § After the 2008-2009 recession, some volume never returned (permanent 20% decline from FY2007 levels)
- Current projections suggest the following
- Again recognizing there are a number of unknowns:
 - How bad is it going to get?
 - How long will the economy stay shuttered?
 - Do we permanently lose volume to digital alternatives?
 - **Short term impact - Postal Q3 & Q4 (April – September)**
 - § Significant short-term impact for the remainder of FY2020 due to economic impact of COVID

- § USPS projects impact of up to a 50% decline in volumes in Q3 and 57% decline in Q4 based on the speed at which volume has already declined and information communicated by mailers.
- **Medium-term impact Fiscal Year 2021 (October 2020 – September 2021)**
 - § As time moves forward and the economic lock-down begins to lessen, USPS projects a gradual return of volumes beginning in Q1, to about 60% of the corresponding Pre-COVID levels in Q1.
 - § The rest of the Fiscal year it is assumed volumes will gradually return to about 74% of Pre-COVID volume levels (it is expected this will be worse than the great recession when USPS lost approximately 20% of volumes by the end due to the overall economic impact the lock-down is having)
- Long-term impact Fiscal Year 2022 and beyond
 - § The longer-term projection suggests a return to a “new normal” of about 74% of Pre-COVID volume levels where the long-term more gradual secular volume trends will resume for the next 10 years.
 - § The longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return will be less.

C. Revenue Decline

- The week of March 22 national revenue declined 12.2% v. Plan
- Last week national revenue declined 13.9% v. Plan
- **Revenue Trend:**

(millions)	Actual	Plan	Difference	% Difference
Week of 3/21	\$ 1,343	\$ 1,419	\$ (76)	-5.36%
Week of 3/28	\$ 1,245	\$ 1,418	\$ (173)	-12.23%
Week of 4/4	\$ 1,274	\$ 1,480	\$ (206)	-13.94%

D. Cash Impacts in the short-term:

- **Project \$13B revenue loss for the remainder of this fiscal year directly due to COVID-19**
 - Revenue is currently running about \$40-50M below plan each day
- Depending on the severity and length of the economic lock-down, current projections indicate the Postal Service would run out of cash by the end of this Fiscal Year if additional cash is not obtained (either through the additional possible Treasury loan, or additional funding mechanisms)
 - We will be illiquid in September with less than 1 payroll of cash remaining (Payroll is ~\$2B bi-weekly) with a negative cash balance in October
 - § The previous estimate was June.
 - § With the stimulus we can defer employer Social Security taxes (~\$1.1B thru September 2020) and Treasury agreed to lend us an additional \$3.4B which has extended our runway by approximately 3 months.
 - Even with the additional \$10B loan, USPS is projected to run out of cash in April 2021 as the \$3B in short-term lending comes due to Treasury
- Over the next 18 months (to the end of the next fiscal year) we project our net loss will increase by \$22.8B versus previous projections directly due to COVID
 - The previous baseline FY2020/FY2021 net loss projection was -\$16.3B
 - The COVID FY2020/FY2021 net loss projection is -\$39.1B
- Over the longer term (10 years) we project our net loss will increase by \$54.3B versus previous projections directly due to COVID
 - The previous ten year net loss projection was -\$146.1B
 - The COVID ten year net loss projection is -\$200.6B
- We will do what we can to reduce expenses through overtime and non-career hour reductions, and curtailing of discretionary spending, but due to the impact of COVID on availability, and the costs associated with the leave provisions of HR6201, our ability to significantly reduce expenses in the short-run is diminished.
- - These volume reductions require us to reduce workhours over the next 18 months by 123M which is approximately 69,000 FTEs.

- Cost of HR6201 is approximately \$600-\$900M depending on how many of our workforce suffer a qualifying condition related to COVID and how many have children and dependents out of school/daycare

E. Discussions with Treasury concerning the \$10B

- We have started discussions with Treasury concerning the additional borrowing authority and we look forward to a quick resolution so that we can have ready access to this necessary borrowing

What we Need Now – Short-Term ASK

As you know our Board of Governors is comprised of both Republicans and Democrats. They operate in a very bipartisan manner. The Postal Service's recommendations for both short term and medium term relief that I will discuss were adopted unanimously by the Board of Governors. We understand there is a need to focus on short relief to get us through the immediate COVID-19 crisis, and for that reason our immediate ask will be only for relief to help us recover from the direct effects that the COVID-19 pandemic has had and will have on our business.

However, in an effort to be fully transparent, I want to be clear that while this relief will help us to whether the storm caused to our business by the pandemic, it will not resolve our fundamental business model problems or restore the Postal Service to longer term financial health.

For that reason, I will lay out what the Board agrees is needed now to deal with the direct impacts of the COVID-19 pandemic. I will also briefly outline the additional financial relief which the Board believes will be necessary in future legislation to fix the business model problems of the Postal Service and to restore us to longer term financial health.

With regard to our immediate needs to deal with the threat to the Postal Service posed by the impacts to our business directly related to the COVID-19 pandemic, we seek the following four items from Congress:

- \$25B grant to cover COVID losses over the next two year period
- \$25B modernization grant to help the Postal Service whether the longer term economic impacts to our business resulting from the pandemic, which will ensure that the USPS can maintain and modernize our critical infrastructure to support the nation

- Debt forgiveness of the \$14.4B in outstanding debt
- Unrestricted borrowing authority up to \$25B
- The impact of COVID on our expected cash flows over the next 18 months was a decrease of approximately \$25B, and in the longer term is almost \$55B.
- The Postal Service was severely undercapitalized and this situation is exacerbated by COVID, and as a result we have requested that our \$14.4B debt be forgiven to improve our financial condition and provide added flexibility.
- Additionally the severe impact on Postal Service cash flows caused by the pandemic over the longer term as a result of the permanent shift in volumes will require further unsustainable deferment of infrastructure maintenance, and too little investment in new vehicles and automation.
- Providing this \$25B grant to enable the Postal Service to modernize our infrastructure has an additional benefit as a stimulus to the economy as the country returns to a new normal.
- Additionally, our projections are not the worst case—In fact, we are not sure where the bottom is. As a result, we need some cushion to help ensure we remain liquid.
- This short-term relief, which is only intended to address the direct impact of the COVID-19 pandemic on our infrastructure, will only allow us to maintain operations.
 - until 2023 (with defaults 2027);
 - If we do not receive the modernization grant this will provide relief until 2021 (with defaults 2025)

F. What we will eventually need medium-term (Within 18 months) to fix our business model and make us sustainable long-term

- We still need additional financial relief that will provide relief for the long-term (10 year horizon):
 - Prospective Medicare Integration with vested liability.
 - Pension relief
 - Pricing & product freedom and flexibility

- The financial relief provided from these items (which we are not seeking now), along with the relief that we are requesting now that is directly related to the pandemic, will provide positive cash flow over the 10 year period.
- To be clear, we will eventually need both the COVID-19 relief we are seeking now, as well as the additional financial relief which we will seek later, in order to fix our business model problems and to be financially sustainable.
- If we can't achieve this result relatively soon, we will be required to pursue more significant structural reforms to lower our costs in order to ensure that we can continue to pay our bills.

G. Other issues

- Note Purchase Agreement-The Note Purchase Agreement expired pursuant to its terms when we were not able to reach a consensus to extend it. To be clear, the NPA was primarily an administrative document that streamlined our ability to borrow from Treasury. Its expiration did not eliminate our ability to borrow from Treasury. Some lines of credit survived the expiration of the NPA, and in fact we exercised one last week to borrow an additional \$3.4B from Treasury.
- With regard to the \$10B in additional borrowing authority provided by the CARES Act, our anticipation is that we will be able to borrow that money, and in fact our CFO has had preliminary discussions with the FFB concerning that matter.
- Our request today concerning the borrowing authority provision is merely to further streamline the borrowing process, and to ensure that we have ready access to cash expeditiously, since we will need it to weather the COVID-19 storm.

OTHER

Volume decline – context we deliver roughly 3B pieces of mail a week; currently delivering 2.3B – losing roughly 700M pieces per week

Payroll ~\$4B per month

COVID-19 pandemic will increase our net operating losses by more than \$22B over the next 18 months and by more than \$54B over the next 10 years – threatening our ability to operate.

Introduction

I am so proud of courage displayed by our employees, and their outstanding work in processing, transporting and delivering mail, and packages in the midst of this national public health crisis. Every day they come to work, risking their health, in order to deliver much needed medications, Social Security and stimulus check, and other necessities to the American public. The Postal Service's role as an essential service, and an important part of our country's critical infrastructure was never more important than it is today.

Let me start by taking this opportunity to thank the men and women of the United States Postal Service for all they do every day to bind our nation together, and to emphasize the essential public service that they provide to all Americans as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, Postal Service employees accept, process, transport, and deliver vital mail and packages like medicine, products that sustain us, benefits checks, and important information, all with their usual resolve and quiet efficiency. As Americans are urged to stay home, the importance of the mail will only grow as people will need access to communications, essential packages and other necessities.

Commented [MTJ-WD1]: Just in case you want the equivalent of opening remarks

Given the fundamental role that they play as a part of the fabric of this nation, particularly in the difficult times we now face, I wanted to say how proud I am of the tremendous commitment of our employees. They put their anxiety and fear aside and go to work every day to provide a critical service to their communities. We all owe them our sincere gratitude and tremendous thanks.

That said, we are at a critical juncture in the life of the Postal Service. At a time when America needs us more than ever, the reason we are so needed is having a devastating effect on our business. Because of the significant impacts to our volume and revenues that we project as a direct result of the COVID-19 pandemic, we are in serious danger of running out of cash this fiscal year. Furthermore, even if we get access to the borrowing authority provided by the CARES Act as we expect, we project that we will run out of cash next fiscal year absent significant additional assistance from Congress. I would like to provide more details about these and other subjects in our discussion today.

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- We closely keep track of individuals that test positive for COVID-19 and work with local, state or municipal Health Departments in those situations.
- Social distancing is now being applied to every Postal Service function and facility.

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- We are installing sneeze guards in our retail facilities.
- To practice social distancing in our retail lobbies, we place social distancing notices on the outer and inner lobby doors, and place floor tape in the queue line six feet apart

~~• We closely keep track of individuals that test positive for COVID-19 and work with local, state or municipal Health Departments in those situations.~~

~~• Eliminated the requirement that customers sign our Mobile Delivery Devices for delivery~~

~~• Updated our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance to prevent the spread of coronavirus~~

~~• Expanded the use of telework for employees who are able to perform their jobs remotely. Enabled almost 17,000 employees with telework capability, including over 2,000 bargaining unit employees.~~

- In the case of senior centers we have designated several alternative means by which the Postal Service can accommodate delivery.

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B. Volume Decline

- The mail has been declining significantly over the past three weeks.
- The week of March 16, the total delivered mail (which is a lagging indicator) declined 5.3%; the week of March 22 the total delivered mail declined 7.5%; and last week it declined 24.3%
- This week through Tuesday the mail has declined 30.4%
- For the past two weeks packages have increased, primarily Priority and First Class
- The week of March 22 packages increased 5%; the week of March 30 packages increased 11.7%
- This week through Tuesday packages have increased 20%

- Although package growth has accelerated, we believe that trend is likely to reverse for several reasons.
- First, some of our customers are already expressing concerns about what they are reading about our financial condition, and are pursuing alternatives to move their products.
- Second, concerned of the impact of businesses losing faith in our ability to maintain operations, as well as the impact of the increase in the unemployment rate and the resulting decline in decreasing consumer income which will likely lead to less consumer spending and a decline in the overall package market.
- Finally, Ppackage growth will also be likely be impacted by supply chain disruptions across the system, as manufactured goods that go into the boxes decrease, thus this will reducing package volume.

• **Volume Trend:**

Week	Delivered Mail Volume	Delivered Packages	Entered Presort First-Class	Entered USPS Marketing	Entered Periodicals
Total Week (3/16 - 3/21)	-5.3%	-1.0%	9.0%	-21.6%	1.3%
Total Week (3/22 - 3/28)	-7.5%	5.0%	5.1%	-35.5%	-1.6%
Total Week (3/29 - 4/4)	-24.2%	11.8%	-15.7%	-38.9%	-26.7%
Week to Date (4/5 - 4/7)	-30.4%	19.9%	-1.0%	-44.5%	-51.4%

Volume Impact Estimates:

- There are three components to the COVID impact, that make the effects of the pandemic difficult to quantify:
 - **Depth** of the short-term impact during Calendar Q2 and Q3
 - **Duration** of the economic impact which will influence FY2021
 - **Volume Levels** to which that mail returns after the pandemic is concluded, which will influence the out-years
 - § After the 2008-2009 recession, the volume never returned (permanent 20% decline from FY2007 levels)
- Current projections suggest the following (DON'T FORGET APPROPRIATE CAVEATS HERE):

- Short term impact - Postal Q3 & Q4 (April – September)
 - § Significant short-term impact for the remainder of FY2020 due to economic impact of COVID
 - § USPS projects impact of up to a 50% decline in volumes in Q3 and 57% decline in Q4 based on the speed at which volume has already declined and information communicated by mailers.
- Medium-term impact Fiscal Year 2021 (October 2020 – September 2021)
 - § As time moves forward and the economic lock-down begins to lessen, USPS projects a gradual return of volumes beginning in Q1, to about 60% of the corresponding Pre-COVID levels with a 40% reduction in Q1. The rest of the Fiscal year it is assumed volumes will gradually return to about 74% of Pre-COVID volume levels (it is expected this will be worse than the great recession when USPS lost approximately 20% of volumes by the end due to the overall economic impact the lock-down is having)
- Long-term impact Fiscal Year 2022 and beyond
 - § The longer-term projection suggests a return to a “new normal” of about 74% of Pre-COVID volume levels where the long-term more gradual secular volume trends will resume for the next 10 years. The longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return will be less.

C. Revenue Decline

- The week of March 22 national revenue declined 12.2% v. Plan
- Last week national revenue declined 13.9% v. Plan

• Revenue Trend:

(millions)	Actual	Plan	Difference	% Difference
Week of 3/21	\$ 1,343	\$ 1,419	\$ (76)	-5.36%
Week of 3/28	\$ 1,245	\$ 1,418	\$ (173)	-12.23%
Week of 4/4	\$ 1,274	\$ 1,480	\$ (206)	-13.94%

D. Cash Impacts in the short-term:

- Project Impact of up to \$13B in revenue loss versus original plan for the remainder of this fiscal year directly due to COVID-19 over the next 6 months
 - Revenue is currently running about \$40-50M below plan each day

- Depending on the severity and length of the economic lock-down, current projections indicate the Postal Service ~~would~~ run out of cash by the end of this Fiscal Year if additional cash is not obtained (either through the additional possible Treasury loan, or additional funding mechanisms)
 - We will be illiquid in September with less than 1 payroll of cash remaining (Payroll is ~\$2B bi-weekly) with a negative cash balance in October
 - § The previous estimate was June.
 - § With the stimulus we can defer employer Social Security taxes (~\$1.1B thru September 2020) and Treasury agreed to lend us an additional \$3.4B which has extended our runway by approximately 3 months.
 - Even with the additional \$10B loan, USPS is projected to run out of cash in April 2021 as the \$3B in short-term lending comes due to Treasury
- Over the next ~~18 months (to the end of the next fiscal year)~~~~two-years~~ we project our net loss will increase by \$22.8B versus previous projections directly due to COVID
 - The previous baseline FY2020/FY2021 net loss projection was -\$16.3B
 - The COVID FY2020/FY2021 net loss projection is -\$39.1B
- Over the ~~longer term~~~~next ten-years~~, we project our net loss will increase by \$54.3B versus previous projections directly due to COVID
 - The previous ten year net loss projection was -\$146.1B
 - The COVID ten year net loss projection is -\$200.6B
- We will do what we can to reduce expenses through overtime and non-career hour reductions, and curtailing of discretionary spending, but due to the impact of COVID on availability, and the costs associated with the leave provisions of HR6201, our ability to significantly reduce expenses in the short-run is diminished. These volume reductions require us to reduce workhours over the next 18 months by 123M which is approximately 69,000 FTEs.
 - Cost of HR6201 is approximately \$600-\$900M depending on how many of our workforce ~~suffer a qualifying condition related succumb~~ to COVID and how many have children and dependents out of school/daycare

E. Discussions with Treasury concerning the \$10B

- The teams have begun dialog with Treasury concerning the additional borrowing authority and we look forward to a quick resolution so that we can have ready access to this necessary borrowing

F. What we Need Now – Short-Term Ask

As you know our Board of Governors is comprised ~~of comprised~~ of both Republicans and Democrats. They operate in a very bipartisan manner. The Postal Service's recommendations for both short term and medium ~~to long~~ term relief~~ve~~ that I will discuss were adopted unanimously by the Board of Governors. ~~While w~~We understand there is a need to focus on short relief to get us through the immediate COVID-19 crisis, and for that reason our immediate ask will be only for relief to help us recover from the direct effects that the COVID-19 pandemic has had and will have on our business.

However, in an effort to be fully transparent, I want to be clear that while this relief will help us to whether the storm caused to our business by the pandemic, it will not resolve our fundamental business model problems or restore the Postal Service to longer term financial health. it is important to recognize that the Postal Service will experience the adverse effects of this economic downturn well into the future. For that reason, I will lay out what the Board agrees is needed now to deal with the direct impacts of the COVID-19 pandemic. ,and what the I will also briefly outline the additional financial relief which the Board believes will be necessary in future legislation to fix the business model problems of the Postal Service and to restore us to longer term financial health,eded by way of longer term structural changes.

With regard to our immediate needs to deal with the threat to the Postal Service posed by the impacts to our business directly related to the COVID-19 pandemic, we seek the following four items from Congress:

- \$25B grant to cover COVID losses over the next two year period
- \$25B modernization grant to help the Postal Service whether the longer term economic impacts to our business resulting from the pandemic, which will ensure that the USPS can maintain and modernize our the-critical infrastructure to support the nation
- Debt forgiveness of the \$14.4B in outstanding debt
- Unrestricted borrowing authority up to \$25B

- The impact of COVID on our expected cash flows over the next 18 months was a decrease of approximately \$25B, and in the longer term is almost \$55B.
- The Postal Service was severely undercapitalized and this situation is exacerbated ~~by~~ COVID, and as a result we have requested that our \$14.4B debt be forgiven to improve our financial condition and provide added flexibility.
- Additionally the ~~severe impact on~~ Postal Service's ~~anemic~~ cash flows ~~caused by the pandemic over the longer term as a result of the permanent shift in volumes will require further~~ have caused unsustainable deferment of infrastructure maintenance, and too little investment in new vehicles, and automation.
- Providing this \$25B grant to enable the Postal Service to modernize our infrastructure has an additional benefit ~~As such, as a stimulus to the economy as the country returns to a new normal, and to modernize the Postal Service, we are requesting a \$25B.~~
- Additionally, our projections are not the worst case—In fact, we are not sure where the bottom is. As a result, we need some cushion to help ensure we remain liquid.
- This short-term relief, which is only intended to address the direct impact of the COVID-19 pandemic on our infrastructure, -will only allow us to maintain operations.
 - ~~This will provide us relief~~ until 2023 (with defaults 2027);
 - If we do not receive the modernization grant this will provide relief until 2021 (with defaults 2025)

G. What we will eventually need medium-term (Within 18 months) to fix our business model and make us sustainable long-term

- We still need additional financial relief that will provide relief for the long-term (10 year horizon):
 - Prospective Medicare Integration with vested liability.
 - Pension relief
 - Pricing & product freedom and flexibility
 - ~~Pension changes~~
 - ~~Structural changes to enable the system to adapt to volume changes~~
- The ~~short term financial~~ relief provided from these items (which we are not seeking now), along with the relief that we are requesting now that is directly

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related to the pandemic, above combined with these changes will provide positive cash flow over the 10 year period.

- To be clear, we will eventually need both the COVID-19 relief we are seeking now, as well as the additional financial relief which we will seek later, in order to fix our business model problems and to be financially sustainable.
- If we can't achieve this result relatively soon, we will be required to pursue more significant structural reforms to lower our costs in order to ensure that we can continue to pay our bills.

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H. Other issuesWhat we need long-term if we do not achieve resolution of our short and medium term items (Beyond 18 months)

- Note Purchase Agreement-The Note Purchase Agreement expired pursuant to its terms when we were not able to reach a consensus to extend it. To be clear, the NPA was primarily an administrative document that streamlined our ability to borrow from Treasury. Its expiration did not eliminate our ability to borrow from Treasury. Some lines of credit survived the expiration of the NPA, and in fact we exercised one last week to borrow an additional \$3.4B from Treasury.Postal Service has needed structural reform for years, the latest pandemic and economic disaster is simply exacerbating an already broken business model—a fixed-cost infrastructure that cannot adopt to the volume realities—we are delivering less mail to more delivery points
- With regard to the \$10B in additional borrowing authority provided by the CARES Act, our anticipation is that we will be able to borrow that money, and in fact our CFO has had preliminary discussions with the FFB concerning that matter.
- Our request today concerning the borrowing authority provision is merely to further streamline the borrowing process, and to ensure that we have ready access to cash expeditiously, since we will need it to weather the COVID-19 storm.

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Introduction

Let me start by taking this opportunity to thank the men and women of the United States Postal Service

At least six days per week, and in some instances seven, Postal Service employees accept, process, transport, and deliver vital mail and packages like medicine, products that sustain us, benefits checks, and important information, all with their usual resolve and quiet efficiency.

Postal employees provide an essential public service to all Americans as a part of the country's critical infrastructure. They go to work every day to serve their communities. We owe them a debt of gratitude.

Our number one priority is to protect the health and safety of our employees.

A. Permit me to outline – high level **how we are protecting our employees.**

- We are following the guidance of the Centers for Disease Control and Prevention and other public health authorities
- We are coordinating our policies to protect our employees with all four of our union presidents
- We have established a dedicated COVID-19 Command Response leadership team
- We share CDC guidance with all of our employees on ways to avoid contracting and spreading the virus.
- Based on CDC's April 3 guidance recommending that cloth face coverings be worn in public settings, we are strongly encouraging all employees to follow this recommendation. We have sufficient inventory to provide non-medical masks to employees upon request or they may bring their own personal cloth face coverings to work for use while on duty.

- We have distributed gloves and hand sanitizers in our facilities. However, the increased demand for gloves and sanitizer depleted supplies of those items in some locations, but we are replenishing our stock.
- **Expanded employee leave provisions, including adding temporary additional paid leave for Non-Career Employees and ability to use sick leave dependent care to include child care.**
- We have instituted a liberal leave policy to encourage employees who think they might be sick or are developing symptoms potentially related to COVID-19 to stay at home and take leave. Pursuant to the Families First Coronavirus Response Act, all employees will also receive 80 hours of emergency sick leave in addition to what they otherwise have accrued.
- We closely keep track of individuals that test positive for COVID-19 and work with local, state or municipal Health Departments in those situations.
- Social distancing is now being applied to every Postal Service function and facility.
- We are installing sneeze guards in our retail facilities.

To practice social distancing in our retail lobbies, we placed social distancing notices on the outer and inner lobby doors, and place floor tape in the queue line six feet apart

- To protect our employees and customers, we eliminated the requirement that customers sign our Mobile Delivery Devices for delivery
- Updated our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance to prevent the spread of coronavirus
- Expanded the use of telework for employees who are able to perform their jobs remotely, Enabled almost 17,000 employees with telework capability, including over 2,000 bargaining unit employees

TURNING TO THE BUSINESS:

As Americans are urged to stay home, the importance of the mail will only grow as people will need access to communications, essential packages and other necessities.

That said, we are at a critical juncture in the life of the Postal Service. At a time when America needs us more than ever, the reason we are so needed is having a devastating effect on our business.

Because of the significant impacts to our volume and revenues that we project as a direct result of the COVID-19 pandemic, we are in serious danger of running out of cash this fiscal year.

Furthermore, even if we get access to the borrowing authority provided by the CARES Act as we expect, we project that we will run out of cash next fiscal year absent significant additional assistance from Congress.

B. Shift to Volume Decline

- **Here's what we are seeing right now - the mail has been declining significantly over the past three weeks.**

Week	Delivered Mail Volume	Delivered Packages	Entered Presort First-Class	Entered USPS Marketing	Entered Periodicals
Total Week (3/16 - 3/21)	-5.3%	-1.0%	9.0%	-21.6%	1.3%
Total Week (3/22 - 3/28)	-7.5%	5.0%	5.1%	-35.5%	-1.6%
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- **The week of March 16, the total delivered mail (which is a lagging indicator) declined 5.3%; the week of March 22 the total delivered mail declined 7.5%; and last week it declined 24.3%**
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- **This week through Tuesday packages have increased 20%**
 - **Although package growth has accelerated, we believe that trend is likely to reverse for several reasons.**
 - **First, some of our customers are already expressing concerns about what they are reading about our financial condition, and are pursuing alternatives to move their products.**
 - **Second, the impact of the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.**
 - **Finally, package growth will also be likely be impacted by supply chain disruptions across the system, as manufactured goods that go into the boxes decrease, thus reducing package volume.**

Volume Impact Estimates:

- There are three components to the COVID impact, that make the effects of the pandemic difficult to quantify:
 - **Depth** of the short-term impact during Calendar Q2 and Q3
 - **Duration** of the economic impact which will influence FY2021
 - **Volume Levels** to which mail returns after the pandemic is concluded, which will influence the out-years
 - § After the 2008-2009 recession, some volume never returned (permanent 20% decline from FY2007 levels)
- Current projections suggest the following
- Again recognizing there are a number of unknowns:
 - How bad is it going to get?
 - How long will the economy stay shuttered?
 - Do we permanently lose volume to digital alternatives?
 - **Short term impact - Postal Q3 & Q4 (April – September)**
 - § Significant short-term impact for the remainder of FY2020 due to economic impact of COVID

- § USPS projects impact of up to a 50% decline in volumes in Q3 and 57% decline in Q4 based on the speed at which volume has already declined and information communicated by mailers.
- **Medium-term impact Fiscal Year 2021 (October 2020 – September 2021)**
 - § As time moves forward and the economic lock-down begins to lessen, USPS projects a gradual return of volumes beginning in Q1, to about 60% of the corresponding Pre-COVID levels in Q1.
 - § The rest of the Fiscal year it is assumed volumes will gradually return to about 74% of Pre-COVID volume levels (it is expected this will be worse than the great recession when USPS lost approximately 20% of volumes by the end due to the overall economic impact the lock-down is having)
- Long-term impact Fiscal Year 2022 and beyond
 - § The longer-term projection suggests a return to a “new normal” of about 74% of Pre-COVID volume levels where the long-term more gradual secular volume trends will resume for the next 10 years.
 - § The longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return will be less.

C. Revenue Decline

- The week of March 22 national revenue declined 12.2% v. Plan
- Last week national revenue declined 13.9% v. Plan

• Revenue Trend:

(millions)	Actual	Plan	Difference	% Difference
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D. Cash Impacts in the short-term:

- **Project \$13B revenue loss for the remainder of this fiscal year directly due to COVID-19**
 - Revenue is currently running about \$40-50M below plan each day
- Depending on the severity and length of the economic lock-down, current projections indicate the Postal Service would run out of cash by the end of this Fiscal Year if additional cash is not obtained (either through the additional possible Treasury loan, or additional funding mechanisms)
 - We will be illiquid in September with less than 1 payroll of cash remaining (Payroll is ~\$2B bi-weekly) with a negative cash balance in October
 - § The previous estimate was June.
 - § With the stimulus we can defer employer Social Security taxes (~\$1.1B thru September 2020) and Treasury agreed to lend us an additional \$3.4B which has extended our runway by approximately 3 months.
 - Even with the additional \$10B loan, USPS is projected to run out of cash in April 2021 as the \$3B in short-term lending comes due to Treasury
- Over the next 18 months (to the end of the next fiscal year) we project our net loss will increase by \$22.8B versus previous projections directly due to COVID
 - The previous baseline FY2020/FY2021 net loss projection was -\$16.3B
 - The COVID FY2020/FY2021 net loss projection is -\$39.1B
- Over the longer term (10 years) we project our net loss will increase by \$54.3B versus previous projections directly due to COVID
 - The previous ten year net loss projection was -\$146.1B
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- We will do what we can to reduce expenses through overtime and non-career hour reductions, and curtailing of discretionary spending, but due to the impact of COVID on availability, and the costs associated with the leave provisions of HR6201, our ability to significantly reduce expenses in the short-run is diminished.
- - These volume reductions require us to reduce workhours over the next 18 months by 123M which is approximately 69,000 FTEs.

- Cost of HR6201 is approximately \$600-\$900M depending on how many of our workforce suffer a qualifying condition related to COVID and how many have children and dependents out of school/daycare

E. Discussions with Treasury concerning the \$10B

- We have started the process with Treasury concerning the additional borrowing authority and we are meeting later today to continue the discussion.

What we Need Now – Short-Term ASK

As you know our Board of Governors is comprised of both Republicans and Democrats. They operate in a very bipartisan manner. The Postal Service's recommendations for both short term and medium term relief that I will discuss were adopted unanimously by the Board of Governors. We understand there is a need to focus on short relief to get us through the immediate COVID-19 crisis, and for that reason our immediate ask will be only for relief to help us recover from the direct effects that the COVID-19 pandemic has had and will have on our business.

However, in an effort to be fully transparent, I want to be clear that while this relief will help us to whether the storm caused to our business by the pandemic, it will not resolve our fundamental business model problems or restore the Postal Service to longer term financial health.

For that reason, I will lay out what the Board agrees is needed now to deal with the direct impacts of the COVID-19 pandemic. I will also briefly outline the additional financial relief which the Board believes will be necessary in future legislation to fix the business model problems of the Postal Service and to restore us to longer term financial health.

With regard to our immediate needs to deal with the threat to the Postal Service posed by the impacts to our business directly related to the COVID-19 pandemic, we seek the following four items from Congress:

- \$25B grant to cover COVID losses over the next two year period
- \$25B modernization grant to help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic, which will ensure that the USPS can maintain and modernize our critical infrastructure to support the nation

- Mechanism to pay off the \$14.4B in outstanding debt
- Consolidate the borrowing authority provided in Stimulus 3 of \$10B with \$15B statutory authority providing us
- Unrestricted borrowing authority up to \$25B
- The impact of COVID on our expected cash flows over the next 18 months was a decrease of approximately \$25B, and in the longer term is almost \$55B.
- The Postal Service was severely undercapitalized and this situation is exacerbated by COVID, and as a result we have requested that our \$14.4B debt be forgiven to improve our financial condition and provide added flexibility.
- Additionally the severe impact on Postal Service cash flows caused by the pandemic over the longer term as a result of the permanent shift in volumes will require further unsustainable deferment of infrastructure maintenance, and too little investment in new vehicles and automation.
- Providing this \$25B grant to enable the Postal Service to modernize our infrastructure has an additional benefit as a stimulus to the economy as the country returns to a new normal.
- Additionally, our projections are not the worst case—In fact, we are not sure where the bottom is. As a result, we need some cushion to help ensure we remain liquid.
- This short-term relief, which is only intended to address the direct impact of the COVID-19 pandemic on our infrastructure, will only allow us to maintain operations.
 - until 2023 (with defaults 2027);
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F. What we will eventually need medium-term (Within 18 months) to fix our business model and make us sustainable long-term

- We still need additional financial relief that will provide relief for the long-term (10 year horizon):
 - Prospective Medicare Integration with vested liability.
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- Pricing & product freedom and flexibility
- The financial relief provided from these items (which we are not seeking now), along with the relief that we are requesting now that is directly related to the pandemic, will provide positive cash flow over the 10 year period.
- To be clear, we will eventually need both the COVID-19 relief we are seeking now, as well as the additional financial relief which we will seek later, in order to fix our business model problems and to be financially sustainable.
- If we can't achieve this result relatively soon, we will be required to pursue more significant structural reforms to lower our costs in order to ensure that we can continue to pay our bills.

G. Other issues

- Note Purchase Agreement-The Note Purchase Agreement expired pursuant to its terms when we were not able to reach a consensus to extend it. To be clear, the NPA was primarily an administrative document that streamlined our ability to borrow from Treasury. Its expiration did not eliminate our ability to borrow from Treasury. Some lines of credit survived the expiration of the NPA, and in fact we exercised one last week to borrow an additional \$3.4B from Treasury.
- With regard to the \$10B in additional borrowing authority provided by the CARES Act, our anticipation is that we will be able to borrow that money, and in fact our CFO has had preliminary discussions with the FFB concerning that matter.
- Our request today concerning the borrowing authority provision is merely to further streamline the borrowing process, and to ensure that we have ready access to cash expeditiously, since we will need it to weather the COVID-19 storm.

DISCUSSION WITH DEPARTMENT OF TREASURY
CONCERNING BORROWING UNDER THE CARES ACT
4/9/2020

Department of Treasury

Gary Grippio
Kip Kranbuhl
Various others, who did not
identify themselves
and provided no input

Postal Service

Joe Corbett
Tom Marshall
Elizabeth Schafer
Mark Berthold
Walter Alesevich

Major discussion points (mostly presented by Gary Grippio):

- Loan to be directly from the Treasury, not the FFB
 - Don't want to run this through books of the FFB
- Note Agreement to be premised on Treasury's Basic Interagency Borrowing Document (MOU)
 - Similar to what Treasury presented to Ginny Mae
- Not a future advance promissory note; the note would be in a maximum amount and the Postal Service would draw down on that amount
- Terms and Conditions
 - No Consent Rights
 - Triggering Events for Borrowing
 - § Reporting to Treasury amount Postal Service cash position
 - § Report of Postal Service actual volumes compared to projections
 - § Condition—when permissible draw relative to cash on hand
 - Interest Rate—Ensure the Treasury's cost of funds were covered
- Maturity—Haven't thought this condition through
- Reporting at the time of draw
 - Satisfaction of covenants as a prerequisite to exercising a draw
 - Certification of Postal Service amount operating losses
- Secretary Mnuchin is reviewing everything related to CARES Act.
 - He reviews every press release
 - He will review documents related to the \$10B Postal Service borrowing

Liz Schafer asked to forward a copy of the MOU; Grippio responded to Joe that the MOU embodies the process and accounting aspects of the loan and that we would have an initial copy in a week to 10 days

In response to Tom Marshall's questions about discussions with Mike Elston about potential debt forgiveness, Kip Kranbuhl noted that the outstanding obligations needs to be repaid so as to avoid the FFB booking a loss. Kip Kranbuhl also noted that Treasury is looking for a sense of where the Postal Service's financial are (what is the burn rate?) Gary Grippio noted that he had discussions with the Postal Service and he would brief Kip Kranbuhl.

DISCUSSION WITH DEPARTMENT OF TREASURY
CONCERNING BORROWING UNDER THE CARES ACT
4/9/2020

Department of Treasury

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 - He will review documents related to the \$10B Postal Service borrowing

Liz Schafer asked to forward a copy of the MOU; Grippio responded to Joe that the MOU embodies the process and accounting aspects of the loan and that we would have an initial copy in a week to 10 days

In response to Tom Marshall's questions about discussions with Mike Elston about potential debt forgiveness, Kip Kranbuhl noted that the outstanding obligations needs to be repaid so as to avoid the FFB booking a loss. Kip Kranbuhl also noted that Treasury is looking for a sense of where the Postal Service's financial are (what is the burn rate?) Gary Grippio noted that he had discussions with the Postal Service and he would brief Kip Kranbuhl.

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ATTORNEY-CLIENT COMMUNICATION
ATTORNEY WORK PRODUCT**

MEMORANDUM

April 24, 2020

TO: Thomas J. Marshall and Keith E. Weidner
FROM: Mayer Brown LLP
RE: Ceding control of Postal Service operations to the Federal Financing Bank

This memo sets out a summary of our central conclusions on the legality of an agreement that would cede effective operational control of key Postal Service functions to the Secretary of the Treasury or the Federal Financing Bank (FFB). In conducting this analysis, we assume that the terms of the proposed agreement would be substantially similar to those that the Postal Service discussed with the FFB in 2019. We base our conclusions both on a review of all the relevant materials prepared by the Postal Service and Treasury in 2019, and on our own independent research into the governing constitutional and statutory law.

We agree with the conclusion reached by the Postal Service at that time that such a surrender of Postal Service decision-making authority would be impermissible as a matter of law. By statute, Congress has given control over postal operations to the Governors and the Board of Governors. Under settled principles of constitutional law and statutory interpretation, the Governors may not “subdelegate” that authority to another department of the Executive Branch unless there is affirmative evidence that Congress permitted them to do so. And Congress has not affirmatively provided the Governors permission to subdelegate control over Postal Service operations to Treasury or the FFB, either in the recent CARES Act or in the Postal Service’s organic statute, the Postal Reorganization Act (PRA). Any agreement by the Postal Service to surrender its authority to the Secretary of the Treasury or to the FFB therefore would be illegal.

In particular:

- The Postal Service is an independent authority of the Executive Branch whose powers are statutorily assigned by Congress to the Governors and the Board of Governors. The courts uniformly have held that, when Congress has conferred specified powers on a particular agency, a different agency may not exercise those powers unless there is “affirmative evidence” that Congress permitted subdelegation of that authority from the first to the second agency; “[a] general delegation of decision-making authority to a federal administrative agency does *not*, in the ordinary course of things, include the power to subdelegate that authority” to a different agency. *U.S. Telecom Ass’n v. FCC*, 359 F.3d 554, 566 (D.C. Cir. 2004). Consequently, the questions here are whether (1) an agreement between the Postal Service and Treasury/FFB giving the latter control over core Postal Service operations would in fact constitute a subdelegation of the Postal Service’s authority; and (2) if so, whether that subdelegation has been authorized by Congress with sufficient clarity.
- On the first of these questions, an agreement that would give the Treasury/FFB control over Postal Service policy and decision-making **would** constitute a subdelegation. There is little case law precisely on point, but that likely is because no agency has proposed ceding to another government department effective control over central aspects of its decision making, including its relations with third parties and its policymaking—which is the sort of control demanded by the FFB in 2019. Indeed, the FFB did not really argue otherwise in 2019. The more limited points that it did offer in support of its argument that the proposed agreement would not constitute a subdelegation are unpersuasive.
 - The FFB suggested that, by entering into the proposed agreement, the Postal Service would not be subdelegating its authority, but instead exercising its own choice to accept FFB control. This distinction is plainly wrong; it is simply another way of stating that the Postal Service (by accepting the proposal) would have chosen to subdelegate its authority. That doesn’t distinguish the situation here from every case of subdelegation, in which the delegating agency (whether by contract or by regulation) will have voluntarily sought to delegate an element of its authority.

- The FFB also contended that the Postal Service would retain ultimate control over its policies because it could break its agreement with the FFB, subject only to the loss of financing that the FFB had not been obligated to provide in the first place and that the Postal Service could seek from other sources. Although the FFB did not put its position in these terms, it could analogize this theory to decisions that have recognized the propriety of agencies consulting with other executive departments (or with private parties), so long as the principal agency retains final decision-making authority. On that view, Treasury or the FFB would simply be seeking input into Postal Service decision making that the Postal Service would be free to reject.

Our view, however, is that the subdelegation doctrine makes it impermissible for an Executive Branch instrumentality to enter into what purports to be a binding agreement to illegally subdelegate its authority. That is so for a number of reasons.

- ✓ **First**, even if there is a theoretical possibility that the Postal Service could terminate its loan agreement rather than accede to particular future Treasury/FFB directions, so long as the contract is in force there would be an illegal subdelegation, which would make it improper for the Postal Service to agree to the proposed contract terms.
- ✓ **Second**, and relatedly, by accepting funds from the Treasury/FFB on the condition that it submit to their control, the Postal Service would be taking action—and would be inducing Treasury/FFB also to take action—expressly premised on the existence of an illegal subdelegation. This looks nothing like the sort of mechanism for offering nonbinding advice from one agency to another that has been found to be consistent with the subdelegation doctrine. We doubt that courts would find such an agreement lawful on the “wink and

a nod” understanding that the facially binding contract is only for show.

- ✓ And *third*, the PRA specifically authorizes the Postal Service to enter into “binding covenants” with the holders of its obligations relating to use of Postal Service revenues and receipts, indicating the congressional expectation that Postal Service contracts would in fact be binding in the ordinary sense. Against this background, there is no basis to believe that Congress authorized the Postal Service to subdelegate its authority by entering into facially “binding” contractual obligations that it intends to disregard.

This problem could not be avoided by including a contract term that allows the Postal Service to terminate the lending agreement and return the borrowed funds. In those circumstances, there still would be an illegal subdelegation while the contract was in force. And the reality is that the Postal Service would be unlikely to be able to return the funds in light of its other legal obligations (*e.g.*, union contracts, retirement funding obligations, and operational requirements), making the possibility of termination—and the avoidance of impermissible subdelegation—illusory..

- The FFB invoked court decisions that recognize the authority of federal agencies to condition their actions on determinations made by other federal agencies, by state agencies, or even by nongovernmental entities. Although the limits of this principle are a little murky, we believe that courts would find these decisions inapposite here. The decisions cited by the FFB generally involve circumstances where it was reasonable for the principal agency to defer to the judgments of, or to rely on factual findings made by, a separate entity that has special knowledge or expertise bearing on the principal agency’s action. This sort of incorporation of a secondary determination constitutes only a very limited form of subdelegation. The proposal here,

which would delegate central Postal Service policymaking authority to an entity that has no programmatic connection to postal operations, is materially different. If the proposed agreement here is legal, the limit on subdelegation would effectively be read out of the law.

- On the second question posed by the prospect of awarding control over Postal Service operations to Treasury/FFB, Congress has not authorized that sort of subdelegation of Postal Service authority. Here, two interpretive rules apply: as a general matter, Congress does not use ordinary language to achieve extraordinary results (what the Supreme Court has called the “no elephants in mouseholes” principle); and, in particular, courts will not find subdelegation unless Congress has authorized it with unmistakable clarity. Both principles establish that the proposed subdelegation is not authorized.
 - In 2019 the FFB suggested that the Postal Service’s general authority under the PRA to enter into contracts related to financing that it deems “necessary and desirable” authorizes it to contract away its authority. 39 U.S.C. § 2005(b)(1); *see also* 39 U.S.C. § 2005(c)(8) (obligations may be subject to such “terms and conditions” as the Postal Service determines); 39 U.S.C. § 2006(a) (Secretary of the Treasury and the Postal Service may enter into financing agreements under “such terms” as they agree). The CARES Act contains very similar language, providing that the Secretary of the Treasury may lend to the Postal Service “upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.” § 6001(b)(2). Although this language may be literally consistent the Postal Service entering into a contract on terms that surrender its core powers, the statutory text is insufficiently clear to authorize a subdelegation of Postal Service authority.
 - ✓ So far as the PRA is concerned, the remainder of Sections 2005 and 2006 are technical or general; nothing in them suggests that Congress meant to authorize the Postal Service to cede control over central aspects of its operations. Even if contractual

provisions of the sort proposed by the FFB in 2019 might appear in a private contract, read in context it is very unlikely that Congress meant the boilerplate “terms and conditions” language of Sections 2005 and 2006 to authorize a governmental entity to surrender its core decision-making authority.

- ✓ As for the CARES Act, it provides simply that the Postal Service may borrow funds from Treasury to be used for “operating expenses” if additional amounts are necessary “due to the COVID-19 emergency.” § 6001(b). Here, too, there is no suggestion in the statutory language or structure that Congress had it in mind to allow for a fundamental reallocation of Postal Service powers, let alone “affirmative evidence” that Congress meant to authorize subdelegation of Postal Service authority.
- ✓ That conclusion is confirmed by unambiguous evidence that Congress meant to safeguard the independence of the Postal Service and, to the greatest extent possible, to insulate it from direct control by the President or other Executive Branch officials. That is why the PRA gives the Governors ultimate authority over the Postal Service and permits their removal only for cause. The legislative history of the PRA also contains clear indications that, in particular, Congress did not want the Secretary of the Treasury to use control over financing as a means of interfering with Postal Service operations. The PRA’s anodyne contracting language is wholly consistent with these indications of congressional intent.
- ✓ The even more cursory terms of the CARES Act cannot reasonably be read to reverse this fundamental and long-settled congressional policy favoring Postal Service independence. The Congress that enacted the CARES Act is presumed to have been aware that the PRA was designed to limit direct presidential control

over the Postal Service and to differentiate the Postal Service from conventional executive departments. Given that understanding, a simple authorization for the Postal Service to enter into a loan agreement with the Secretary of the Treasury—which is all the CARES Act contains—does not authorize the Secretary to demand, or the Postal Service to accept, Treasury control over Postal Service operations.

- The FFB argued in 2019 that its own statute authorizes subdelegation of Postal Service authority, but that contention is insupportable. The FFB is authorized generally to purchase or sell obligations issued, sold, or guaranteed by a federal agency “on terms and conditions determined by the bank.” 12 U.S.C. § 1285(a). As with the similar language in the PRA and the CARES Act, that phrase is not reasonably understood to give the FFB authority to demand control over the policy making of myriad federal agencies. In fact, the legislative history shows that the FFB was created to coordinate federal financing programs and, in particular, that Congress did *not* intend the FFB to be a mechanism by which the Treasury Secretary could assert authority over Postal Service policy. Nothing here provides the clarity necessary to support subdelegation.
- Entering into an agreement that creates an illegal subdelegation, even if that were something the Postal Service might consider, would create serious practical problems. Third parties that were adversely affected by policy changes demanded by Treasury/FFB—including, among other parties, Postal Service employees and customers—would have standing to bring lawsuits challenging the legality of those changes as inconsistent with the bar on subdelegation. In our view, those suits would likely be successful. Courts might respond by invalidating the changes, and perhaps the lending agreement itself. Although the ways in which such judicial decisions might be implemented are not entirely clear, at a minimum such decisions would cause great uncertainty and could result in substantial disruption of Postal Service operations and funding.



Memorandum

VIA EMAIL

To: Keith Weidner, Deputy Legal Counsel, United States Postal Service
From: Stefan Passantino
CC: Joe Olson, Nicholas Boerke and Nathan Groth
Date: March 26, 2020
Subject: The Defense Production Act of 1950 and COVID-19 Pandemic

THE DEFENSE PRODUCTION ACT OF 1950

(50 U.S.C. §4501 *et seq.*)

And its implications for the United States Postal Service (“USPS”) during the COVID-19 Pandemic

Introduction

The Defense Production Act of 1950 (“DPA”) was originally enacted as a response to the outbreak of the Korean War and was modeled after the War Powers Acts of World War II. The DPA, however, far outlasted active hostilities in Korea and Congress has amended, extended and or renewed portions of the DPA more than 50 times—most recently Congress extended the DPA until September 30, 2025 in the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (P.L. 115-232). In the DPA Congress declared that

the security of the United States is dependent on the ability of the domestic industrial base to ***supply materials and services*** for the national defense and to prepare for and respond to military conflicts, ***natural or man-caused disasters***, or acts of terrorism within the United States.

50 U.S.C. §4502(a)(1) (emphasis added).

In general the DPA confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the “national defense.” Three main sections of the DPA remain, (I) Title III: Strengthening Domestic Capability; (II) Title I: Priorities and Allocations; and (III) Title VII: General Provisions. Because Title III is most applicable to the USPS and the COVID-19 Pandemic, we will discuss Title II before Title I, below.

The DPA expressly provides the Executive Branch with an “array of authorities to shape ***national defense*** preparedness programs and to take appropriate steps to maintain and enhance the domestic industrial base.” 50 U.S.C. §4502(a)(4) (emphasis added). The term “national defense” is defined very broadly in the DPA, including many of the functions provided by the USPS; national defense is defined as

programs for military and energy production or construction, military or critical infrastructure assistance to any foreign nation, homeland security, stockpiling, space, and any directly related activity. Such term includes emergency preparedness activities conducted pursuant to title VI of The Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 U.S.C. §§5195 et seq.] and critical infrastructure protection and restoration.

50 U.S.C. §4552(14).

“Critical infrastructure” is further broadly defined in the DPA to include “any systems and assets, whether physical or cyber-based, so vital to the United States that the degradation or destruction of such systems and assets would have a debilitating impact on national security, including, but not limited to, national economic security and national public health and safety.” 50 U.S.C. §4552(2). With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World’s mail, the USPS is unquestionably critical to a functioning U.S. and World economy. See <https://facts.usps.com>. The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified “postal and shipping workers” as part of the “Essential Critical Infrastructure Workforce” in light of the COVID-19 Pandemic by memorandum dated March 19, 2020. See https://www.cisa.gov/sites/default/files/publications/CISA_Guidance_on_the_Essential_Critical_Infrastructure_Workforce_508C_0.pdf.

Moreover, the DPA references 42 U.S.C. §5195(a)(3) for the definition of “emergency preparedness” activities, which includes

all those activities and measures designed or undertaken to prepare for or minimize the effects of a hazard upon the civilian population, to deal with the immediate emergency conditions which would be created by the hazard, and to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by the hazard.

As a result the DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. In fact, the essential services provided by the USPS, including the universal services mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public.

I. Title III of the DPA: *Strengthening Domestic Capability*

Title III of the DPA allows the President, or other portions of the Executive Branch through delegation, to provide incentives and assistance, including loans and loan guarantees, to, *inter alia*, “assure that critical components, critical technology items, essential materials, and industrial resources are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilization, and national emergency.” U.S.C. §4517(b). As explained above, the USPS is likely considered part of the “critical infrastructure” of the United States, and the World, and Title III of the DPA allows for assistance and incentives to the USPS to assure that its critical function is provided in both peacetime and during a national emergency such as the COVID-19 Pandemic.

Pursuant to 50 U.S.C. §4531(a) the President has the authority under the DPA to reduce current shortfalls or prevent projected shortfalls of those entities providing critical items by authorizing direct loans or loan guarantees “for the purpose of financing any contractor, subcontractor, ***provider of critical infrastructure***, or other person in support of . . . production and ***deliveries or services essential to the national defense***.” *Id.* (emphasis added). Although the DPA typically requires meeting certain conditions and for the President to make certain determinations before the incentives can be provided, if a national emergency is declared by Congress or the President such conditions and determinations do not apply. 50 U.S.C. §4531(2). In the case of the COVID-19 Pandemic, the President has formally declared a national emergency and therefore the conditions and determinations are not required. See <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>. Regardless of a declaration of national emergency, Congress still must appropriate funds providing authority for such loan or loan guarantees. 50 U.S.C. §4531(3).

Congress has authorized the USPS, pursuant to 39 U.S.C. §2005, to borrow certain amounts of funds, but the total amount and net annual increase in obligations is subject to significant restrictions. However, the “CARES Act,” which has passed the Senate and is pending before the House of Representatives, includes an express appropriation of funds for direct loans to the USPS from the U.S. Treasury notwithstanding the limitations in 39 U.S.C. §2005. Specifically, Title VI, §6001(b) of the “CARES Act” currently includes language that allows the USPS to “borrow money from the Treasury in an amount not to exceed \$10,000,000,000,” in addition to any other existing borrowing authority, if the USPS determines that due to the COVID-19 Pandemic it “will not be able to fund operating expenses without borrowing money.” The direct loan(s) of up to \$10 Billion must be used for operating expenses and cannot be used for the payment of existing debt. *Id.* §6001(b)(1)(A)-(B). The loans under the CARES Act may be upon favorable terms, including any terms and conditions mutually agreed upon by the Secretary [of the Treasury] and the [USPS].” *Id.* §6001(b)(2).

Although the \$10 Billion of available borrowing authority under the CARES Act, if enacted, is an important tool for the USPS to weather the COVID-19 Pandemic, the USPS payroll is approximately \$4 Billion every two weeks and if additional borrowing becomes necessary Title III of the DPA can be invoked to provide additional funds so that USPS can continue to provide its critical infrastructure during this national emergency.

II. Title I of the DPA: *Priorities and Allocations Authority*

Title I of the DPA allows the President, or other portions of the Executive Branch through delegation, to require persons, businesses and other entities to (1) give ***priority*** to certain contracts, orders or other performance as necessary or appropriate to promote the national defense and (2) to ***allocate*** the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a).

The prioritization authority is the most commonly used aspect of the DPA, namely with regard to certain contracts or orders by the Department of Defense, including the B-2 Bomber, Air Force One and certain Mine Resistant Ambush Protected (MRAP) Vehicles. See www.bis.doc.gov/index.php/forms-documents/pdfs/1257-dx-dated-program-list/file. Although less common, other departments and agencies have used DPA prioritization such as the Department of Homeland Security requiring prioritization of manufacturing housing units, food and bottled water during the 2017 disaster season. See Department of Homeland Security, *The Defense Production Act Committee: Report to Congress*, Calendar Year 2017 Report, June 18, 2018, p. 10.

The allocation authority is rarely used. The best example of its use is the Civil Reserve Air Fleet (CRAF) whereby civilian aircraft are “allocated” for potential use by the Department of Defense in case needed in a nation defense crisis where the existing military air fleet is insufficient. See www.dot.gov/ost/oiser/craf.htm. However, the use of the allocation authority has recently been a topic of consideration during the COVID-19 Pandemic to potentially require private corporations to allocate resources towards the immediate production of test kits and other medical supplies.

Although providing powerful tools for the Executive Branch to invoke private assistance in national defense and national emergency efforts, the prioritization and allocation authorities of Title I are less likely to impact the USPS and more likely to affect private industry and manufacturing companies. That being said, Title VI, § 6001(c) of the “CARES Act,” which has passed the U.S. Senate and is pending before the House of Representatives, expressly instructs the USPS to “prioritize delivery of postal products for medical purposes” during the COVID-19 Pandemic and “establish temporary delivery points, in such form and manner as the [USPS] determines necessary, to protect employees . . . and individuals receiving deliveries...”

III. Title VII of the DPA: *General Provisions*

Title VII of the DPA includes various miscellaneous provisions that are generally not applicable to the USPS, including, *inter alia*, special preferences for small businesses, 50 U.S.C. §4551, ability to conduct investigations and obtain information regarding the domestic industrial base, 50 U.S.C. §4555, immunity from anti-trust laws where the DPA is used to encourage voluntary agreements between competing companies and interest, 50 U.S.C. §4558, the ability of the President to create a committee of industry executives, 50 U.S.C. §4560, and the creation of a committee on foreign investment, 50 U.S.C. §4565.

Conclusion

The DPA is an important and strong tool for the President and the Executive Branch to act in (or prepare for) wartime and times of crisis or emergency and the crucial function of the USPS makes it part of the “critical infrastructure” of the United States that is intended to be protected by the DPA.

Most applicable to the potential needs of the USPS in times of crisis such as the COVID-19 Pandemic is the authority to provide the USPS with significant direct loans or loan guarantees pursuant to Title III of the DPA. However, because the DPA requires express appropriation for such direct loans and loan guarantees and existing Federal Law caps USPS borrowing authority the USPS cannot rely exclusively on Executive authority under the DPA.

The USPS should:

- (1) engage Congress to assure passage of the CARES Act by the House without alteration to the section authorizing \$10 Billion in direct loans;
- (2) immediately upon passage of the CARES Act, work with the Treasury Department to secure favorable terms for funds made available; and
- (3) continue to engage with Congress to secure additional authority for loans or loan guarantees in excess of the \$10 Billion appropriated in the CARES Act if the current national emergency continues.



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VIA EMAIL

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CC: Joe Olson, Nicholas Boerke and Nathan Groth
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The prioritization authority is the most commonly used aspect of the DPA, namely with regard to certain contracts or orders by the Department of Defense, including the B-2 Bomber, Air Force One and certain Mine Resistant Ambush Protected (MRAP) Vehicles. See www.bis.doc.gov/index.php/forms-documents/pdfs/1257-dx-dated-program-list/file. Although less common, other departments and agencies have used DPA prioritization such as the Department of Homeland Security requiring prioritization of manufacturing housing units, food and bottled water during the 2017 disaster season. See Department of Homeland Security, *The Defense Production Act Committee: Report to Congress*, Calendar Year 2017 Report, June 18, 2018, p. 10.

The allocation authority is rarely used. The best example of its use is the Civil Reserve Air Fleet (CRAF) whereby civilian aircraft are “allocated” for potential use by the Department of Defense in case needed in a nation defense crisis where the existing military air fleet is insufficient. See www.dot.gov/ost/oiser/craf.htm. However, the use of the allocation authority has recently been a topic of consideration during the COVID-19 Pandemic to potentially require private corporations to allocate resources towards the immediate production of test kits and other medical supplies.

Although providing powerful tools for the Executive Branch to invoke private assistance in national defense and national emergency efforts, the prioritization and allocation authorities of Title I are less likely to impact the USPS and more likely to affect private industry and manufacturing companies. That being said, Title VI, § 6001(c) of the “CARES Act,” which has passed the U.S. Senate and is pending before the House of Representatives, expressly instructs the USPS to “prioritize delivery of postal products for medical purposes” during the COVID-19 Pandemic and “establish temporary delivery points, in such form and manner as the [USPS] determines necessary, to protect employees . . . and individuals receiving deliveries...”

III. Title VII of the DPA: *General Provisions*

Title VII of the DPA includes various miscellaneous provisions that are generally not applicable to the USPS, including, *inter alia*, special preferences for small businesses, 50 U.S.C. §4551, ability to conduct investigations and obtain information regarding the domestic industrial base, 50 U.S.C. §4555, immunity from anti-trust laws where the DPA is used to encourage voluntary agreements between competing companies and interest, 50 U.S.C. §4558, the ability of the President to create a committee of industry executives, 50 U.S.C. §4560, and the creation of a committee on foreign investment, 50 U.S.C. §4565.

Conclusion

The DPA is an important and strong tool for the President and the Executive Branch to act in (or prepare for) wartime and times of crisis or emergency and the crucial function of the USPS makes it part of the “critical infrastructure” of the United States that is intended to be protected by the DPA.

Most applicable to the potential needs of the USPS in times of crisis such as the COVID-19 Pandemic is the authority to provide the USPS with significant direct loans or loan guarantees pursuant to Title III of the DPA. However, because the DPA requires express appropriation for such direct loans and loan guarantees and existing Federal Law caps USPS borrowing authority the USPS cannot rely exclusively on Executive authority under the DPA.

The USPS should:

- (1) engage Congress to assure passage of the CARES Act by the House without alteration to the section authorizing \$10 Billion in direct loans;
- (2) immediately upon passage of the CARES Act, work with the Treasury Department to secure favorable terms for funds made available; and
- (3) continue to engage with Congress to secure additional authority for loans or loan guarantees in excess of the \$10 Billion appropriated in the CARES Act if the current national emergency continues.

Memorandum

VIA EMAIL

To: Tom Marshall, General Counsel, United States Postal Service
Keith Weidner, Deputy General Counsel, United States Postal Service

From: Stefan Passantino

CC: Joe Olson, Nicholas Boerke and Nathan Groth

Date: April 2, 2020

Subject Summary Analysis of Options Available to the USPS for Relief and Resources
:
During the COVID-19 Pandemic

Executive Summary

This memorandum provides a detailed summary analysis of various options available to the United States Postal Service (USPS) to obtain additional resources and relief during the current COVID-19 national emergency.

We have identified several different avenues for the USPS to achieve its goals, including (I) at least \$10 Billion of additional funding and the ability for the President to make purchases to assist the USPS using Defense Production Act (DPA) funding available in the recently enacted CARES Act; (II) other Executive authority and action using the DPA, National Emergencies Act of 1976, Public Health Service Act, the Stafford Disaster Relief and Emergency Assistance Act and other Executive orders, and (III) additional legislative or regulatory reforms.

Section I – The CARES Act

Section I of this memorandum provides an in depth overview of portions of the recently enacted CARES Act that the USPS could utilize for immediate additional assistance and resources.

First, §6001 of the CARES Act provides an express appropriation of \$10 Billion for the USPS to borrow money from the United States Treasury on any terms acceptable to the USPS and Secretary of the Treasury. This funding is in addition to the cap that otherwise exists on USPS loans pursuant to 39 U.S.C. §2005 and the USPS can use the funding to cover operating costs, but not pay existing debt. The additional \$10 Billion of funding can be obtained as soon as the USPS can agree on terms with the Treasury and may be obtained on favorable terms in much the same manner as other funds obtained by the USPS from the Treasury's Federal Financing Bank.

Secondly, §4003 of the CARES Act provides an additional \$17 Billion for loans or loan guarantees to U.S. businesses “critical to maintaining national security.” As explained in more detail below, because the USPS plays a highly important role in national security and continuity of government and is also considered essential to the critical infrastructure of the Nation, we believe that the USPS could also qualify for additional funding under this Section of the CARES Act. Section 4003 of the CARES Act does not expressly address the otherwise applicable cap on USPS borrowing in 39 U.S.C. §2005, but we believe a case can be made that the cap does not apply to this appropriation given the USPS’s integral role in maintaining national security and continuity during a national emergency. Additional guidelines and requirements for qualification for this funding is expected from the Treasury Department within the next several days at which time we plan to supplement this memorandum with specific instructions regarding how the USPS can apply for and obtain this additional funding, but we encourage the USPS to immediately engage Treasury in advance of Treasury issuing guidelines. The USPS could use this funding for operating expenses during the COVID-19 Pandemic or for other needs such as the purchase of Personal Protective Equipment or other supplies.

Lastly, §4017 of the CARES Act integrates the DPA and expressly encourages the President to use his powers under the DPA during the existing national emergency. This section of the CARES Act further appropriates an additional \$1 Billion for the President to use to make purchases under his DPA authority. The President could use portions of this funding to purchase Personal Protective Equipment or other resources for the USPS.

Section II – Executive Authority and Action

Section II of this memorandum identifies and addresses three major Acts that provide executive authority during times of national emergencies and that the USPS may benefit from, including the DPA, the National Emergencies Act of 1976, the Public Health Service Act, and the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

General details on the DPA were included in the original memorandum to the USPS dated March 26, 2020 and further details are included below. The DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. The essential services provided by the USPS, including the universal services mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public. Because of the critical function of the USPS the President can use the DPA to assist the USPS in various ways, including providing direct loans or loan guarantees, directing prioritization of USPS needs for materials, equipment and supplies and the purchase or allocation of resources for the USPS.

The National Emergencies Act grants the President the authority to declare a national emergency and outlines the powers and authorities available to the President during national emergencies.

The Public Health Service Act authorizes the Secretary of Health and Human Services to access the Public Health Emergency Fund during public health emergencies. Pursuant to the Public Health Service Act, the Secretary of Health and Human Services has broad authority to utilize the Public Health Emergency Fund once the Secretary has determined a public health emergency exists which may provide the USPS an avenue to receive funding should the Secretary determine that such use of funds are appropriate. The Public Health Service Act authorizes the Secretary of Health and Human Services, in coordination with the Secretary of Homeland Security, to maintain the Strategic National Stockpile (SNS). The Secretary of Health and Human Services shall deploy the SNS as (i) required by the Secretary of Homeland Security to respond to an actual or potential emergency or (ii) deploy the SNS at their discretion to respond to an actual or potential public health emergency or other situation in which deployment is necessary to protect the public health or safety. Accordingly, the USPS may be able to acquire personal protective equipment for its employees and contractors from the Strategic National Stockpile through the discretion of the Secretary of Health and Human Services.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act generally establishes the assistance provided by the federal government to state and local governments to alleviate the suffering and damages caused by disasters. Chapter 68 of the Stafford Act establishes that federal agencies, specifically including the USPS, may be reimbursed for services provided pursuant to the President's directive. Among other things, the President may direct federal agencies to support state and local emergency assistance efforts; coordinate disaster relief assistance; provide emergency assistance; and assist state and local governments in the distribution of medicine, food, and other supplies. The Stafford Act may provide the USPS the ability, through a designation made by the President, to provide additional assistance to emergency relief efforts and receive reimbursement for such assistance.

Section II of this memorandum also identifies and addresses the implications of the USPS's role in carrying out two Primary Mission Essential Functions as well as "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" being designated essential critical infrastructure workers.

Presidential Policy Directive 40 directs the Secretary of Homeland Security through the Administrator of the Federal Emergency Agency to coordinate the implementation, execution, and assessment of continuity activities among executive departments and agencies. The USPS carries out two Primary Mission Essential Functions: (i) deliver postal services to the American public and (ii) provide essential response capabilities – specifically the delivery of emergency countermeasures to residences when requested by the Department of Health and Human Services.

Additionally, “postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies” are considered essential critical infrastructure workers, as defined in guidance issued by the Department of Homeland Security’s Cybersecurity and Infrastructure Security Agency. As the USPS provides two Primary Mission Essential Functions and postal workers are considered critical infrastructure, opportunities under PPD-40 and Federal Continuity Directives 1 and 2 may be available to the USPS to both ensure liquidity of the USPS to continue performing its Primary Mission Essential Functions as well as obtain personal protective equipment (“PPE”) for USPS employees and contractors who are critical infrastructure.

In Executive Order 13909 (Prioritizing and Allocating Health and Medical Resources to Respond to the Spread of COVID-19), issued on March 18, 2020, President Trump delegated to the Secretary of Health and Human Services the prioritization and allocation under section 101 of the Defense Production Act with respect to health and medical resources needed to respond to the spread of COVID-19. Additionally, the Federal Emergency Management Agency established a National Resource Prioritization Cell to unify prioritization recommendations for the allocation of critical resources from the Strategic National Stockpile. The President’s executive order, and the establishment of the National Resource Prioritization Cell provide the USPS potential avenues to acquire personal protective equipment for its employees and contractors to safely continue executing its Primary Mission Essential Functions.

Section III – Legislative Action

Section III of this memorandum briefly addresses the fact that the President cannot act unilaterally by executive order to effectuate change to existing law, but addresses the potential to use additional stimulus legislation to obtain both additional financial aid and statutory changes that Michael Best could assist the USPS in achieving for long-term reform and sustainability.

Within a week of the President signing the CARES Act Members of Congress are already considering priorities for a potential “Phase 4” economic stimulus package to address the COVID-19 Pandemic. Because priorities are already being considered and various interested groups are already lobbying Congress for their share of the potential additional stimulus, it is important for the USPS needs to be part of the conversation. Members of the Michael Best & Friedrich Team, including Reince Priebus and Denise Bode, can provide invaluable assistance and guidance both with regard to the potential Phase 4 stimulus package and long-term statutory and regulatory reform to benefit the USPS.

Discussion

The United States Postal Service (USPS) has several options for obtaining additional funding and resources during and after the existing national emergency and COVID-19 Pandemic both as a result of the CARES Act and existing emergency powers of the President and the Executive Branch.

I. The CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law by President Donald J. Trump on Friday March 27, 2020. The CARES Act is a third phase of economic stimulus legislation addressing the impacts caused by the Coronavirus 2019 (“COVID-19”) Pandemic and it includes over \$2 Trillion of economic aid, including, *inter alia*, direct payments to eligible individual taxpayers, expanded unemployment insurance, direct funding to state and local governments, loans and other incentives to eligible businesses and local governments, new small business loans and health equipment for hospitals fighting COVID-19.

We have identified several portions of the CARES Act that either directly benefit the USPS or provide a potential for the USPS to obtain additional financial aid and/or resources. The CARES Act (a) authorizes the United States Treasury to loan up to an additional \$10 Billion directly to the USPS to cover operating expenses during the COVID-19 Pandemic; (b) provides \$17 Billion for “businesses critical to maintaining national security” and (c) \$1 Billion for the President to make purchases under the Defense Production Act.

a. \$10 Billion Direct Lending Authority for USPS

Title VI, §6001(b) of the “Cares Act” Authorizes USPS to “borrow money from the Treasury in an amount not to exceed \$10,000,000,000,” in addition to any other existing borrowing authority, if the USPS determines that due to the COVID-19 Pandemic it “will not be able to fund operating expenses without borrowing money.” The direct loan(s) of up to \$10 Billion must be used for operating expenses and cannot be used for the payment of existing debt. *Id.* §6001(b)(1)(A)-(B). The loans under the CARES Act may be upon favorable terms, including any “terms and conditions mutually agreed upon by the Secretary [of the Treasury] and the [USPS].” *Id.* §6001(b)(2).

The CARES Act does not provide any guidance regarding the terms or procedures for the additional financing, but because the USPS has consistent borrowing authority from the Federal Financing Bank (FFB), which is under the supervision of the Secretary of the Treasury, the additional funding should be obtained in much the same manner as existing USPS loans from the FFB. However, because the CARES Act allows for any mutually agreed upon terms, given the

national emergency and the important role that USPS plays during such an emergency the USPS should obtain favorable terms rather than terms similar to existing FFB loans.

Section 6001 of the CARES Act further requires the USPS to “prioritize delivery of postal products for medical purposes” and allows the USPS to “establish temporary delivery points, in such form and manner as the [USPS] determines necessary, to protect employees of the [USPS] and individuals receiving deliveries from the [USPS].” *Id.* §6001(c)(1)-(2). Although this provision of the CARES Act places a burden on the USPS, requiring prioritization of medical supplies, it does allow the USPS to protect its workers (and other members of the public) when it determines necessary by temporarily suspending direct service to certain areas deemed to present a higher risk and instead provide temporary delivery points. *Id.* This may present some opportunities to reduced operating costs.

b. Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy

Section 4003 of the CARES Act provides the largest single appropriation within the Act—\$500 Billion from the Treasury to provide liquidity to “eligible businesses” through loans, loan guarantees and other investments. *Id.* §4003(a). Eligible businesses are defined to include a business in the U.S. “that has not otherwise received **adequate** economic relief in the form of loans or loan guarantees provided under [the CARES Act].” *Id.* §4002(4)(B) (emphasis added). Although the USPS receives up to \$10 Billion in loans from §6001 of the CARES Act, this is likely not “**adequate**.”

Within the \$500 Billion available to “eligible businesses” Congress has specifically allocated \$17 Billion that shall be made available to “**businesses critical to maintaining national security**.” *Id.* §4003(b)(3). The USPS plays a highly important role in national security and continuity of government and is also considered essentially to the critical infrastructure of the Nation.

The current National Continuity Policy was issued on July 15, 2016 in Presidential Policy Directive 40 and remains classified, but in its predecessor Directive issued on May 4, 2007 the USPS played an important role in national continuity and national security. The prior directive established National Essential Functions (“NEF”), which are the subset of Government Functions¹ necessary to lead and sustain the country during a catastrophic emergency and therefore must be

¹ “Government Functions” means the collective functions of the heads of executive departments and agencies as defined by statute, regulation, presidential direction, or other legal authority, and the functions of the legislative and judicial branches. National Security Federal Directive 51(2)(g).

supported through Continuity of Operations² (“COOP”) and Continuity of Government³ (“COG”) capabilities.⁴ Executive departments and agencies were instructed to identify and submit a list of Primary Mission Essential Functions (“PMEF”), which are essential government functions that must be continuously performed in order to support or implement the uninterrupted performance of NEFs before, during, or in the aftermath of an emergency.⁵ The USPS carries out two PMEFs, (i) deliver postal services to the American public and (ii) provide essential response capabilities – specifically the delivery of emergency countermeasures to residences when requested by the Department of Health and Human Services (“HHS”).⁶

With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World’s mail, the USPS is unquestionably critical to a functioning U.S. and World economy.⁷ The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified “postal and shipping workers” as part of the “Essential Critical Infrastructure Workforce” in light of the COVID-19 Pandemic by memorandum dated March 19, 2020.⁸

Furthermore, the USPS is designated as a supporting agency for 7 of the 15 Emergency Support Function annexes under the National Response Framework—specifically the USPS has roles in reporting infrastructure disruptions and damages and also has an important role in distributing medicine, pharmaceuticals and other medical information and supplies.⁹

Because the USPS likely qualifies as an eligible business under the CARES Act and is unquestionably critical to maintaining the Nation’s security and continuity, the USPS should apply for and seek additional assistance under §4003 of the CARES Act. Although a portion of the \$17 Billion is likely intended for other companies such as Boeing that play a role in national security,

² "Continuity of Operations," or "COOP," means an effort within individual executive departments and agencies to ensure that Primary Mission-Essential Functions continue to be performed during a wide range of emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies. National Security Federal Directive 51(2)(d).

³ "Continuity of Government," or "COG," means a coordinated effort within the Federal Government's executive branch to ensure that National Essential Functions continue to be performed during a Catastrophic Emergency. National Security Federal Directive 51(2)(c).

⁴ National Security Federal Directive 51(1).

⁵ See U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, available at: <https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf>.

⁶ See List of Validated PMEFs by Department/Agency, available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefts_by_department_v2_fema.pdf.

⁷ See <https://facts.usps.com>.

⁸ See https://www.cisa.gov/sites/default/files/publications/CISA_Guidance_on_the_Essential_Critical_Infrastructure_Workforce_508C_0.pdf.

⁹ See David, *et al.*, The Role of the United States Postal Service in Public Safety and Security, RAND 2008, available at <https://about.usps.com/universal-postal-service/rand-report.pdf>.

the USPS should qualify and be able to share in these funds. One concern we do have with regard to additional loans under §4003 of the CARES Act is the general cap on USPS borrowing in 39 U.S.C. §2005, but we believe a strong case can be made that the cap does not apply to this appropriation given the USPS's integral role in maintaining national security and continuity during a national emergency. We encourage the USPS to immediately engage Treasury in advance of Treasury issuing guidelines in order to help ensure that such funds could be available to the USPS.

The framework for the terms and conditions associated with obtaining assistance under §4003 of the CARES Act is included in §§4003 (c) and (d), which further direct the Treasury Department to publish procedures for application and minimum requirements with 10 days of enactment. Under the terms and conditions in the CARES Act, the Treasury Secretary may make loans to businesses that can demonstrate: (1) they are an eligible business to which credit is not reasonably available at the time of the transaction; (2) the intended obligation is prudently incurred; and (3) the loan or guarantee is sufficiently secured or made at a rate that reflects the risk and, to the extent practicable, is not less than an interest rate based on market conditions for comparable obligations prior to the outbreak of COVID-19.

Additional terms require an applicant to: (1) show, to the extent practicable, the duration of the loan or guarantee will not exceed 5 years; (2) forego buying back stock or paying dividends for common stock (except if contractually obligated to do so) for 12 months after the obligation is no longer outstanding; (3) maintain employment levels as of March 24, 2020, to the extent practicable, until September 30, 2020, and not "in any case" reduce those employment levels by more than 10 percent; (4) certify that the business is "created or organized in the United States or under the laws of the United States and has significant operations in and a majority of its employees based in the United States; and (5) demonstrate that it incurred losses such "that the continued operations of the business are jeopardized."

Although the USPS is not a typical U.S. business, it is an independent federal entity that is self-supporting and operates much like any other business, but is subject to significant federal law and regulations. *See, e.g., 39 U.S.C. § 101, et seq.* Because the USPS receives no tax dollars for its operations and relies on the sale of postage, products and services to fund its operations it likely qualifies under §4003 of the CARES Act as an eligible business and can meet the above criteria.

When the Treasury Department publishes additional guidance on CARES Act funds under Section 4003 we will provide an updated version of the Memorandum with additional information.

c. Defense Production Act Purchases and Funding

Section 4017 of the CARES Act seeks to increase access to materials and supplies necessary for both national security and recovery from the COVID-19 Pandemic. To accomplish this the CARES expressly utilizes the Defense Production Act of 1950 ("DPA") by lifting certain

limits and requirements within the DPA (namely with regard to the President's ability to order the purchase of resources or items of need for government use or resale) and providing \$1 Billion of funding¹⁰ for the President to make such purchases.

As explained generally in Michael Best's original memorandum to the USPS dated March 26, 2020 and again in Section II(a) below, the DPA confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the "national defense." The DPA provides the President, or other Executive Branch departments or agencies through delegation, with significant authority to act in the interest of national security and during emergencies, including the ability to require persons, businesses and other entities to allocate the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a). In conjunction with this authority, the DPA allows the President great discretion to make purchases or commitments to purchase important items for its use or resale. 50 U.S.C. §4533(a). The President's purchases under the DPA are typically limited to an existing Defense Production Act Fund, but the CARES Act expands on this funding with the additional \$1 Billion. *Id.*, §4534.

By removing conditions and requirements that the President would otherwise have to meet in order to act under the DPA, §4017 of the CARES Act encourages the use of this power by the President. As a result the President has great discretion to order certain companies to manufacture health supplies, including personal protective equipment such as and sanitizer, masks and gloves and use the funds existing in the Defense Production Act Fund and provided by the CARES Act to purchase these items for the USPS.

This directive can be ordered by the President at any time now that the CARES Act is effective and the USPS should therefore immediately engage the Administration for action on this item.

II. Executive Authority and Action

The CARES Act is not the only resource available to the USPS for both short-term assistance during the COVID-19 Pandemic and long-term solutions for sustainability. The Defense Production Act can be utilized by the President and or his Administration to assist the USPS independently of the CARES Act along with other significant statutory authority, executive orders and regulatory reform.

¹⁰ The \$1 Billion appropriated for purchases under the DPA is not included in Section 4070 of the CARES Act, but is included in an un-numbered section later in the CARES Act.

a. Defense Production Act

The Defense Production Act of 1950 (“DPA”) confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the “national defense.” The main sections of the DPA were presented in memorandum to the USPS dated March 26, 2020 and are again summarized for your convenience, including (I) Title III: Strengthening Domestic Capability; (II) Title I: Priorities and Allocations; and (III) Title VII: General Provisions.

The DPA expressly provides the Executive Branch with an “array of authorities to shape ***national defense*** preparedness programs and to take appropriate steps to maintain and enhance the domestic industrial base.” 50 U.S.C. §4502(a)(4) (emphasis added). The term “national defense” is defined very broadly in the DPA, including many of the functions provided by the USPS; national defense is defined as

programs for military and energy production or construction, military or critical infrastructure assistance to any foreign nation, homeland security, stockpiling, space, and any directly related activity. Such term includes emergency preparedness activities conducted pursuant to title VI of The Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 U.S.C. §§5195 et seq.] and critical infrastructure protection and restoration.

50 U.S.C. §4552(14).

“Critical infrastructure” is further broadly defined in the DPA to include “any systems and assets, whether physical or cyber-based, so vital to the United States that the degradation or destruction of such systems and assets would have a debilitating impact on national security, including, but not limited to, national economic security and national public health and safety.” 50 U.S.C. §4552(2). With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World’s mail, the USPS is unquestionably critical to a functioning U.S. and World economy.¹¹ The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified “postal and shipping workers” as part of the “Essential Critical Infrastructure Workforce” in light of the COVID-19 Pandemic by memorandum dated March 19, 2020.¹² Moreover, the DPA references 42 U.S.C. §5195(a)(3) for the definition of “emergency preparedness” activities, which includes

all those activities and measures designed or undertaken to prepare for or minimize the effects of a hazard upon the civilian population, to deal with the immediate emergency conditions which would be created by the hazard, and to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by the hazard.

¹¹ See <https://facts.usps.com>.

¹² See *supra* n. 8.

As a result the DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. In fact, the essential services provided by the USPS, including the universal services mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public.

i. Title III of the DPA

Title III of the DPA allows the President, or other portions of the Executive Branch through delegation, to provide incentives and assistance, including loans and loan guarantees, to, *inter alia*, “assure that critical components, critical technology items, essential materials, and industrial resources are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilization, and national emergency.” U.S.C. §4517(b). As explained above, the USPS is part of the “critical infrastructure” of the United States, and the World, and Title III of the DPA allows for assistance and incentives to the USPS to assure that its critical function is provided in both peacetime and during a national emergency such as the COVID-19 Pandemic.

Pursuant to 50 U.S.C. §4531(a) the President has the authority under the DPA to reduce current shortfalls or prevent projected shortfalls of those entities providing critical items by authorizing direct loans or loan guarantees “for the purpose of financing any contractor, subcontractor, ***provider of critical infrastructure***, or other person in support of . . . production and ***deliveries or services essential to the national defense***.” *Id.* (emphasis added). Although the DPA typically requires meeting certain conditions and for the President to make certain determinations before the incentives can be provided, if a national emergency is declared by Congress or the President such conditions and determinations do not apply. 50 U.S.C. §4531(2). In the case of the COVID-19 Pandemic, the President has formally declared a national emergency and therefore the conditions and determinations are not required.¹³ Regardless of a declaration of national emergency, Congress still must appropriate funds providing authority for such loan or loan guarantees. 50 U.S.C. §4531(3).

Although Congress has limited the borrowing authority of the USPS pursuant to 39 U.S.C. §2005 as explained in Section I of this memorandum the CARES Act includes both an express appropriation of funds for direct loans to the USPS from the U.S. Treasury and other relief for which we believe the USPS could qualify.

¹³ See <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

ii. Title I of the DPA

Title I of the DPA allows the President, or other portions of the Executive Branch through delegation, to require persons, businesses and other entities to (1) give **priority** to certain contracts, orders or other performance as necessary or appropriate to promote the national defense and (2) to **allocate** the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a).

The prioritization authority is the most commonly used aspect of the DPA, namely with regard to certain contracts or orders by the Department of Defense, including the B-2 Bomber, Air Force One and certain Mine Resistant Ambush Protected (MRAP) Vehicles.¹⁴ Although less common, other departments and agencies have used DPA prioritization such as the Department of Homeland Security requiring prioritization of manufacturing housing units, food and bottled water during the 2017 disaster season.¹⁵

The allocation authority is rarely used. The best example of its use is the Civil Reserve Air Fleet (CRAF) whereby civilian aircraft are “allocated” for potential use by the Department of Defense in case needed in a nation defense crisis where the existing military air fleet is insufficient. See www.dot.gov/ost/oiser/craf.htm.

In these extraordinary times the use of the DPA during the COVID-19 Pandemic to potentially require private corporations to both prioritize and allocate resources towards the immediate production of test kits and other medical supplies is at the forefront of public discussion. In fact, on March 27, 2020 President Trump issued an order under the DPA directing the Secretary of Health and Human Services to “use any and all authority available under the [DPA] to require General Motors Company to accept, perform, and prioritize contracts or orders for the number of ventilators that the Secretary determines to be appropriate.”¹⁶ As explained in Section I (c) above, the President can use the DPA, including the additional funding provided by the CARS Act for the DPA Fund to make purchases of PPE or other materials and equipment for the USPS.

iii. Title VII of the DPA

Title VII of the DPA includes various miscellaneous provisions that are generally not applicable to the USPS, including, *inter alia*, special preferences for small businesses, 50 U.S.C. §4551, ability to conduct investigations and obtain information regarding the domestic industrial base, 50 U.S.C. §4555, immunity from anti-trust laws where the DPA is used to encourage

¹⁴ See www.bis.doc.gov/index.php/forms-documents/pdfs/1257-dx-dated-program-list/file.

¹⁵ See Department of Homeland Security, *The Defense Production Act Committee: Report to Congress*, Calendar Year 2017 Report, June 18, 2018, p. 10.

¹⁶ See <https://www.whitehouse.gov/presidential-actions/memorandum-order-defense-production-act-regarding-general-motors-company/>

voluntary agreements between competing companies and interest, 50 U.S.C. §4558, the ability of the President to create a committee of industry executives, 50 U.S.C. §4560, and the creation of a committee on foreign investment, 50 U.S.C. §4565.

b. Other Existing Statutory Authority

There are three major Acts that provide executive authority during times of national emergencies: (i) the National Emergencies Act of 1976; (ii) the Public Health Service Act; and (iii) The Robert T. Stafford Disaster Relief and Emergency Assistance Act. This section contains an overview of each Act and identifies potential executive actions under such legislation that could benefit the USPS.

i. National Emergencies Act of 1976

The National Emergencies Act of 1976 (the “National Emergencies Act”) authorizes the President to declare a national emergency. 50 U.S.C. § 1621(a). When the President declares a national emergency, as President Trump has for the COVID-19 Pandemic,¹⁷ various laws conferring executive powers during such an emergency become effective and remain in effect during such emergency. 50 U.S.C. § 1621(b). While the National Emergencies Act does not provide authority for specific executive actions applicable to the USPS, the National Emergencies Act does provide general authority for when, and how long, a national emergency may be declared and allows the President to take certain actions that may benefit the USPS under other law as discussed below.

ii. Public Health Service Act

The Public Health Service Act authorizes the Secretary of Health and Human Services (“HHS”) to determine that (i) a disease or disorder presents a public health emergency; or (ii) that a public health emergency, including significant outbreaks of infectious disease or bioterrorist attacks, exists. 42 U.S.C. § 247d(a). If the Secretary of HHS declares a public health emergency, as Secretary Azar has in the case of COVID-19,¹⁸ the Secretary may access the Public Health Emergency Fund (the “Health Fund”), without fiscal year limitations. 42 U.S.C. § 247d(b)(1). Secretary Azar may use the Health Fund to, *inter alia*, (a) facilitate coordination between and among Federal, State, local, Tribal, and territorial entities and public and private health care entities that the Secretary determines may be affected by COVID-19; (b) make grants, provide for

¹⁷ Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak (March 13, 2020), available at: <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

¹⁸ See <https://www.hhs.gov/about/news/2020/01/31/secretary-azar-declares-public-health-emergency-us-2019-novel-coronavirus.html>.

awards, enter into contracts, and conduct supportive investigations pertaining to COVID-19; and (c) carry out other activities, as the Secretary determines applicable and appropriate. 42 U.S.C. § 247d(2). The Secretary must report on expenditures made out of the Health Fund not later than 90 days after the end of the fiscal year to certain committees of the House of Representatives and Senate. 42 U.S.C. § 247d(3). As a result of the COVID-19 Pandemic and the declared emergencies the Secretary of HHS has broad authority to utilize the Health Fund to assist the USPS as the Secretary deems appropriate, including providing resources, equipment and other resources.

Additionally, the Public Health Service Act authorizes the Secretary of HHS, in coordination with the Secretary of Homeland Security, to maintain the Strategic National Stockpile (“SNS”). *See* 42 U.S.C. § 247d-6b. The SNS is a national repository of large quantities of medical supplies, including Personal Protective Equipment stored in strategic locations around the nation. The SNS is designed to supplement state and local public health departments in the event of a large-scale public health emergency that causes local supplies to run out. Pursuant to the Public Health Service Act, the Secretary of HHS may deploy the SNS to respond to the COVID-19 Pandemic. 42 U.S.C. § 247d-6b(a)(3)(f)-(g). The USPS may be able to access the SNS to obtain Personal Protective Equipment or other stockpiled equipment and resources for its operations during the COVID-19 Pandemic.

iii. Robert T. Stafford Disaster Relief and Emergency Assistance Act

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (the “Stafford Act”) establishes certain assistance provided by the federal government to state and local governments to alleviate the suffering and damages caused by disasters. Pursuant to the Stafford Act, federal agencies are reimbursed for services or supplies furnished during disasters and emergencies such as the current COVID-19 Pandemic. 42 U.S.C. § 5147. For purposes of the Stafford Act a “federal agency” includes any department, independent establishment, Government corporation, or other agency of the executive branch of the Federal Government, *including the United States Postal Service . . .*” 42 U.S.C. § 5122(9) (emphasis added). In any emergency under the Stafford Act, “the President may:

- (i) direct any Federal agency, with or without reimbursement, to utilize its authorities and the resources granted to it under federal law (including personnel, equipment, supplies, facilities, and managerial, technical and advisory services) in support of state and local emergency assistance efforts to save lives, protect property and public health and safety, and lessen or avert the threat of a catastrophe, including precautionary evacuations;
- (ii) coordinate all disaster relief assistance (including voluntary assistance) provided by federal agencies, private organizations, and state and local governments; . . .

- (iv) provide emergency assistance through Federal agencies; ...
- (vii) assist state and local governments in the distribution of medicine, food, and other consumable supplies, and emergency assistance; and
- (viii) provide accelerated federal assistance and Federal support where necessary to save lives, prevent human suffering, or mitigate severe damage, which may be provided in the absence of a specific request and in which case the President—
 - a. shall, to the fullest extent practicable, promptly notify and coordinate with a State in which such assistance or support is provided; and
 - b. shall not, in notifying and coordinating with a state, delay or impede the rapid deployment, use, and distribution of critical resources to victims of an emergency.”
42 U.S.C. § 5192(a).

Although the Stafford Act contains various requirements for emergency declarations at the federal and state level, this is not a concern given the existing national emergency and various emergencies and disasters declared in virtually every state throughout the nation as a result of COVID-19. The Stafford Act is primarily designed to provide direct federal assistance to state and local governments, but it also includes mechanisms for the President to direct and/or coordinate federal agencies, including the USPS, to provide services in an emergency or disaster. Due to the unique ability of the USPS to reach every residence in the United States, the USPS may be the sole federal agency, as defined under the Stafford Act, to provide emergency assistance to every citizen during the COVID-19 Pandemic. As such, the President may instruct the USPS to provide certain services and take certain actions, including the use of special equipment and protections, which could be directly funded or reimbursed under the Stafford Act by executive order.

c. Executive Orders

i. Federal Continuity Directives and Critical Infrastructure Designation

As identified in Mr. Marshall’s letter to Ms. Bonner “Re: Essential Public Service Provided by the Postal Service as a Part of the Nation’s Critical Infrastructure,” dated March 23, 2020, the United States Postal Services (“USPS”) carries out an essential function of the federal government and provides critical government services as part of the National Continuity Policy. National Security Presidential Directive 51 (“Directive 51”), issued May 4, 2007, established a comprehensive national policy on the continuity of federal government structures and operations.¹⁹ Directive 51 also established National Essential Functions (“NEF”), which are the subset of

¹⁹ National Security Presidential Directive 51, available at: <https://fas.org/irp/offdocs/nspd/nspd-51.htm>.

Government Functions²⁰ necessary to lead and sustain the country during a catastrophic emergency and therefore must be supported through Continuity of Operations²¹ (“COOP”) and Continuity of Government²² (“COG”) capabilities.²³ Executive departments and agencies were instructed to identify and submit a list of Primary Mission Essential Functions (“PMEF”), which are essential government functions that must be continuously performed in order to support or implement the uninterrupted performance of NEFs before, during, or in the aftermath of an emergency.²⁴ The USPS carries out two PMEFs: delivery of (i) postal services to the American public and (ii) emergency countermeasures to residences when requested by the Department of Health and Human Services (“HHS”).²⁵

Presidential Policy Directive 40 (“PPD-40”), *National Continuity Policy*, issued on July 15, 2016, replaced Directive 51. PPD-40 remains classified, however certain information has been made available through Federal Continuity Directives 1 and 2.²⁶ PPD-40 directs the Secretary of Homeland Security through the Administrator of the Federal Emergency Management Agency (“FEMA”) to coordinate the implementation, execution, and assessment of continuity activities among executive departments and agencies.²⁷ Specifically, the Administrator of FEMA is directed to develop and promulgate Federal Continuity Directives to establish continuity program and planning requirements for executive departments and agencies.²⁸ PPD-40 requires departments and agencies to appoint a Continuity Coordinator at the Assistant Secretary level or higher.²⁹

Additionally, “postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies” are considered essential critical infrastructure workers, as defined

²⁰ “Government Functions” means the collective functions of the heads of executive departments and agencies as defined by statute, regulation, presidential direction, or other legal authority, and the functions of the legislative and judicial branches. National Security Federal Directive 51(2)(g).

²¹ “Continuity of Operations,” or “COOP,” means an effort within individual executive departments and agencies to ensure that Primary Mission-Essential Functions continue to be performed during a wide range of emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies. National Security Federal Directive 51(2)(d).

²² “Continuity of Government,” or “COG,” means a coordinated effort within the Federal Government’s executive branch to ensure that National Essential Functions continue to be performed during a Catastrophic Emergency. National Security Federal Directive 51(2)(c).

²³ National Security Federal Directive 51(1).

²⁴ See U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, available at: <https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf>.

²⁵ See List of Validated PMEFs by Department/Agency, available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefts_by_department_v2_fema.pdf.

²⁶ See generally Federal Continuity Directive 1 and Federal Continuity Directive 2, available at: <https://www.fema.gov/media-library-data/1499702987348-c8eb5e5746bfc5a7a3cb954039df7fc2/FCD-2June132017.pdf>.

²⁷ Federal Continuity Directive 1, Section I (pg. 3).

²⁸ *Id.*

²⁹ *Id.* at Section V (pg. 5).

in guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency ("CISA").³⁰ The term critical infrastructure is used to describe "systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters."³¹

Because the USPS provides PMEFs, and postal workers are considered critical infrastructure, the USPS may be able to use PPD-40 and Federal Continuity Directives 1 and 2 to both ensure liquidity as well as obtain personal protective equipment ("PPE") for USPS employees and contractors. The USPS should coordinate with the President, the Secretary of Homeland Security, and the Administrator of FEMA in order to seek possible emergency funds to ensure the USPS remains financially able to continue providing its important services and to obtain the equipment and resources necessary to do so.

ii. Strategic National Stockpile ("SNS")

As discussed above in Section II(b), the Secretary of HHS, in coordination with the Secretary of Homeland Security, maintains the SNS. The President has declared a national emergency as a result of the COVID-19 Pandemic³² and issued Executive Order 13909 directing the Secretary of HHS to use the prioritization and allocation authorities under section 101 of the DPA with respect to health and medical resources needed to respond to the spread of COVID-19.³³ Additionally, FEMA established the Supply Chain Stabilization Task Force to address limited supply of critical Personal Protective Equipment. The Supply Chain Stabilization Task Force is utilizing a four-prong approach, one prong focuses on the allocation of critical resources. To effectively allocate resources, the FEMA Supply Chain Stabilization Task Force established a National Resource Prioritization Cell to unify prioritization recommendations.³⁴ The USPS should work with the Secretary of HHS, the Secretary of Homeland Security, and the National Resource Prioritization Cell of the FEMA Supply Chain Stabilization Task Force to obtain equipment and resources through the SNS.

³⁰ See Department of Homeland Security Cybersecurity and Infrastructure Security Agency, Guidance on the Essential Critical Infrastructure Workforce, available at: <https://www.cisa.gov/publication/guidance-essential-critical-infrastructure-workforce>.

³¹ Presidential Policy Directive (PPD) 21, Critical Infrastructure Security and Resilience, February 12, 2013, p. 12; USA Patriot Act of 2001, Section 1016(e), (42 U.S.C) 5195c(e)).

³² Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak (March 13, 2020), available at: <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

³³ Executive Order 13909, Prioritizing and Allocating Health and Medical Resources to Respond to the Spread of COVID-19 (March 18, 2020), available at: <https://www.federalregister.gov/documents/2020/03/23/2020-06161/prioritizing-and-allocating-health-and-medical-resources-to-respond-to-the-spread-of-covid-19>.

³⁴ FEMA Coronavirus (COVID) 19 Pandemic: Supply Chain Stabilization Task Force (March 30, 2020), available at: <https://www.fema.gov/news-release/2020/03/30/coronavirus-covid-19-pandemic-supply-chain-stabilization-task-force>.

III. Legislative Action

Although significant authority is already vested in the President to take actions described above to protect national security, continuity and address national emergencies such as the COVID-19 Pandemic, the President's executive authority has significant limits generally *and* during national emergencies. We do not believe that the President can take executive action during the COVID-19 Pandemic to effectuate any change to existing law sought by the USPS.

The United States Supreme Court has consistently held that the "President's power, if any, to issue [executive orders] must stem from an act of Congress or from the Constitution itself." *Youngstown Sheet & Tube Co. v. Sawyer*, 343 U.S. 579, 585 (1952). In the landmark case of *Youngstown* President Truman issued an executive order directing the Secretary of Commerce to seize and operate steel mills, which were integral to national security during the Korean War, and avert a strike. *Id.* at 582-83. Despite the undisputed national security need for the steel mills to continue operations, the Supreme Court held that the order was unconstitutional because it did not stem from any act of Congress or the Constitution itself. *Id.* at 585. In fact, the Court expressly rejected arguments that general executive authority and/or general military authority vested in the President by the Constitution supported the executive order. *Id.* at 586-87. The decision in *Youngstown* remains applicable law today. See *Sierra Club v. Trump*, 929 F.3d 670, 694 (9th Cir. 2019).

Additionally, because the changes desired by the USPS mostly involve express changes to existing statutory authority, the President's power to effectuate change is virtually non-existent. The President cannot take action that is incompatible with the express or implied will of Congress unless the President has an independent power to do so under the Constitution, *Zivotofsky v. Kerry*, 571 U.S. 1, 15 (2015) (citing *Youngstown*, 343 U.S. at 637), which we do not believe exists here.

a. Additional "Phase 4" COVID-19 Stimulus

Less than a week after the enactment of the CARES Act, Members of Congress have signaled a desire for yet another "Phase 4" stimulus package. Part of the additional items being suggested by Speaker Nancy Pelosi includes additional investment in infrastructure, the health care system and digital economy.³⁵

Even if a fourth round of stimulus is still only a possibility, it is important to make sure that additional assistance and/or reform for the USPS is part of the conversation and under consideration early in the process. In addition to further loans, funding and other resources that

³⁵ See <https://www.cnn.com/2020/04/01/coronavirus-stimulus-package-white-house-is-not-planning-4th-bill.html>.

could be included in Phase 4, the package could also be a source for long-term legislative reform benefiting the USPS. With adequate time to influence Members of Congress and the President a Phase 4 package could be significantly more beneficial to the USPS than the CARES Act.

b. Long-term Legislative Action

Federal legislation specifically reforming the law governing the USPS is the best long-term solution to liquidity issues faced by the USPS. The USPS has already identified several statutory changes that would greatly improve the ability of the USPS to efficiently operate and obtain more revenue. Namely legislation could be enacted to: (1) eliminate the cap on prices charged by the USPS and allow the Postal Regulatory Commission to engage in an oversight role monitoring the market prices set by the USPS Board of Governors; (2) provide flexibility for the USPS to enter into Negotiated Service Agreements; (3) eliminate Postal Regulatory Commission review of rate changes prior to effective date of the change; (4) provide flexibility for the USPS to offer non-postal services and government services; and (5) eliminate Postal Regulatory Commission review of new postal products and the elimination of existing postal products.

The USPS has already provided draft language for proposed amendments to Title 39 of the U.S. Code to accomplish these changes, which are attached hereto as Exhibit A.

Members of the Michael Best & Friedrich Team, including Reince Priebus and Denise Bode, can provide invaluable assistance and guidance both with regard to the potential Phase 4 stimulus package and long-term statutory and regulatory reform to benefit the USPS. In addition to taking immediate action on the above-identified items related to the CARES Act and existing Executive Action, we would like to discuss more specifically how Michael Best can assist the USPS in achieving both its short-term and long-term goals.

Memorandum

VIA EMAIL

To: Tom Marshall, General Counsel, United States Postal Service
Keith Weidner, Deputy General Counsel, United States Postal Service

From: Stefan Passantino

CC: Joe Olson, Nicholas Boerke and Nathan Groth

Date: April 3, 2020

Subject: Summary Analysis of Options Available to the USPS for Relief and Resources During the COVID-19 Pandemic

Executive Summary

This memorandum provides a detailed summary analysis of various options available to the United States Postal Service (USPS) to obtain additional resources and relief during the current COVID-19 national emergency.

We have identified several different avenues for the USPS to achieve its goals, including (I) at least \$10 Billion of additional funding and the ability for the President to make purchases to assist the USPS using Defense Production Act (DPA) funding available in the recently enacted CARES Act; (II) other Executive authority and action using the DPA, National Emergencies Act of 1976, Public Health Service Act, the Stafford Disaster Relief and Emergency Assistance Act and other Executive action, and (III) additional legislative or regulatory reforms.

Section I – The CARES Act

Section I of this memorandum provides an in depth overview of portions of the recently enacted CARES Act that the USPS could utilize for immediate additional assistance and resources.

First, §6001 of the CARES Act provides an express appropriation of \$10 Billion for the USPS to borrow money from the United States Treasury on any terms acceptable to the USPS and Secretary of the Treasury. This funding is in addition to the cap that otherwise exists on USPS loans pursuant to 39 U.S.C. §2005 and the USPS can use the funding to cover operating costs, but not pay existing debt. The additional \$10 Billion of funding can be obtained as soon as the USPS can agree on terms with the Treasury and may be obtained on favorable terms in much the same manner as other funds obtained by the USPS from the Treasury's Federal Financing Bank.

Secondly, §4003 of the CARES Act provides an additional \$17 Billion for loans or loan guarantees to U.S. businesses “critical to maintaining national security.” As explained in more detail below, because the USPS plays a highly important role in national security and continuity of government and is also considered essential to the critical infrastructure of the Nation, we believe that the USPS could also qualify for additional funding under this Section of the CARES Act. Section 4003 of the CARES Act does not expressly address the otherwise applicable cap on USPS borrowing in 39 U.S.C. §2005, but we believe a case can be made that the cap does not apply to this appropriation given the USPS’s integral role in maintaining national security and continuity during a national emergency. The Treasury Department has released “preliminary” guidelines for this funding, which mostly restates the terms in the CARES Act and is further explained in the discussion section below. Additional guidelines and requirements, including an application, for qualification for this funding is expected from the Treasury Department at which time we plan to supplement this memorandum, but we encourage the USPS to immediately engage Treasury in advance of final guidelines. The USPS could use this funding for operating expenses during the COVID-19 Pandemic or for other needs such as the purchase of Personal Protective Equipment or other supplies.

Lastly, §4017 of the CARES Act integrates the DPA and expressly encourages the President to use his powers under the DPA during the existing national emergency. This section of the CARES Act further appropriates an additional \$1 Billion for the President to use to make purchases under his DPA authority. The President could use portions of this funding to purchase Personal Protective Equipment or other resources for the USPS.

Section II – Executive Authority and Action

Section II of this memorandum identifies and addresses three major Acts that provide executive authority during times of national emergencies and that the USPS may benefit from, including the DPA, the National Emergencies Act of 1976, the Public Health Service Act, and the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

General details on the DPA were included in the original memorandum to the USPS dated March 26, 2020 and further details are included below. The DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. The essential services provided by the USPS, including the universal service mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public. Because of the critical function of the USPS the President can use the DPA to assist the USPS in various ways, including providing direct loans or loan guarantees, directing prioritization of USPS needs for materials, equipment and supplies and the purchase or allocation of resources for the USPS.

The National Emergencies Act grants the President the authority to declare a national emergency and outlines the powers and authorities available to the President during national emergencies.

The Public Health Service Act authorizes the Secretary of Health and Human Services to access the Public Health Emergency Fund during public health emergencies. Pursuant to the Public Health Service Act, the Secretary of Health and Human Services has broad authority to utilize the Public Health Emergency Fund once the Secretary has determined a public health emergency exists which may provide the USPS an avenue to receive funding should the Secretary determine that such use of funds are appropriate. The Public Health Service Act authorizes the Secretary of Health and Human Services, in coordination with the Secretary of Homeland Security, to maintain the Strategic National Stockpile (SNS). The Secretary of Health and Human Services shall deploy the SNS as (i) required by the Secretary of Homeland Security to respond to an actual or potential emergency or (ii) deploy the SNS at their discretion to respond to an actual or potential public health emergency or other situation in which deployment is necessary to protect the public health or safety. Accordingly, the USPS may be able to acquire personal protective equipment for its employees and contractors from the Strategic National Stockpile through the discretion of the Secretary of Health and Human Services.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act generally establishes the assistance provided by the federal government to state and local governments to alleviate the suffering and damages caused by disasters. Chapter 68 of the Stafford Act establishes that federal agencies, specifically including the USPS, may be reimbursed for services provided pursuant to the President's directive. Among other things, the President may direct federal agencies to support state and local emergency assistance efforts; coordinate disaster relief assistance; provide emergency assistance; and assist state and local governments in the distribution of medicine, food, and other supplies. The Stafford Act may provide the USPS the ability, through a designation made by the President, to provide additional assistance to emergency relief efforts and receive reimbursement for such assistance.

Section II of this memorandum also identifies and addresses the implications of the USPS's role in carrying out a "Primary Mission Essential Function" as well as "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" being designated essential critical infrastructure workers.

Presidential Policy Directive 40 directs the Secretary of Homeland Security through the Administrator of the Federal Emergency Agency to coordinate the implementation, execution, and assessment of continuity activities among executive departments and agencies. Delivery of postal services to the American public by the USPS is considered a "Primary Mission Essential Function." Additionally, "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" are considered essential critical infrastructure workers, as

defined in guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency. As the USPS provides two Primary Mission Essential Functions and postal workers are considered critical infrastructure, opportunities under PPD-40 and Federal Continuity Directives 1 and 2 may be available to the USPS to both ensure liquidity of the USPS to continue performing its Primary Mission Essential Functions as well as obtain personal protective equipment ("PPE") for USPS employees and contractors who are critical infrastructure.

In Executive Order 13909 (Prioritizing and Allocating Health and Medical Resources to Respond to the Spread of COVID-19), issued on March 18, 2020, President Trump delegated to the Secretary of Health and Human Services the prioritization and allocation under section 101 of the Defense Production Act with respect to health and medical resources needed to respond to the spread of COVID-19. Additionally, the Federal Emergency Management Agency established a National Resource Prioritization Cell to unify prioritization recommendations for the allocation of critical resources from the Strategic National Stockpile. The President's executive order, and the establishment of the National Resource Prioritization Cell provide the USPS potential avenues to acquire personal protective equipment for its employees and contractors to safely continue executing its Primary Mission Essential Functions.

Section III – Legislative Action

Section III of this memorandum addresses the potential to use additional stimulus legislation to obtain both additional financial aid and statutory changes that Michael Best could assist the USPS in achieving for long-term reform and sustainability.

Within a week of the President signing the CARES Act Members of Congress are already considering priorities for a potential "Phase 4" economic stimulus package to address the COVID-19 Pandemic. Because priorities are already being considered and various interested groups are already lobbying Congress for their share of the potential additional stimulus, it is important for the USPS needs to be part of the conversation. Members of the Michael Best & Friedrich Team, including Reince Priebus and Denise Bode, can provide invaluable assistance and guidance both with regard to the potential Phase 4 stimulus package and long-term statutory and regulatory reform to benefit the USPS.

Discussion

The United States Postal Service ("USPS") has several options for obtaining additional funding and resources during and after the existing national emergency and COVID-19 Pandemic both as a result of the CARES Act and existing emergency powers of the President and the Executive Branch.

I. The CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law by President Donald J. Trump on Friday March 27, 2020. The CARES Act is a third phase of economic stimulus legislation addressing the impacts caused by the Coronavirus 2019 (“COVID-19”) Pandemic and it includes over \$2 Trillion of economic aid, including, *inter alia*, direct payments to eligible individual taxpayers, expanded unemployment insurance, direct funding to state and local governments, loans and other incentives to eligible businesses and local governments, new small business loans and health equipment for hospitals fighting COVID-19.

We have identified several portions of the CARES Act that either directly benefit the USPS or provide a potential for the USPS to obtain additional financial aid and/or resources. The CARES Act (a) authorizes the United States Treasury to loan up to an additional \$10 Billion directly to the USPS to cover operating expenses during the COVID-19 Pandemic; (b) provides \$17 Billion for “businesses critical to maintaining national security” and (c) \$1 Billion for the President to make purchases under the Defense Production Act.

a. \$10 Billion Direct Lending Authority for USPS

Title VI, §6001(b) of the “Cares Act” Authorizes USPS to “borrow money from the Treasury in an amount not to exceed \$10,000,000,000,” in addition to any other existing borrowing authority, if the USPS determines that due to the COVID-19 Pandemic it “will not be able to fund operating expenses without borrowing money.” The direct loan(s) of up to \$10 Billion must be used for operating expenses and cannot be used for the payment of existing debt. *Id.* §6001(b)(1)(A)-(B). The loans under the CARES Act may be upon favorable terms, including any “terms and conditions mutually agreed upon by the Secretary [of the Treasury] and the [USPS].” *Id.* §6001(b)(2).

The CARES Act does not provide any guidance regarding the terms or procedures for the additional financing, but because the USPS has consistent borrowing authority from the Federal Financing Bank (FFB), which is under the supervision of the Secretary of the Treasury, the additional funding should be obtained in much the same manner as existing USPS loans from the FFB. However, because the CARES Act allows for any mutually agreed upon terms, given the national emergency and the important role that USPS plays during such an emergency the USPS should obtain favorable terms rather than terms similar to existing FFB loans.

Section 6001 of the CARES Act further requires the USPS to “prioritize delivery of postal products for medical purposes” and allows the USPS to “establish temporary delivery points, in such form and manner as the [USPS] determines necessary, to protect employees of the [USPS] and individuals receiving deliveries from the [USPS].” *Id.* §6001(c)(1)-(2). Although this provision of the CARES Act places a burden on the USPS, requiring prioritization of medical

supplies, it does allow the USPS to protect its workers (and other members of the public) when it determines necessary by temporarily suspending direct service to certain areas deemed to present a higher risk and instead provide temporary delivery points. *Id.* This may present some opportunities to reduce operating costs.

b. Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy

Section 4003 of the CARES Act provides the largest single appropriation within the Act—\$500 Billion from the Treasury to provide liquidity to “eligible businesses” through loans, loan guarantees and other investments. *Id.* §4003(a). Eligible businesses are defined to include a business in the U.S. “that has not otherwise received **adequate** economic relief in the form of loans or loan guarantees provided under [the CARES Act].” *Id.* §4002(4)(B) (emphasis added). Although the USPS receives up to \$10 Billion in loans from §6001 of the CARES Act, this is likely not “**adequate**.”

Within the \$500 Billion available to “eligible businesses” Congress has specifically allocated \$17 Billion that shall be made available to “**businesses critical to maintaining national security**.” *Id.* §4003(b)(3). The USPS plays a highly important role in national security and continuity of government and is also considered essential to the critical infrastructure of the Nation.

The current National Continuity Policy was issued on July 15, 2016 in Presidential Policy Directive 40 and remains classified, but in its predecessor Directive issued on May 4, 2007 the USPS played an important role in national continuity and national security. The prior directive established National Essential Functions (“NEF”), which are the subset of Government Functions¹ necessary to lead and sustain the country during a catastrophic emergency and therefore must be supported through Continuity of Operations² (“COOP”) and Continuity of Government³ (“COG”) capabilities.⁴ Executive departments and agencies were instructed to identify and submit a list of Primary Mission Essential Functions (“PMEF”), which are essential government functions that must be continuously performed in order to support or implement the uninterrupted performance

¹ “Government Functions” means the collective functions of the heads of executive departments and agencies as defined by statute, regulation, presidential direction, or other legal authority, and the functions of the legislative and judicial branches. National Security Federal Directive 51(2)(g).

² “Continuity of Operations,” or “COOP,” means an effort within individual executive departments and agencies to ensure that Primary Mission-Essential Functions continue to be performed during a wide range of emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies. National Security Federal Directive 51(2)(d).

³ “Continuity of Government,” or “COG,” means a coordinated effort within the Federal Government’s executive branch to ensure that National Essential Functions continue to be performed during a Catastrophic Emergency. National Security Federal Directive 51(2)(c).

⁴ National Security Federal Directive 51(1).

of NEFs before, during, or in the aftermath of an emergency.⁵ The delivery of postal services to the American public by the USPS is considered a PMEF.⁶

With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World's mail, the USPS is unquestionably critical to a functioning U.S. and World economy.⁷ The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified “postal and shipping workers” as part of the “Essential Critical Infrastructure Workforce” in light of the COVID-19 Pandemic by memorandum dated March 19, 2020.⁸

Furthermore, the USPS is designated as a supporting agency for 8 of the 15 Emergency Support Function annexes and is a cooperating agency for one essential support area under the National Response Framework—specifically the USPS has roles in reporting infrastructure disruptions and damages and also has an important role in distributing medicine, pharmaceuticals and other medical information and supplies.⁹

Because the USPS likely qualifies as an eligible business under the CARES Act, as explained in more detail below, and is unquestionably critical to maintaining the nation's security and continuity, the USPS should apply for and seek additional assistance under §4003 of the CARES Act. Although a portion of the \$17 Billion is likely intended for other companies such as Boeing that play a role in national security, the USPS should qualify and be able to share in these funds. One concern we do have with regard to additional loans under §4003 of the CARES Act is the general cap on USPS borrowing in 39 U.S.C. §2005, but we believe a strong case can be made that the cap does not apply to this appropriation given the USPS's integral role in maintaining national security and continuity during a national emergency. Generally where there is an apparent conflict between to statutes, like there may be in this case with the general cap in 39 U.S.C. §2005 and the funds available under §4003 of the CARES Act, courts will attempt to read the two statutes “to give effect to each if [it] can do so while preserving their sense and purpose.” *Watt v. Alaska*, 451 U.S. 259, 267 (1981), see also *Morton v. Mancari*, 417 U.S. 535, 551 (1974). The general cap and §4003 of the CARES Act can be read to co-exist as the CARES Act is an emergency measure intend to provide for additional funding during the specific COVID-19 Pandemic,

⁵ See U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, available at: <https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf>.

⁶ See List of Validated PMEFs by Department/Agency, available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefts_by_department_v2_fema.pdf.

⁷ See <https://facts.usps.com>.

⁸ See https://www.cisa.gov/sites/default/files/publications/CISA_Guidance_on_the_Essential_Critical_Infrastructure_Workforce_508C_0.pdf.

⁹ See David, *et al.*, The Role of the United States Postal Service in Public Safety and Security, RAND 2008, available at <https://about.usps.com/universal-postal-service/rand-report.pdf>.

whereas the general cap applied prior to, and will again apply after, the existing national emergency. Moreover, when there is a conflict between two statutes, the statute enacted more recently (the CARES Act in this case) will generally control while preserving all non-conflicting aspects whenever possible. *Smith v. Robinson*, 468 U.S. 992, 1024 (U.S. 1984). We encourage the USPS to immediately engage Treasury in advance of Treasury issuing final guidelines in order to help ensure that such funds could be available to the USPS and to better understand if Treasury will take the position that the general cap still applies to the CARES Act funds.

The framework for the terms and conditions associated with obtaining assistance under §4003 of the CARES Act is included in §§4003 (c) and (d), which includes requirements that businesses demonstrate: (1) they are an eligible business to which credit is not reasonably available at the time of the transaction; (2) the intended obligation is prudently incurred; and (3) the loan or guarantee is sufficiently secured or made at a rate that reflects the risk and, to the extent practicable, is not less than an interest rate based on market conditions for comparable obligations prior to the outbreak of COVID-19.

Additional terms require an applicant to: (1) show, to the extent practicable, the duration of the loan or guarantee will not exceed 5 years; (2) forego buying back stock or paying dividends for common stock (except if contractually obligated to do so) for 12 months after the obligation is no longer outstanding; (3) maintain employment levels as of March 24, 2020, to the extent practicable, until September 30, 2020, and not "in any case" reduce those employment levels by more than 10 percent; (4) certify that the business is "created or organized in the United States or under the laws of the United States and has significant operations in and a majority of its employees based in the United States; and (5) demonstrate that it incurred losses such "that the continued operations of the business are jeopardized."

The Treasury Department has already issued "preliminary" guidance for obtaining funds under §4003 of the CARES Act, which mostly reiterate what was already included in the Act itself. However, the Treasury guidelines define a "Borrower" to include any U.S. Business, including those "critical to maintaining national security" that apply for or receive a loan under §4003 of the CARES Act. The guidance further states that "Borrowers will be able to apply for a loan directly from the Treasury Department, which will disburse the loan directly to borrowers whose applications are approved by the Treasury Department." The guidance does not expand on the definition of an eligible business, simply stating that "eligible borrowers" include "businesses critical to maintaining national security."

Although the USPS is not a typical U.S. business, it is an independent federal entity that is self-supporting and operates much like any other business, but is subject to significant federal law and regulations. *See, e.g., 39 U.S.C. § 101, et seq.* Because the USPS receives no tax dollars for its operations and relies on the sale of postage, products and services to fund its operations it likely qualifies under §4003 of the CARES Act as an eligible business and can meet the above criteria.

Moreover, Treasury guidance recently published for §4003 of the CARES Act explains that being a “U.S. Business” requires a certification that the borrower “is created or organized in the United States or under the laws of the United States and has significant operations in and a majority of its employees based in the United States.” The USPS easily meets all of these criteria.

When the Treasury Department publishes additional guidance on regarding funds under §4003 of the CARES Act, including the application, we will provide that to the USPS along with our analysis.

c. Defense Production Act Purchases and Funding

Section 4017 of the CARES Act seeks to increase access to materials and supplies necessary for both national security and recovery from the COVID-19 Pandemic. To accomplish this the CARES expressly utilizes the Defense Production Act of 1950 (“DPA”) by lifting certain limits and requirements within the DPA (namely with regard to the President’s ability to order the purchase of resources or items of need for government use or resale) and providing \$1 Billion of funding¹⁰ for the President to make such purchases.

As explained generally in Michael Best’s original memorandum to the USPS dated March 26, 2020 and again in Section II(a) below, the DPA confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the “national defense.” The DPA provides the President, or other Executive Branch departments or agencies through delegation, with significant authority to act in the interest of national security and during emergencies, including the ability to require persons, businesses and other entities to allocate the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a). In conjunction with this authority, the DPA allows the President great discretion to make purchases or commitments to purchase important items for its use or resale. 50 U.S.C. §4533(a). The President’s purchases under the DPA are typically limited to an existing Defense Production Act Fund, but the CARES Act expands on this funding with the additional \$1 Billion. *Id.*, §4534.

By removing conditions and requirements that the President would otherwise have to meet in order to act under the DPA, §4017 of the CARES Act encourages the use of this power by the President. As a result the President has great discretion to order certain companies to manufacture health supplies, including personal protective equipment such as hand sanitizer, masks and gloves and use the funds existing in the Defense Production Act Fund and provided by the CARES Act to purchase these items for the USPS.

¹⁰ The \$1 Billion appropriated for purchases under the DPA is not included in Section 4070 of the CARES Act, but is included in an un-numbered section later in the CARES Act.

This directive can be ordered by the President at any time now that the CARES Act is effective and the USPS should therefore immediately engage the Administration for action on this item.

II. Executive Authority and Action

The CARES Act is not the only resource available to the USPS for both short-term assistance during the COVID-19 Pandemic and long-term solutions for sustainability. The Defense Production Act can be utilized by the President and or his Administration to assist the USPS independently of the CARES Act along with other significant statutory authority. While certain regulatory changes are a possibility under the USPS's rulemaking authority, and executive action through executive orders is limited and subject to the statutory scheme establishing the USPS.

a. Defense Production Act

The Defense Production Act of 1950 ("DPA") confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the "national defense." The main sections of the DPA were presented in memorandum to the USPS dated March 26, 2020 and are again summarized for your convenience, including (I) Title III: Strengthening Domestic Capability; (II) Title I: Priorities and Allocations; and (III) Title VII: General Provisions.

The DPA expressly provides the Executive Branch with an "array of authorities to shape *national defense* preparedness programs and to take appropriate steps to maintain and enhance the domestic industrial base." 50 U.S.C. §4502(a)(4) (emphasis added). The term "national defense" is defined very broadly in the DPA, including many of the functions provided by the USPS; national defense is defined as

programs for military and energy production or construction, military or critical infrastructure assistance to any foreign nation, homeland security, stockpiling, space, and any directly related activity. Such term includes emergency preparedness activities conducted pursuant to title VI of The Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 U.S.C. §§5195 et seq.] and critical infrastructure protection and restoration.

50 U.S.C. §4552(14).

"Critical infrastructure" is further broadly defined in the DPA to include "any systems and assets, whether physical or cyber-based, so vital to the United States that the degradation or destruction of such systems and assets would have a debilitating impact on national security, including, but not limited to, national economic security and national public health and safety." 50

U.S.C. §4552(2). With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World’s mail, the USPS is unquestionably critical to a functioning U.S. and World economy.¹¹ The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified “postal and shipping workers” as part of the “Essential Critical Infrastructure Workforce” in light of the COVID-19 Pandemic by memorandum dated March 19, 2020.¹² Moreover, the DPA references 42 U.S.C. §5195(a)(3) for the definition of “emergency preparedness” activities, which includes

all those activities and measures designed or undertaken to prepare for or minimize the effects of a hazard upon the civilian population, to deal with the immediate emergency conditions which would be created by the hazard, and to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by the hazard.

As a result the DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. In fact, the essential services provided by the USPS, including the universal service mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public.

i. Title III of the DPA

Title III of the DPA allows the President, or other portions of the Executive Branch through delegation, to provide incentives and assistance, including loans and loan guarantees, to, *inter alia*, “assure that critical components, critical technology items, essential materials, and industrial resources are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilization, and national emergency.” U.S.C. §4517(b). As explained above, the USPS is part of the “critical infrastructure” of the United States, and the World, and Title III of the DPA allows for assistance and incentives to the USPS to assure that its critical function is provided in both peacetime and during a national emergency such as the COVID-19 Pandemic.

Pursuant to 50 U.S.C. §4531(a) the President has the authority under the DPA to reduce current shortfalls or prevent projected shortfalls of those entities providing critical items by authorizing direct loans or loan guarantees “for the purpose of financing any contractor, subcontractor, ***provider of critical infrastructure***, or other person in support of . . . production and ***deliveries or services essential to the national defense***.” *Id.* (emphasis added). Although the DPA typically requires meeting certain conditions and for the President to make certain determinations before the incentives can be provided, if a national emergency is declared by Congress or the

¹¹ See <https://facts.usps.com>.

¹² See *supra* n. 8.

President such conditions and determinations do not apply. 50 U.S.C. §4531(2). In the case of the COVID-19 Pandemic, the President has formally declared a national emergency and therefore the conditions and determinations are not required.¹³ Regardless of a declaration of national emergency, Congress still must appropriate funds providing authority for such loans or loan guarantees. 50 U.S.C. §4531(3).

Although Congress has limited the borrowing authority of the USPS pursuant to 39 U.S.C. §2005 as explained in Section I of this memorandum the CARES Act includes both an express appropriation of funds for direct loans to the USPS from the U.S. Treasury and other relief for which we believe the USPS could qualify.

ii. Title I of the DPA

Title I of the DPA allows the President, or other portions of the Executive Branch through delegation, to require persons, businesses and other entities to (1) give **priority** to certain contracts, orders or other performance as necessary or appropriate to promote the national defense and (2) to **allocate** the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a).

The prioritization authority is the most commonly used aspect of the DPA, namely with regard to certain contracts or orders by the Department of Defense, including the B-2 Bomber, Air Force One and certain Mine Resistant Ambush Protected (MRAP) Vehicles.¹⁴ Although less common, other departments and agencies have used DPA prioritization such as the Department of Homeland Security requiring prioritization of manufacturing housing units, food and bottled water during the 2017 disaster season.¹⁵

The allocation authority is rarely used. The best example of its use is the Civil Reserve Air Fleet (CRAF) whereby civilian aircraft are “allocated” for potential use by the Department of Defense in case needed in a national defense crisis where the existing military air fleet is insufficient. See www.dot.gov/ost/oiser/craf.htm.

In these extraordinary times the use of the DPA during the COVID-19 Pandemic to potentially require private corporations to both prioritize and allocate resources towards the immediate production of test kits and other medical supplies is at the forefront of public discussion. In fact, on March 27, 2020 President Trump issued an order under the DPA directing the Secretary of Health and Human Services to “use any and all authority available under the [DPA] to require

¹³ See <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

¹⁴ See www.bis.doc.gov/index.php/forms-documents/pdfs/1257-dx-dated-program-list/file.

¹⁵ See Department of Homeland Security, *The Defense Production Act Committee: Report to Congress*, Calendar Year 2017 Report, June 18, 2018, p. 10.

General Motors Company to accept, perform, and prioritize contracts or orders for the number of ventilators that the Secretary determines to be appropriate.”¹⁶ As explained in Section I (c) above, the President can use the DPA, including the additional funding provided by the CARS Act for the DPA Fund to make purchases of PPE or other materials and equipment for the USPS.

iii. Title VII of the DPA

Title VII of the DPA includes various miscellaneous provisions that are generally not applicable to the USPS, including, *inter alia*, special preferences for small businesses, 50 U.S.C. §4551, ability to conduct investigations and obtain information regarding the domestic industrial base, 50 U.S.C. §4555, immunity from anti-trust laws where the DPA is used to encourage voluntary agreements between competing companies and interest, 50 U.S.C. §4558, the ability of the President to create a committee of industry executives, 50 U.S.C. §4560, and the creation of a committee on foreign investment, 50 U.S.C. §4565.

b. Other Existing Statutory Authority

There are three major Acts that provide executive authority during times of national emergencies: (i) the National Emergencies Act of 1976; (ii) the Public Health Service Act; and (iii) The Robert T. Stafford Disaster Relief and Emergency Assistance Act. This section contains an overview of each Act and identifies potential executive actions under such legislation that could benefit the USPS.

i. National Emergencies Act of 1976

The National Emergencies Act of 1976 (the “National Emergencies Act”) authorizes the President to declare a national emergency. 50 U.S.C. § 1621(a). When the President declares a national emergency, as President Trump has for the COVID-19 Pandemic,¹⁷ various laws conferring executive powers during such an emergency become effective and remain in effect during such emergency. 50 U.S.C. § 1621(b). While the National Emergencies Act does not provide authority for specific executive actions applicable to the USPS, the National Emergencies Act does provide general authority for when, and how long, a national emergency may be declared and allows the President to take certain actions that may benefit the USPS under other law as discussed below.

¹⁶ See <https://www.whitehouse.gov/presidential-actions/memorandum-order-defense-production-act-regarding-general-motors-company/>

¹⁷ Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak (March 13, 2020), available at: <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

ii. Public Health Service Act

The Public Health Service Act authorizes the Secretary of Health and Human Services (“HHS”) to determine that (i) a disease or disorder presents a public health emergency; or (ii) that a public health emergency, including significant outbreaks of infectious disease or bioterrorist attacks, exists. 42 U.S.C. § 247d(a). If the Secretary of HHS declares a public health emergency, as Secretary Azar has in the case of COVID-19,¹⁸ the Secretary may access the Public Health Emergency Fund (the “Health Fund”), without fiscal year limitations. 42 U.S.C. § 247d(b)(1). Secretary Azar may use the Health Fund to, *inter alia*, (a) facilitate coordination between and among Federal, State, local, Tribal, and territorial entities and public and private health care entities that the Secretary determines may be affected by COVID-19; (b) make grants, provide for awards, enter into contracts, and conduct supportive investigations pertaining to COVID-19; and (c) carry out other activities, as the Secretary determines applicable and appropriate. 42 U.S.C. § 247d(2). The Secretary must report on expenditures made out of the Health Fund not later than 90 days after the end of the fiscal year to certain committees of the House of Representatives and Senate. 42 U.S.C. § 247d(3). As a result of the COVID-19 Pandemic and the declared emergencies the Secretary of HHS has broad authority to utilize the Health Fund to assist the USPS as the Secretary deems appropriate, including providing resources, equipment and other resources.

Additionally, the Public Health Service Act authorizes the Secretary of HHS, in coordination with the Secretary of Homeland Security, to maintain the Strategic National Stockpile (“SNS”). *See* 42 U.S.C. § 247d-6b. The SNS is a national repository of large quantities of medical supplies, including Personal Protective Equipment stored in strategic locations around the nation. The SNS is designed to supplement state and local public health departments in the event of a large-scale public health emergency that causes local supplies to run out. Pursuant to the Public Health Service Act, the Secretary of HHS may deploy the SNS to respond to the COVID-19 Pandemic. 42 U.S.C. § 247d-6b(a)(3)(f)-(g). The USPS may be able to access the SNS to obtain Personal Protective Equipment or other stockpiled equipment and resources for its operations during the COVID-19 Pandemic.

iii. Robert T. Stafford Disaster Relief and Emergency Assistance Act

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (the “Stafford Act”) establishes certain assistance provided by the federal government to state and local governments to alleviate the suffering and damages caused by disasters. Pursuant to the Stafford Act, federal agencies are reimbursed for services or supplies furnished during disasters and emergencies such as the current COVID-19 Pandemic. 42 U.S.C. § 5147. For purposes of the Stafford Act a “federal agency” includes any department, independent establishment, Government corporation, or other agency of the executive branch of the Federal Government, *including the United States Postal*

¹⁸ *See* <https://www.hhs.gov/about/news/2020/01/31/secretary-azar-declares-public-health-emergency-us-2019-novel-coronavirus.html>.

Service . . .” 42 U.S.C. § 5122(9) (emphasis added). In any emergency under the Stafford Act, “the President may:

- (i) direct any Federal agency, with or without reimbursement, to utilize its authorities and the resources granted to it under federal law (including personnel, equipment, supplies, facilities, and managerial, technical and advisory services) in support of state and local emergency assistance efforts to save lives, protect property and public health and safety, and lessen or avert the threat of a catastrophe, including precautionary evacuations;
- (ii) coordinate all disaster relief assistance (including voluntary assistance) provided by federal agencies, private organizations, and state and local governments; ...
- (iv) provide emergency assistance through Federal agencies; ...
- (vii) assist state and local governments in the distribution of medicine, food, and other consumable supplies, and emergency assistance; and
- (viii) provide accelerated federal assistance and Federal support where necessary to save lives, prevent human suffering, or mitigate severe damage, which may be provided in the absence of a specific request and in which case the President—
 - a. shall, to the fullest extent practicable, promptly notify and coordinate with a State in which such assistance or support is provided; and
 - b. shall not, in notifying and coordinating with a state, delay or impede the rapid deployment, use, and distribution of critical resources to victims of an emergency.” 42 U.S.C. § 5192(a).

Although the Stafford Act contains various requirements for emergency declarations at the federal and state level, this is not a concern given the existing national emergency and various emergencies and disasters declared in virtually every state throughout the nation as a result of COVID-19. The Stafford Act is primarily designed to provide direct federal assistance to state and local governments, but it also includes mechanisms for the President to direct and/or coordinate federal agencies, including the USPS, to provide services in an emergency or disaster. Due to the unique ability of the USPS to reach every residence in the United States, the USPS may be the sole federal agency, as defined under the Stafford Act, to provide emergency assistance to every citizen during the COVID-19 Pandemic. As such, the President may instruct the USPS to provide certain services and take certain actions, including the use of special equipment and protections, which could be directly funded or reimbursed under the Stafford Act by executive order.

c. Direct Executive Action

i. Federal Continuity Directives and Critical Infrastructure Designation

As identified in Mr. Marshall's letter to Ms. Bonner "Re: Essential Public Service Provided by the Postal Service as a Part of the Nation's Critical Infrastructure," dated March 23, 2020, the USPS carries out an essential function of the federal government and provides critical government services as part of the National Continuity Policy. National Security Presidential Directive 51 ("Directive 51"), issued May 4, 2007, established a comprehensive national policy on the continuity of federal government structures and operations.¹⁹ Directive 51 also established National Essential Functions ("NEF"), which are the subset of Government Functions²⁰ necessary to lead and sustain the country during a catastrophic emergency and therefore must be supported through Continuity of Operations²¹ ("COOP") and Continuity of Government²² ("COG") capabilities.²³ Executive departments and agencies were instructed to identify and submit a list of Primary Mission Essential Functions ("PMEF"), which are essential government functions that must be continuously performed in order to support or implement the uninterrupted performance of NEFs before, during, or in the aftermath of an emergency.²⁴ The delivery of postal services to the American public by the USPS is considered a PMEF.²⁵

Presidential Policy Directive 40 ("PPD-40"), *National Continuity Policy*, issued on July 15, 2016, replaced Directive 51. PPD-40 remains classified, however certain information has been

¹⁹ National Security Presidential Directive 51, available at: <https://fas.org/irp/offdocs/nspd/nspd-51.htm>.

²⁰ "Government Functions" means the collective functions of the heads of executive departments and agencies as defined by statute, regulation, presidential direction, or other legal authority, and the functions of the legislative and judicial branches. National Security Federal Directive 51(2)(g).

²¹ "Continuity of Operations," or "COOP," means an effort within individual executive departments and agencies to ensure that Primary Mission-Essential Functions continue to be performed during a wide range of emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies. National Security Federal Directive 51(2)(d).

²² "Continuity of Government," or "COG," means a coordinated effort within the Federal Government's executive branch to ensure that National Essential Functions continue to be performed during a Catastrophic Emergency. National Security Federal Directive 51(2)(c).

²³ National Security Federal Directive 51(1).

²⁴ See U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, available at: <https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf>.

²⁵ See List of Validated PMEFS by Department/Agency, available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefs_by_department_v2_fe_ma.pdf.

made available through Federal Continuity Directives 1 and 2.²⁶ PPD-40 directs the Secretary of Homeland Security through the Administrator of the Federal Emergency Management Agency (“FEMA”) to coordinate the implementation, execution, and assessment of continuity activities among executive departments and agencies.²⁷ Specifically, the Administrator of FEMA is directed to develop and promulgate Federal Continuity Directives to establish continuity program and planning requirements for executive departments and agencies.²⁸ PPD-40 requires departments and agencies to appoint a Continuity Coordinator at the Assistant Secretary level or higher.²⁹

Additionally, “postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies” are considered essential critical infrastructure workers, as defined in guidance issued by the Department of Homeland Security’s Cybersecurity and Infrastructure Security Agency (“CISA”).³⁰ The term critical infrastructure is used to describe “systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters.”³¹

Although the specific aspects of PPD-40 remain classified, because the USPS provides PMEFs, and postal workers are considered critical infrastructure, the USPS may be able to use PPD-40 and Federal Continuity Directives 1 and 2 to both ensure liquidity as well as obtain personal protective equipment (“PPE”) for USPS employees and contractors. The USPS should coordinate with the President, the Secretary of Homeland Security, and the Administrator of FEMA in order to seek possible emergency funds to ensure the USPS remains financially able to continue providing its important services and to obtain the equipment and resources necessary to do so.

ii. Strategic National Stockpile (“SNS”)

As discussed above in Section II(b), the Secretary of HHS, in coordination with the Secretary of Homeland Security, maintains the SNS. The President has declared a national

²⁶ See generally Federal Continuity Directive 1 and Federal Continuity Directive 2, available at: <https://www.fema.gov/media-library-data/1499702987348-c8eb5e5746bfc5a7a3cb954039df7fc2/FCD-2June132017.pdf>.

²⁷ Federal Continuity Directive 1, Section I (pg. 3).

²⁸ *Id.*

²⁹ *Id.* at Section V (pg. 5).

³⁰ See Department of Homeland Security Cybersecurity and Infrastructure Security Agency, Guidance on the Essential Critical Infrastructure Workforce, available at: <https://www.cisa.gov/publication/guidance-essential-critical-infrastructure-workforce>.

³¹ Presidential Policy Directive (PPD) 21, Critical Infrastructure Security and Resilience, February 12, 2013, p. 12; USA Patriot Act of 2001, Section 1016(e), (42 U.S.C) 5195c(e)).

emergency as a result of the COVID-19 Pandemic³² and issued Executive Order 13909 directing the Secretary of HHS to use the prioritization and allocation authorities under section 101 of the DPA with respect to health and medical resources needed to respond to the spread of COVID-19.³³ Additionally, FEMA established the Supply Chain Stabilization Task Force to address limited supply of critical Personal Protective Equipment. The Supply Chain Stabilization Task Force is utilizing a four-prong approach, one prong focuses on the allocation of critical resources. To effectively allocate resources, the FEMA Supply Chain Stabilization Task Force established a National Resource Prioritization Cell to unify prioritization recommendations.³⁴ The USPS should work with the Secretary of HHS, the Secretary of Homeland Security, and the National Resource Prioritization Cell of the FEMA Supply Chain Stabilization Task Force to obtain equipment and resources through the SNS.

iii. Executive Orders

Executive orders are an extraordinary law making authority vested in the President only under very narrow circumstances and where the legislative and executive branch – through power vested in them by Article I and Article II of the Constitution – have not already spoken. Although significant authority is already vested in the President to take actions described above to protect national security, his constitutional authority does not extend to issue the executive orders sought by the USPS.

The United States Supreme Court has consistently held that the “President’s power, if any, to issue [executive orders] must stem from an act of Congress or from the Constitution itself.” *Youngstown Sheet & Tube Co. v. Sawyer*, 343 U.S. 579, 585 (1952). In the landmark case of *Youngstown* President Truman issued an executive order directing the Secretary of Commerce to seize and operate steel mills, which were integral to national security during the Korean War, and avert a strike. *Id.* at 582-83. Despite the undisputed national security need for the steel mills to continue operations, the Supreme Court held that the order was unconstitutional because it did not stem from any act of Congress or the Constitution itself. *Id.* at 585. In fact, the Court expressly rejected arguments that general executive authority and/or general military authority vested in the President by the Constitution supported the executive order. *Id.* at 586-87. The decision in

³² Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak (March 13, 2020), available at: <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

³³ Executive Order 13909, Prioritizing and Allocating Health and Medical Resources to Respond to the Spread of COVID-19 (March 18, 2020), available at: <https://www.federalregister.gov/documents/2020/03/23/2020-06161/prioritizing-and-allocating-health-and-medical-resources-to-respond-to-the-spread-of-covid-19>.

³⁴ FEMA Coronavirus (COVID) 19 Pandemic: Supply Chain Stabilization Task Force (March 30, 2020), available at: <https://www.fema.gov/news-release/2020/03/30/coronavirus-covid-19-pandemic-supply-chain-stabilization-task-force>.

Youngstown remains applicable law today. See *Sierra Club v. Trump*, 929 F.3d 670, 694 (9th Cir. 2019).

Here, what the USPS seeks not only isn't granted by statutory or constitutional authority but is expressly addressed in statute. Any such orders issued by the President would be counter to the law and thus ineffectual. The President cannot take action that is incompatible with the express or implied will of Congress unless the President has an independent power to do so under the Constitution, *Zivotofsky v. Kerry*, 571 U.S. 1, 15 (2015) (citing *Youngstown*, 343 U.S. at 637). The authority to make the changes the USPS seeks by executive order simply does not exist.

III. Legislative Action

a. Additional "Phase 4" COVID-19 Stimulus

Less than a week after the enactment of the CARES Act, Members of Congress have signaled a desire for yet another "Phase 4" stimulus package. Part of the additional items being suggested by Speaker Nancy Pelosi includes additional investment in infrastructure, the health care system and digital economy.³⁵

Even if a fourth round of stimulus is still only a possibility, it is important to make sure that additional assistance and/or reform for the USPS is part of the conversation and under consideration early in the process. In addition to further loans, funding and other resources that could be included in Phase 4, the package could also be a source for long-term legislative reform benefiting the USPS. With adequate time to influence Members of Congress and the President a Phase 4 package could be significantly more beneficial to the USPS than the CARES Act.

b. Long-term Legislative Action

Federal legislation specifically reforming the law governing the USPS is the best long-term solution to liquidity issues faced by the USPS. The USPS has already identified several statutory changes that would greatly improve the ability of the USPS to efficiently operate and obtain more revenue. Namely legislation could be enacted to: (1) eliminate the cap on prices charged by the USPS and allow the Postal Regulatory Commission to engage in an oversight role monitoring the market prices set by the USPS Board of Governors; (2) provide flexibility for the USPS to enter into Negotiated Service Agreements; (3) eliminate Postal Regulatory Commission review of rate changes prior to effective date of the change; (4) provide flexibility for the USPS to offer non-postal services and government services; and (5) eliminate Postal Regulatory Commission review of new postal products and the elimination of existing postal products.

³⁵ See <https://www.cnbc.com/2020/04/01/coronavirus-stimulus-package-white-house-is-not-planning-4th-bill.html>.



The USPS has already provided draft language for proposed amendments to Title 39 of the U.S. Code to accomplish these changes, which are attached hereto as Exhibit A.

Members of the Michael Best & Friedrich Team, including Reince Priebus and Denise Bode, can provide invaluable assistance and guidance both with regard to the potential Phase 4 stimulus package and long-term statutory and regulatory reform to benefit the USPS. In addition to taking immediate action on the above-identified items related to the CARES Act and existing Executive Action, we would like to discuss more specifically how Michael Best can assist the USPS in achieving both its short-term and long-term goals.

TALKING POINTS

External Statements Regarding USPS Status

Note: These statements are intended to summarize the Postal Service's legal exemption from State and local laws given the Postal Service's status as an entity of the Federal Government, which is providing an essential function. It is intended for use by Postal Service officials in communicating with a variety of audiences. To the extent that you receive a communication from a lawyer, please refer that communication to the Law Department.

Customer/Public:

The Postal Service's provision of mail and package delivery services is not affected by State and local government actions that are restricting commercial and personal activities in response to the Coronavirus Disease 2019 (COVID-19) pandemic. The Postal Service is an entity of the Federal Government whose employees are providing an essential government service for the American people. The restrictions being imposed by State and local governments generally exempt the provision of essential services from their scope. In addition, even if a State or local directive does not contain such an exemption, the performance of the Postal Service's functions is governed by federal law, rather than State or local laws. The Postal Service is therefore continuing to fulfill our critical public service mission by accepting and delivering mail and packages in accordance with federal law. We are working closely with federal, state, and local authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public.

Employees:

Many State and local governments have issued legal directives restricting commercial and personal activities in response to the COVID-19 pandemic, such as requirements to shelter-in-place. These restrictions do not prevent Postal Service employees from reporting to and performing their work. The Postal Service is an entity of the Federal Government whose employees are providing an essential government service for the American people. The restrictions being imposed by State and local governments generally exempt individuals performing essential services from their scope. In addition, even if a State or local directive does not contain such an exemption, the performance of the Postal Service's functions is governed by federal law, rather than State or local laws. The Postal Service is continuing to fulfill our critical public service mission by accepting and delivering mail and packages in accordance with federal law.

Employees who live or work in jurisdictions that have imposed restrictions are therefore not entitled to administrative leave. We are working closely with federal, state, and local health authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public. That said, employees who have been diagnosed with COVID-19, or are experiencing its symptoms, should not come to work, and should take leave, which will be liberally approved. Employees who wish to remain at home in accordance with State or local directives are able to request the use of leave in accordance with applicable postal policies and other federal laws.

State and Local Officials:

The Postal Service's provision of mail and package delivery services is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic, including the directive issued by your jurisdiction. The Postal Service is an entity of the Federal Government whose employees are providing an essential government service for the American people. Our approach is to interpret the restrictions being imposed by State and local governments as either explicitly or impliedly exempting essential federal government services from its scope. In any event, even if a State or local action does not contain such an exemption, the Postal Service's operations are governed by federal law, rather than State or local laws. The Postal Service is therefore continuing to fulfill our public service mission by accepting and delivering mail and packages in accordance with federal law. We are working closely with federal, state, and local health authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public.

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FEDERAL FINANCING BANK

For satisfaction of all currently outstanding obligations issued pursuant to sections 2005 and 2006 of title 39, United States Code, \$XX,XXX,XXX,XXX, *Provided:* That no payment shall be required from the United States Postal Service of any additional amount in connection with such currently outstanding obligations.

UNITED STATES POSTAL SERVICE PAYMENT TO POSTAL SERVICE FUND

For payment to the “Postal Service Fund”, \$25,000,000,000, for necessary expenses to ensure the continued maintenance and development of the services and operations of the United States Postal Service during and following the COVID-19 pandemic, to remain available until expended; and \$25,000,000,000, for the modernization of postal infrastructure and operations, including through capital expenditures to purchase delivery vehicles, processing equipment, and other goods, to ensure that the Postal Service is able to continue to provide prompt, reliable, and efficient services adapted to the needs of the United States, to remain available until expended.

* * * * *

SEC. XXX. UNITED STATES POSTAL SERVICE BORROWING AUTHORITY.

(a) BORROWING LIMITS.—Section 2005(a) of title 39, United States Code, is amended—

(1) in paragraph (1), by striking “In any one fiscal year,” and all that follows through the period; and—

(B) in paragraph (2)(C), by striking “fiscal year 1992 and each fiscal year thereafter.” and inserting in its place “fiscal years 1992 to 2019; and”; and

(C) by inserting after paragraph (2)(C) the following:

“(D) \$25,000,000,000 for fiscal year 2020 and each fiscal year thereafter.”.

(b) RELATIONSHIP BETWEEN THE POSTAL SERVICE AND THE TREASURY.—Section 2006 of title 39, United States Code, is amended to read as follows:

“(a) ISSUANCE OF OBLIGATIONS TO THE SECRETARY OF THE TREASURY.—The Postal Service may require the Secretary of the Treasury to purchase obligations of the Postal Service issued under section 2005 or 2011 of this title, and the Secretary shall purchase such obligations without any administrative charge. Any purchase under this subsection shall be subject to the terms and conditions of the note purchase agreement between the Postal Service and the Federal Financing Bank in effect on September 29, 2018 (subject to any modifications on which the Postal Service and the Secretary may

mutually agree), except that no expiration date provided in such note purchase agreement shall apply.

“(b) ISSUANCE OF OBLIGATIONS TO OTHER PARTIES.—Subject to mutual agreement of the Postal Service and the Secretary of the Treasury, the Postal Service may issue and sell obligations to a party or parties other than the Secretary pursuant to sections 2005 and 2011(e) of this title, upon notice to the Secretary and upon consultation with the Secretary as to the date of issuance, maximum rates of interest, and other terms and conditions.”

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 2005(d) of title 39, United States Code, is amended—

(A) in paragraph (4), by striking “; and” and inserting a period; and

(B) by striking paragraph (5).

(2) Section 2011(e)(4) of title 39, United States Code, is amended—

(A) in subparagraph (D), by striking “; and” and inserting a period; and

(B) by striking subparagraph (E).

(3) The Coronavirus Aid, Relief, and Economic Security Act is amended—

(A) in the table of sections, by amending the item related to section 6001 to read as follows:

“Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.”; and

(B) in section 6001,—

(i) by striking subsection (b); and

(ii) by striking the heading and inserting in its place the following:

“Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.”.

April 13, 2020

USPS Proposed Legislative Language

FEDERAL FINANCING BANK

For satisfaction of all currently outstanding obligations issued pursuant to sections 2005 and 2006 of title 39, United States Code, \$XX,XXX,XXX,XXX, *Provided:* That no payment shall be required from the United States Postal Service of any additional amount in connection with such currently outstanding obligations.

Explanation: This appropriation language provides an appropriation to the Federal Financing Bank (FFB) to satisfy the Postal Service's outstanding obligations issued under Title 39 of the U.S. Code. The Postal Service currently has \$14.4 billion in outstanding debt with the FFB. The exact amount of the appropriation is not currently specified, as it is intended to be sufficient to fully cover the amounts to which FFB is entitled under the outstanding notes because of early payment, as determined at the time the language is enacted.

UNITED STATES POSTAL SERVICE PAYMENT TO POSTAL SERVICE FUND

For payment to the "Postal Service Fund", \$25,000,000,000, for necessary expenses to ensure the continued maintenance and development of the services and operations of the United States Postal Service during and following the COVID-19 pandemic, to remain available until expended; and \$25,000,000,000, for the modernization of postal infrastructure and operations, including through capital expenditures to purchase delivery vehicles, processing equipment, and other goods, to ensure that the Postal Service is able to continue to provide prompt, reliable, and efficient services adapted to the needs of the United States, to remain available until expended.

Explanation: This appropriation language provides two appropriations to the Postal Service: (1) an appropriation of \$25 billion to address the impacts of the COVID-19 pandemic on the Postal Service's near-term financial condition; and (2) an appropriation of \$25 billion to help the Postal Service address the long-term impacts of the pandemic and to ensure that we will be positioned on a going-forward basis to provide our essential services as part of the nation's critical infrastructure, by modernizing our infrastructure and operations, including through procuring delivery vehicles and other capital goods from private sector suppliers.

* * * * *

SEC. XXX. UNITED STATES POSTAL SERVICE BORROWING AUTHORITY.

(a) BORROWING LIMITS.—Section 2005(a) of title 39, United States Code, is amended—

April 13, 2020

(1) in paragraph (1), by striking “In any one fiscal year,” and all that follows through the period; and—

(2) in paragraph (2)(C), by striking “fiscal year 1992 and each fiscal year thereafter.” and inserting in its place “fiscal years 1992 to 2019; and”; and

(3) by inserting after paragraph (2)(C) the following:

“(D) \$25,000,000,000 for fiscal year 2020 and each fiscal year thereafter.”.

(b) RELATIONSHIP BETWEEN THE POSTAL SERVICE AND THE TREASURY.—Section 2006 of title 39, United States Code, is amended by striking subsections (a) and (b) and inserting in their place the following:

“(a) ISSUANCE OF OBLIGATIONS TO THE SECRETARY OF THE TREASURY.—The Postal Service may require the Secretary of the Treasury to purchase obligations of the Postal Service issued under section 2005 or 2011 of this title, and the Secretary shall purchase such obligations without any administrative charge. Any purchase under this subsection shall be subject to the terms and conditions of the note purchase agreement between the Postal Service and the Federal Financing Bank in effect on September 29, 2018 (subject to any modifications on which the Postal Service and the Secretary may mutually agree), except that no expiration date provided in such note purchase agreement shall apply.

“(b) ISSUANCE OF OBLIGATIONS TO OTHER PARTIES.—Subject to mutual agreement of the Postal Service and the Secretary of the Treasury, the Postal Service may issue and sell obligations to a party or parties other than the Secretary pursuant to sections 2005 and 2011(e) of this title, upon notice to the Secretary and upon consultation with the Secretary as to the date of issuance, maximum rates of interest, and other terms and conditions.”

(c) TECHNICAL AND CONFORMING AMENDMENTS.—The Coronavirus Aid, Relief, and Economic Security Act is amended—

(1) in the table of sections, by amending the item related to section 6001 to read as follows:

“Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.”; and

(2) in section 6001,—

(A) by striking the heading and inserting in its place the following:

“Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.”;

April 13, 2020

(B) by striking subsection (b); and

(C) by renumbering subsection (c) as subsection (b).

Explanation: This provision consolidates revises the Postal Service's current borrowing authority in one statutory section, and revises it in three ways. First, subsection (a) eliminates the \$3 billion annual cap on new obligations, and raises the overall cap on outstanding obligations from \$15 billion to \$25 billion by consolidating the CARES Act borrowing authority into the long-standing Postal Service borrowing provision. Second, subsection (b) requires that Treasury purchase the Postal Service's debt obligations, and makes the terms and conditions of such purchases consistent with the note purchase agreement through which Treasury purchased all Postal Service debt from 1999 until last year. In addition, the Postal Service would retain the right to borrow from the private market (as under current law), though only if the Postal Service and Treasury mutually agree. Third, subsection (c) eliminates the limited additional borrowing authority provided in the CARES Act, which is unnecessary once the Postal Service receives an unconditional \$25 billion of borrowing authority, consolidated in the long-standing Postal Service borrowing provision.

FEDERAL FINANCING BANK

For satisfaction of all currently outstanding obligations issued pursuant to sections 2005 and 2006 of title 39, United States Code, \$XX,XXX,XXX,XXX, *Provided:* That no payment shall be required from the United States Postal Service of any additional amount in connection with such currently outstanding obligations.

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For payment to the “Postal Service Fund”, \$25,000,000,000, for necessary expenses to ensure the continued maintenance and development of the services and operations of the United States Postal Service during and following the COVID-19 pandemic, to remain available until expended; and \$25,000,000,000, for the modernization of postal infrastructure and operations, including through capital expenditures to purchase delivery vehicles, processing equipment, and other goods, to ensure that the Postal Service is able to continue to provide prompt, reliable, and efficient services adapted to the needs of the United States, to remain available until expended.

* * * * *

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(1) in paragraph (1), by striking “In any one fiscal year,” and all that follows through the period; and—

(2) in paragraph (2)(C), by striking “fiscal year 1992 and each fiscal year thereafter.” and inserting in its place “fiscal years 1992 to 2019; and”; and

(3) by inserting after paragraph (2)(C) the following:

“(D) \$25,000,000,000 for fiscal year 2020 and each fiscal year thereafter.”.

(b) RELATIONSHIP BETWEEN THE POSTAL SERVICE AND THE TREASURY.—Section 2006 of title 39, United States Code, is amended by striking subsections (a) and (b) and inserting in their place the following:

“(a) ISSUANCE OF OBLIGATIONS TO THE SECRETARY OF THE TREASURY.—The Postal Service may require the Secretary of the Treasury to purchase obligations of the Postal Service issued under section 2005 or 2011 of this title, and the Secretary shall purchase such obligations without any administrative charge. Any purchase under this subsection shall be subject to the terms and conditions of the note purchase agreement between the Postal Service and the Federal Financing Bank in effect on September 29,

2018 (subject to any modifications on which the Postal Service and the Secretary may mutually agree), except that no expiration date provided in such note purchase agreement shall apply.

“(b) ISSUANCE OF OBLIGATIONS TO OTHER PARTIES.—Subject to mutual agreement of the Postal Service and the Secretary of the Treasury, the Postal Service may issue and sell obligations to a party or parties other than the Secretary pursuant to sections 2005 and 2011(e) of this title, upon notice to the Secretary and upon consultation with the Secretary as to the date of issuance, maximum rates of interest, and other terms and conditions.”

(c) TECHNICAL AND CONFORMING AMENDMENTS.—The Coronavirus Aid, Relief, and Economic Security Act is amended—

(1) in the table of sections, by amending the item related to section 6001 to read as follows:

“Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.”; and

(2) in section 6001,—

(A) by striking the heading and inserting in its place the following:

“Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.”;

(B) by striking subsection (b); and

(C) by renumbering subsection (c) as subsection (b).

USPS

Pricing/Cost Analysis of

Contracts with Amazon & Other Major Customers

Scope of Assignment by Independent Firm

- Analyze the economic terms of the contracts between USPS and its 10 largest package customers for the fiscal years 2017, 2018 and 2019.
- Determine the profitability of the contracts considering fixed and variable costs to determine a) their marginal profitability, and b) their profitability after fully allocating all costs.
- Given its legally and regulatorily mandated service, pricing and cost and other obligations, and the competitive environment, determine whether the USPS is pricing these contracts in a fashion designed to optimize both their profitability and the overall profitability of the USPS.
- Provide any additional observations on the costs or profitability of its major package contracts.

April 14, 2020

USPS

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- Provide any additional observations on the costs or profitability of its major package contracts.

April 14, 2020

From: [Marshall, Thomas J - Washington, DC](#)
To: [Brennan, Megan J - Washington, DC](#); [Stroman, Ronald A - Washington, DC](#)
Subject: FW: Response to Senator Charles Schumer's Request
Date: Thursday, April 16, 2020 7:43:52 PM

Fyi. I had my monthly meeting with the OIG leadership yesterday via ZOOM.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 7:43 PM
To: 'Martin, Lisa' (b)(3), 410(c)(2), (b)(6)
Subject: RE: Response to Senator Charles Schumer's Request

Lisa, as I mentioned yesterday, we believe the direct short-term impacts of the pandemic will increase our net losses over the next 18 months by (b)(5), (b)(3), (b)(6) and over the longer term by (b)(5), (b)(3), (b)(6). As such, (b)(5), (b)(3), (b)(6). Those asks are as follows:

(b)(5), (b)(3), 410(c)(2)

Finally, because the focus of our ask right now is related to the direct impacts of the COVID-19 pandemic, you are correct that (b)(5), (b)(3), 410(c)(2). However, we have made it clear that (b)(5), (b)(3), 410(c)(2)

We have also emphasized that without both our request related to the direct impacts of the COVID-19 pandemic, and the additional reforms which we need but which we are not seeking now, (b)(5), (b)(3), 410(c)(2)

From: Martin, Lisa (b)(3), 410(c)(2), (b)(6)
Sent: Thursday, April 16, 2020 3:59 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: [EXTERNAL] RE: Response to Senator Charles Schumer's Request

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

We're trying to summarize your description of the USPS ask on the Hill, but want to be sure we're accurate. Is this correct?

1. \$25B in appropriated funds to cover COVID related expenses and losses
2. \$25B grant for shovel ready infrastructure improvements, not necessarily attributable to COVID issues

3. Loan consolidation and forgiveness (forgiving \$11B outstanding debt, and combining existing \$15B Title 39 and \$10B CARES Act borrowing authority and administration)
4. Does not include elimination of outstanding prefunding obligations.

From: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)

Sent: Thursday, April 16, 2020 3:52 PM

To: Martin, Lisa (b)(3), 410(c)(2), (b)(6) >

Subject: RE: Response to Senator Charles Schumer's Request

No worries, and sorry for my tardiness.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Martin, Lisa [(b)(3), 410(c)(2), (b)(6)]

Sent: Thursday, April 16, 2020 3:19 PM

To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >

Subject: [EXTERNAL] RE: Response to Senator Charles Schumer's Request

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Thanks, Tom

From: Pangilinan, Regina K - Washington, DC

(b)(3), 410(c)(2), (b)(6) > On Behalf Of Marshall, Thomas J -

Washington, DC

Sent: Thursday, April 16, 2020 2:39 PM

To: Joshua (b)(6)

Cc: (b)(6)

Washington, DC (b)(3), 410(c)(2), (b)(6) ; Marshall, Thomas J -

(b)(3), 410(c)(2), (b)(6) ; Martin, Lisa

(b)(3), 410(c)(2), (b)(6) >; Calamoneri, Kevin A - Washington, DC

(b)(3), 410(c)(2), (b)(6) ; Donahue, Ray E - Washington, DC

(b)(3), 410(c)(2), (b)(6)

Subject: Response to Senator Charles Schumer's Request

Importance: High

Good Afternoon,

Please see the attached letter from Thomas J. Marshall, General Counsel for the United States Postal Service. This is in response to Senator Schumer's request that was sent to the Inspector General Tammy Whitcomb on February 10, 2020. Please note, the original letter is being mailed via First Class Mail also.

If you have any questions regarding this letter please contact Ray Donahue via email at

(b)(3), 410(c)(2), (b)(6) or (202) 268-3076.

Thank you.

Regina K. Pangilinan
Office of the General Counsel
and Executive Vice President
United States Postal Service

475 L'Enfant Plaza, SW, Rm 6100
Washington, DC 20260-1100
202-268-2951
(b)(3), 410(c)(2), (b)(6)

Congress of the United States
Washington, DC 20515

May 5, 2020

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, U.S. Capitol
Washington, D.C. 20510

The Honorable Steven Mnuchin
Secretary
United States Department of Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Leader McCarthy, Majority Leader McConnell, and Secretary Mnuchin:

As you consider legislative priorities in any upcoming stimulus packages to address the coronavirus (COVID-19) pandemic, we urge you to incorporate provisions that will address the needs of the U.S. Postal Service (USPS). Postal management believes that volume and revenue may drop by 50% due to COVID-19. Now is not the time to debate reforms to USPS but rather to provide much needed relief to keep this important service operational.

In March, USPS worked with the Centers for Disease Control and Prevention (CDC) to send a mailer with critical information about COVID-19 and recommendations for every American to prevent the spread of the virus. The Food and Drug Administration (FDA) is currently working on a self-testing nasal swab that must, once available, be efficiently delivered by the Postal Service to 135 million households across the country.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-137) provided \$10 billion to the Treasury Department's Federal Finance Bank (FFB). The FFB has tried to impose operational changes to the Postal Service for years and these authorities were augmented in the CARES Act. USPS has not received a taxpayer appropriation (other than for military/overseas voting and free mail for the blind) since the 1980s but this current crisis warrants that change.

We ask that you consider including the following provisions:

1. A "public service" appropriation of at least \$25 billion to the Postal Service to alleviate some of the strain caused by the pandemic.
2. An authorization for a continued "public service" appropriation for the difference between USPS revenue and expenses for the duration of this public health crisis.
3. A mechanism to reimburse the Postal Service for any COVID-19 related leave pay provided by the Families First Coronavirus Response Act (P.L. 116-127).
4. Ensure equal treatment for postal employees in any legislation that authorizes, and funds hazard pay for other front-line workers exposed to health risks related to the COVID-19 virus. Such

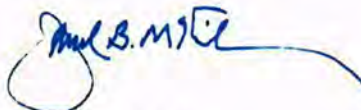
legislation should cover postal workers, who face heightened exposure risks to the virus on a daily basis.

Millions of Americans depend on the Postal Service throughout their daily lives but especially during the coronavirus pandemic USPS is serving an important role. Any interruption to service could be detrimental not only to USPS but also to our constituents across the country.

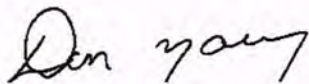
Sincerely,



Brian Fitzpatrick
Member of Congress



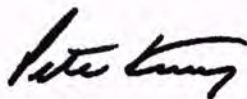
David McKinley
Member of Congress



Don Young
Member of Congress



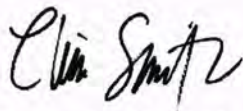
Fred Upton
Member of Congress



Peter King
Member of Congress



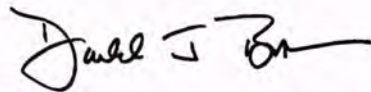
Mike Bost
Member of Congress



Christopher H. Smith
Member of Congress



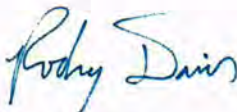
John Katko
Member of Congress



Don Bacon
Member of Congress



Jeff Van Drew
Member of Congress



Rodney Davis
Member of Congress



Pete Stauber
Member of Congress

Susan W. Brooks
Member of Congress

Tom Cole
Member of Congress

John Shimkus
Member of Congress

Michael T. McCaul
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David P. Joyce
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/S/
Mike Turner
Member of Congress

/S/
Will Hurd
Member of Congress

Essential Service Provider Letter

Law Enforcement Official: The bearer of this letter with an accompanying U.S. Postal Service identification badge provides essential services of the federal government.

The Postal Service is continuing to fulfill its critical public service mission by accepting and delivering mail and packages in accordance with federal law. The Postal Service's provision of mail and package delivery services is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic, including the recent order or directive issued for the geographic areas under your jurisdiction.

This exemption includes the employees' and contractors' time traveling to and from their workplaces.

We are working closely with federal, state, and local health authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public.

Confirmation of this individual's status as a Postal Service employee or contractor may be received by contacting the employee's supervisor at [number].

David E. Williams
Chief Operating Officer and Executive Vice President
United States Postal Service

United States Court of Appeals
FOR THE DISTRICT OF COLUMBIA CIRCUIT

Argued January 13, 2020

Decided April 14, 2020

No. 19-1026

UNITED PARCEL SERVICE, INC.,
PETITIONER

v.

POSTAL REGULATORY COMMISSION,
RESPONDENT

AMAZON.COM SERVICES, INC., ET AL.,
INTERVENORS

On Petition for Review of an Order
of the Postal Regulatory Commission

Kathleen M. Sullivan argued the cause for petitioner. With her on the briefs was *Steig D. Olson*.

Michael Shih, Attorney, U.S. Department of Justice, argued the cause for respondent. With him on the brief were *Michael S. Raab*, Attorney, *David A. Trissell*, General Counsel, Postal Regulatory Commission, *Anne J. Siarnacki*, Deputy General Counsel, and *Reese T. Boone*, Attorney.

Eric P. Koetting and *Morgan E. Rehrig*, Attorneys, U.S. Postal Service, *Michael F. Scanlon*, *John Longstreth*, and *James Pierce Myers* were on the brief for intervenors

Amazon.com Services, et al. in support of the Postal Regulatory Commission.

Before: HENDERSON and MILLETT, *Circuit Judges*, and EDWARDS, *Senior Circuit Judge*.

Opinion for the Court filed by *Senior Circuit Judge* EDWARDS.

EDWARDS, *Senior Circuit Judge*: This case involves a petition for review filed by United Parcel Service, Inc. (“UPS”), challenging the Postal Regulatory Commission’s (“Commission”) Order Adopting Final Rules Relating to the Institutional Cost Contribution Requirement for Competitive Products, No. 4963, Dkt. No. RM2017-1 (P.R.C. Jan. 3, 2019) (“Order”), *reprinted in* Joint Appendix (“J.A.”) 515-712. The disputed Order modifies Commission regulations that are meant to “ensure that all [of the Postal Service’s] competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service.” 39 U.S.C. § 3633(a)(3). In making this “appropriate share” determination under § 3633(a)(3), the Commission is obligated to “consider,” among other things, “the degree to which any costs are uniquely or disproportionately associated with any competitive products.” *Id.* § 3633(b). However, the Commission concluded that “there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products under the Commission’s current cost attribution methodology” under § 3633(a)(2). Order at 28, J.A. 547.

The problem is that § 3633(a)(2) only requires the Commission to “ensure that each competitive product covers its costs attributable.” The term *costs attributable* is narrowly defined as “the direct and indirect postal costs attributable to [a

particular competitive] product through reliably identified causal relationships.” 39 U.S.C. § 3631(b). However, it is not at all clear that “uniquely or disproportionately associated” costs described under § 3633(b) include only those costs that are attributable “through reliably identified causal relationships.” And § 3633(b) makes it clear that “the Commission shall consider . . . the degree to which *any* costs are uniquely or disproportionately associated with any competitive products.” *Id.* § 3633(b) (emphasis added). The Commission’s Order fails to explain why these seemingly distinct statutory phrases cover the same costs, and further elides the requirements of § 3633(a)(3) and (b) by suggesting that, to the extent these statutory phrases overlap, the Commission need not consider costs under § 3633(b) if it already accounted for them under § 3633(a)(2).

UPS argues that the Commission’s position is contrary to law because “the Order fails to consider . . . costs ‘uniquely or disproportionately associated with any competitive products,’ as the Act requires in section 3633(b).” Br. for Petitioner at 3. UPS also contends that the Commission erred in simply assuming, without adequate explanation, that “there are no institutional costs uniquely or disproportionately associated with competitive products.” *Id.* We agree.

Two aspects of the Commission’s Order require a remand. First, the Commission has not adequately explained how the statutory phrases “direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships” and “costs . . . uniquely or disproportionately associated with any competitive products” can coincide. It is far from clear that these phrases have the same meaning. And the Commission has not demonstrated that, although they have distinct meanings, the phrases nonetheless coincide in application. Second, in focusing on costs attributed

to competitive products under § 3633(a)(2), the Commission failed to discharge its responsibility under § 3633(b) to “consider . . . the degree to which *any* costs are uniquely or disproportionately associated with any competitive products.” 39 U.S.C. § 3633(b) (emphasis added). The Commission must consider *any* costs made relevant by § 3633(b). It does not matter whether the Commission has arguably considered such costs in implementing its responsibilities under § 3633(a)(2). These two points are amplified in the opinion below.

The bottom line is that the Commission’s Order is arbitrary and capricious because it is “largely incomprehensible” with respect to the matters in issue. *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015). Therefore, we are constrained to remand the case for further consideration. On remand, the Commission must adhere to the commands of the statute and address the costs specified in § 3633(b) in determining the “appropriate share” under § 3633(a)(3). Following reconsideration of this case, any Commission Order must be coherent and transparent, and it must satisfy the requirements of reasoned and reasonable decision-making. *Id.* at 744, 753. The present Order fails to meet these standards “because it fails to articulate a comprehensible standard,” *id.* at 753, regarding the meaning and application of § 3633(a)(3) and (b).

I. BACKGROUND

A. Statutory Background

The Postal Service offers both “market dominant” and “competitive” products. Market-dominant products, like first-class mail, are “those over which the ‘Postal Service exercises sufficient market power that it can effectively’ raise prices or decrease quality ‘without risk of losing a significant level of business to other firms offering similar products.’” *UPS v.*

PRC, 890 F.3d 1053, 1055 (D.C. Cir. 2018) (quoting 39 U.S.C. § 3642(b)(1)); *see also* 39 U.S.C. § 3621 (listing market-dominant products). Competitive products, on the other hand, like priority mail or parcel post, are “products over which the Postal Service faces meaningful market competition” from companies like UPS. *UPS v. PRC*, 890 F.3d at 1056 (internal quotation marks and citation omitted); *see also* 39 U.S.C. § 3631 (listing competitive products).

In 2006, Congress enacted the Postal Accountability and Enhancement Act, Pub. L. No. 109-435, 120 Stat. 3198 (2006) (“Accountability Act”), to ensure (among other things) that the Postal Service offers its competitive products on fair terms. *See* S. REP. NO. 108-318, at 14-16 (2004). To that end, the Accountability Act requires the Commission to promulgate regulations that ensure that the Postal Service is not “using revenues from market-dominant products subject to its monopoly power to defray costs competitive products would otherwise have to be priced to cover.” *UPS v. PRC*, 890 F.3d at 1055.

Specifically, § 3633(a) requires the Commission to issue three sets of regulations:

(a) In general.—The Postal Regulatory Commission shall, within 18 months after the date of enactment of this section, promulgate (and may from time to time thereafter revise) regulations to—

- (1) prohibit the subsidization of competitive products by market-dominant products;
- (2) ensure that each competitive product covers its costs attributable; and

6

- (3) ensure that all competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service.

39 U.S.C. § 3633(a)(1)-(3). As may be seen, the foregoing provisions refer to “costs attributable” and “institutional costs.” These terms are important in our consideration of the issues presented in this case.

As explained in the introduction to this opinion, the Accountability Act defines the term “costs attributable” as “the direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships.” *Id.* § 3631(b). The Commission, in turn, interprets the term “institutional costs” to mean “residual costs” – that is, the Postal Service’s total costs minus its costs attributable under § 3633(a)(2). *See UPS v. PRC*, 890 F.3d at 1055-56, 1061-63 (explaining the relationship between “institutional costs” and “costs attributable”).

The Accountability Act calls for the Commission to periodically review its “appropriate share” determination under § 3633(a)(3). The statute also specifies that the Commission “shall consider” the following matters when it conducts that review:

- (b) Review of minimum contribution.—Five years after the date of enactment of this section, and every 5 years thereafter, the Postal Regulatory Commission shall conduct a review to determine whether the institutional costs contribution requirement under subsection (a)(3) should be retained in its current form, modified, or eliminated. In making its determination, the Commission shall consider all

relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products.

39 U.S.C § 3633(b).

In effect, then, the Accountability Act requires the Commission to establish a multi-part “price floor” for its competitive products. *See UPS v. PRC*, 890 F.3d at 1055-56. First, the Commission must issue regulations to prevent market-dominant products from subsidizing competitive products. Second, the price of “each competitive product” must be set high enough to cover the “direct and indirect postal costs attributable to such product through reliably identified causal relationships.” Third, the Commission must also ensure that “all competitive products collectively” cover what the Commission determines to be an “appropriate share” of the Postal Service’s institutional (*i.e.*, unattributed) costs. The Commission, in determining what share is appropriate, “shall consider,” among other things, “the degree to which any costs are uniquely or disproportionately associated with any competitive products.”

B. The Commission’s 2016 Order Addressing § 3633(a)(2)

In 2016, the Commission issued an Order adopting a new method for calculating costs attributable under § 3633(a)(2). *See* Order Concerning United Parcel Service, Inc.’s Proposed Changes to Postal Service Costing Methodologies (UPS Proposals One, Two, and Three), No. 3506, Dkt. No. RM2016-2 (P.R.C. Sept. 9, 2016) (updated Oct. 19, 2016) (“2016 Order”). UPS challenged this 2016 Order on various grounds. In *UPS v. PRC*, 890 F.3d 1053 (D.C. Cir. 2018), we upheld the

Commission's cost-attribution method as "reasonable and reasonably explained." *Id.* at 1069. Because the court's 2018 decision thoroughly explains the Commission's cost-attribution method, the decision provides important context for the questions at issue in this case.

First, the court's 2018 decision explains several concepts that the Commission uses to sort out the Postal Service's costs. To start, the decision explains that "the Commission distinguishes (albeit necessarily imperfectly) between 'fixed costs,' . . . which remain constant regardless of overall product volume, and 'variable costs,' . . . which vary with the Service's production levels." *Id.* at 1056 (citing 2016 Order at 6). Examples of fixed costs include executive salaries and product-specific fixed costs like advertising. *See id.* In addition, the decision explains that the Commission distinguishes between variable costs that are "volume-variable" – *i.e.*, which vary directly with the marginal cost of the cheapest relevant unit and the total number of units, *id.* at 1057 (citing 2016 Order at 36 n.56) – and variable costs that are not "volume-variable" in this sense, which the Commission calls "inframarginal costs," *id.* at 1058 (citing 2016 Order at 35). The concept of inframarginal costs is not entirely intuitive. The basic idea is that, thanks to economies of scale, marginal costs tend to decrease with volume, and the sum of the differences between the marginal cost of earlier, more expensive units and the marginal cost of the last, cheapest unit is the inframarginal cost. *See id.* at 1057-58; 2016 Order at 35-36.

Second, the court's 2018 decision holds that the Commission's decision to define "institutional costs" as "residual costs" – that is, as any costs not attributed to competitive products through reliably identified causal relationships under § 3633(a)(2) – was based on a permissible reading of the Accountability Act. *UPS v. PRC*, 890 F.3d at

1061-63. An important upshot of the Commission's choice to treat institutional costs as "residual" is that the composition of the Postal Service's institutional costs will (by definition) depend on how attributed costs are calculated. For example, if the Commission were to attribute to each competitive product its product-specific fixed costs and its volume-variable costs – which is what the Commission did until 2016 – then the Postal Service's institutional costs would include all its other fixed costs and all of its inframarginal costs. *See id.* at 1056-58.

Third, the court's 2018 decision upholds the Commission's revised method for attributing costs under § 3633(a)(2). *See id.* at 1066-69. In short, the Commission adopted a method that enables it to attribute product-specific fixed costs, volume-variable costs, and some (but not all) inframarginal costs to each competitive product. *See id.* at 1060. The Commission is able to tie a portion of the Postal Service's inframarginal costs to specific competitive products through "reliably identified causal relationships" by calculating the "costs that would disappear were the Postal Service to stop offering those products for sale." *Id.* at 1055. This "incremental cost" method accounts for not only a "product's share of volume-variable costs, but also the inframarginal costs that would be removed if the product were not to be provided." *Id.* at 1059 (internal quotation marks omitted) (quoting 2016 Order App'x A at 19). In the Commission's view, "because the portion of inframarginal costs included within a product's incremental cost has a causal relationship with that product, the Accountability Act requires the Postal Service to attribute it." *Id.* at 1059-60 (internal quotation marks omitted) (quoting 2016 Order at 55, 61). The court's 2018 decision finds the Commission's position reasonable and reasonably explained. *Id.* at 1069.

Fourth, the court's 2018 decision notes that the Commission's cautious cost-attribution method leaves some of the Postal Service's inframarginal costs unattributed. *See id.* at 1060 ("All other costs, including all remaining inframarginal costs, remain classified as institutional."). Indeed, the decision concludes that the Commission's caution was reasonable, given the Accountability Act's requirement that attributed costs have "reliably identified causal relationships" to competitive products. *See id.* at 1068. For example, the 2018 decision rejects the argument that the Commission's approach was arbitrary and capricious for assuming that competitive products are responsible for only the lowest-cost units associated with a given activity. The decision reasons that "[a]ttributing *more* than this amount . . . necessitates guesswork, and the Commission sensibly concluded that such guesswork was inconsistent with its statutory obligation to base attribution on only 'reliably identified causal relationships.'" *Id.* (quoting 39 U.S.C. § 3631(b)).

It is clear, then, that the court's 2018 decision in *UPS v. PRC* upholding the Commission's cost-attribution method under § 3633(a)(2) leaves open important questions that provide context for understanding and assessing the Commission's § 3633(a)(3) determination in this case. These questions include: Are some of the Postal Service's institutional costs – and especially its unattributed inframarginal costs – still related in some meaningful way to competitive products, even if those costs cannot be attributed under § 3633(a)(2)? And if so – if, for instance, some of those institutional costs are "uniquely or disproportionately associated with competitive products," 39 U.S.C. § 3633(b) – might they need to be accounted for when the Commission issues regulations under another provision of the Accountability Act?

C. The Commission's Disputed Order in this Case

On January 3, 2019, the Commission issued the Order modifying its “appropriate share” determination under § 3633(a)(3) that is the subject of the dispute in this case. In the past, the Commission had determined that “all competitive products collectively” must cover at least 5.5% of the Postal Service’s institutional costs. *See* Order at 4-5, J.A. 523-24 (summarizing the Commission’s 2007 and 2012 orders). In the 2019 Order, however, the Commission decided that the “appropriate share” of the Postal Service’s institutional costs to be covered by “all competitive products collectively” should be set using a dynamic formula. In short, the Commission’s formula relies on two primary variables: the “Competitive Contribution Margin” and the “Competitive Growth Differential.” These variables are meant to represent the Postal Service’s market power and market position. *See id.* at 19-28, J.A. 538-47. The Commission intends to use the formula “to annually update the appropriate share based on prevailing competitive conditions in the market and other relevant circumstances.” *Id.* at 19, J.A. 538.

For our purposes, however, the details of the Commission’s formula-based approach are not critical. Instead, our focus in this case is on whether the Commission, in making its determination, adequately discharged its obligation under § 3633(b) to “consider all relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products.” Therefore, this background section is similarly focused on the Commission’s § 3633(b) analysis and in particular on the Commission’s “consider[ation of] . . . the degree to which any costs are uniquely or disproportionately associated with any competitive products.”

In a section of its Order titled “Connection to Section 3633(b) Criteria,” the Commission recited the factors that the Accountability Act says it “shall consider,” and then explained its position on costs “uniquely or disproportionately associated with” competitive products:

The Commission has repeatedly found that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products under the Commission’s current cost attribution methodology. As a result, the formula-based approach does not separately account for such costs.

Order at 28-29, J.A. 547-48 (citations omitted).

The Commission’s conclusion draws on its analysis in earlier notices in the same docket. *See* Notice of Proposed Rulemaking to Evaluate the Institutional Cost Contribution Requirement for Competitive Products, No. 4402, Dkt. No. RM2017-1 (P.R.C. Feb. 8, 2018) (“Initial Notice”); Revised Notice of Proposed Rulemaking, No. 4742, Dkt. No. RM2017-1 (P.R.C. Aug. 7, 2018) (“Revised Notice”). In its Initial Notice, for instance, the Commission offered an explanation of its thinking:

The Commission finds that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to competitive products. Under the Commission’s methodology, any cost that is uniquely or disproportionately associated with any competitive product is identified as an attributable cost because it exhibits a reliably identifiable causal relationship with

a specific competitive product. With regard to costs that are disproportionately associated with competitive products, the Commission's cost attribution methodology identifies relationships between costs and cost drivers, which include mail characteristics such as weight and shape (*e.g.*, letters or parcels). . . . In this way, the costs attributed to products reflect any disproportionate association of those costs with any specific products (including any competitive products).

Under the Commission's methodology, the Commission also classifies any cost that is uniquely associated with any product (including any competitive product) as attributable to that product. These costs are often referred to as product-specific costs. For example, advertisements for a specific product and supplies for money orders are unique costs attributed to specific products under the Commission's methodology.

. . . .

For the reasons discussed above, the Commission concludes that its costing methodology already accounts for the "the degree to which any costs are uniquely or disproportionately associated with any competitive products." To the extent that any costs can be attributed to specific competitive products, they are already distributed under the Commission's current costing methodology and are not included in the institutional costs of the Postal Service.

Initial Notice at 43-45, J.A. 147-49; *see also* Revised Notice at 52-53, J.A. 304-05 (summarizing this same point).

Later, in response to comments from UPS and others, the Commission provided a succinct summary of the position it took in its Initial Notice. *See* Order at 138-162, J.A. 657-81.

In [the Initial Notice], the Commission found that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products. This is because all costs that are uniquely or disproportionately associated with competitive products exhibit a reliably identified causal relationship with a specific competitive product or group of products and are therefore attributed. The Commission described “unique” costs as product-specific costs and determined that any cost that is uniquely associated with a competitive product is attributed to that product through a reliably identified causal relationship. . . . In addition, the Commission found that any cost disproportionately associated with a competitive product is attributed to that product through the cost methodology’s use of cost drivers. . . . In this way, the costs attributed products reflect any disproportionate association of those costs with specific products. As a result, the Commission determined that both types of costs are attributed to the competitive products that cause them.

Order at 138-39, J.A. 657-58 (citing Initial Notice at 43-44).

Finally, in response to UPS’s comment suggesting that the Commission’s analysis mistakenly conflates the “associated with” standard and the “reliably identified causal relationships” standard, the Commission concluded that “UPS overlooks key terms in section 3633(b), as well as the context of the statutory

scheme as a whole.” Order at 143, J.A. 662. The Commission emphasized the “degree of flexibility . . . inherent in the appropriate share provisions of section 3633” and the lack of any mechanical relationship between the Commission’s consideration of the statutory factors and the Commission’s ultimate determination. *Id.* at 144, J.A. 663. The Commission continued:

For the relevant factor at issue, “the degree to which any costs are uniquely or disproportionately associated with any competitive products,” UPS focuses on only a portion of the statutory language—“disproportionately associated.” However, in reading the relevant factor in its entirety, the use of the words “degree” and “any” plainly contemplate that there may be no uniquely or disproportionately associated competitive product costs. Congress does not require costs to be found; only for the Commission to “consider” whether “any” exist. Nothing in section 3633(b) prevents the Commission from concluding as it has—that all costs uniquely or disproportionately associated with competitive products are, in fact, captured by the costing methodology it currently employs pursuant to section 3633(a)(2).

Order at 144, J.A. 663.

In short, the Commission’s position appears to be that the statutory phrase “costs . . . uniquely or disproportionately associated with any competitive products” is no broader than the phrase “direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships.” And the Commission appears to base that conclusion on the assumption that costs are uniquely or

disproportionately associated with competitive products only if competitive products can be reliably said to cause such costs.

II. ANALYSIS

A. Standard of Review

“‘Because the Congress expressly delegated to the Commission responsibility to implement [the Accountability Act], we review its interpretation’ of that statute under the standards enunciated in *Chevron* and its progeny.” *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 750 (D.C. Cir. 2015) (quoting *U.S. Postal Serv. v. PRC*, 640 F.3d 1263, 1266 (D.C. Cir. 2011)).

Under *Chevron*’s First Step, if “Congress has directly spoken to the precise question at issue . . ., that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress.” If the statute is ambiguous, *Chevron*’s Second Step then requires us to consider whether the Commission has acted pursuant to delegated authority and, if so, whether its interpretation of the statute is “permissible.”

U.S. Postal Serv. v. PRC, 785 F.3d at 750 (quoting *Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 842-43 (1984)). “Even if the statute is ambiguous and does not foreclose the Commission’s interpretation, however, the Commission’s exercise of its authority must be ‘reasonable and reasonably explained’ in order to survive arbitrary and capricious review under the Administrative Procedure Act. *Mfrs. Ry. Co. v. Surface Transp. Bd.*, 676 F.3d 1094, 1096 (D.C. Cir. 2012).” *Id.*; see also 39 U.S.C. § 3663 (incorporating APA review under 5 U.S.C. § 706).

In deciding whether the Commission's Order is arbitrary and capricious, we are "reluctan[t] to interfere with [the Commission's] reasoned judgments about technical questions within its area of expertise." *UPS v. PRC*, 890 F.3d 1053, 1066 (D.C. Cir. 2018) (internal quotation marks omitted) (quoting *All. of Nonprofit Mailers v. PRC*, 790 F.3d 186, 197 (D.C. Cir. 2015)). At the same time, the Commission must adequately "consider" all the factors that the Accountability Act makes relevant, see *Lindeen v. SEC*, 825 F.3d 646, 657 (D.C. Cir. 2016), and the Commission's decision-making must be comprehensible, see *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015); *Glob. Tel*Link v. FCC*, 866 F.3d 397, 413 (D.C. Cir. 2017).

B. The Commission's Disputed Interpretation and Application of § 3633(a)(3)

The dispositive question before the court in this case is whether the Commission, in reviewing its appropriate share determination, adequately discharged its statutory obligation to "consider" the "degree to which any costs are uniquely or disproportionately associated with any competitive products." We hold that the Commission failed to do this and, therefore, we are constrained to remand the case.

We do not mean to render any decision on what the appropriate share determination under § 3633(a)(3) should be. That is for the Commission to determine in the first instance. At this point, however, the Commission's interpretation and application of § 3633(a)(3) and (b) are incomprehensible and, thus, unreasonable. No deference is due to the Commission's current position because the disputed Order fails to apply the relevant terms of the statute, and it offers no reasoned basis for this failure.

As detailed above, the Commission's position appears to be that the term "costs . . . uniquely or disproportionately associated with any competitive products" in § 3633(b) is no broader than – and indeed may coincide with – the term "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships," which defines "costs attributable" in § 3633(a)(2). To reach that conclusion, the Commission assumed that "all costs that are uniquely or disproportionately associated with competitive products exhibit a reliably identified causal relationship with a specific competitive product or group of products and are therefore attributed." Order at 138, J.A. 657. The Commission thus reasons that none of the Postal Service's institutional costs – including, apparently, its "remaining inframarginal costs," *UPS v. PRC*, 890 F.3d at 1060 – are uniquely or disproportionately associated with its competitive products in the sense intended in § 3633(b). This leads the Commission to conclude that there are no costs for it to "consider" under § 3633(b). *See, e.g.*, Order at 28-29, J.A. 547-48. The Commission's analysis defies reasoned decision-making.

As noted at the outset of this opinion, there are two significant problems with the Commission's position. First, the Commission has not adequately explained how the statutory phrases "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships," 39 U.S.C. § 3631(b), and "costs . . . uniquely or disproportionately associated with any competitive products," *id.* § 3633(b), can effectively coincide. Second, in focusing narrowly on costs attributed to competitive products under § 3633(a)(2), the Commission failed to discharge its responsibility under § 3633(b) to "consider . . . the degree to which *any* costs are uniquely or disproportionately associated

with any competitive products.” *Id.* § 3633(b) (emphasis added). We elaborate on these points in turn.

1. The Commission’s Interpretation of Costs “Uniquely or Disproportionately Associated with Competitive Products” Under § 3633(b)

The Commission’s current analysis of the relationship between costs “attributed through reliably identified causal relationships” and costs “uniquely or disproportionately associated with” is incomprehensible. In the passages from the Commission’s Order reprinted above, the Commission assumes that the Postal Service’s costs can be “uniquely or disproportionately associated with” competitive products only if there is a reliably identified causal relationship between those costs and competitive products. *See* Initial Notice at 43-44, J.A. 147-48; Order at 138-39, 657-58. In its brief to this court and at oral argument, however, the Commission’s counsel suggests that the Commission gave the phrase “uniquely or disproportionately associated with” a distinct interpretation, and only then proceeded to conclude that there are no costs in that independent category that are not already attributed to competitive products under § 3633(a)(2). *See* Br. for Respondent at 29-32; Tr. of Oral Argument at 54-55. It is an understatement to say that one is hard-pressed to understand what the Commission means to say regarding the meaning of § 3633(b).

At this point, we cannot credit either one of the foregoing interpretations of the Accountability Act. To start, the Commission cannot simply *assume* that the “uniquely or disproportionately associated with” standard is subsumed by the “reliably identified causal relationships” standard. That would impermissibly conflate the language of § 3633(a)(2) – which incorporates the definition of “costs attributed” from

§ 3631(b) – with the evidently distinct language of § 3633(b). *See BP Energy Co. v. FERC*, 828 F.3d 959, 968 (D.C. Cir. 2016) (“Even under the most deferential standard, an agency cannot read statutory provisions out of existence but must interpret statutes ‘so that effect is given to all its provisions . . . [and] no part will be inoperative or superfluous, void or insignificant.’” (alteration in original) (quoting *Corley v. United States*, 556 U.S. 303, 314 (2009))). Instead, the Commission must explain why these two statutory phrases have the same practical reach despite the use of different language.

As noted above, the Commission attempted to offer such an explanation in its brief to this court. The Commission belatedly argues that it did not “equate[]” the two statutory phrases “as an interpretative matter.” Br. for Respondent at 34. Rather, the Commission now contends that it gave independent meaning to the statutory terms “uniquely . . . associated with” and “disproportionately associated with,” using the ordinary tools of statutory interpretation. *See id.* at 29-34; Tr. of Oral Argument at 54-55. Then, according to counsel, the Commission concluded that “all ‘uniquely associated’ costs and all ‘disproportionately associated’ costs satisfy the Commission’s independent definition of the ‘costs attributable’ to a competitive product.” Br. for Respondent at 31. This line of argument is hard to discern in what the Commission actually said, and it is somewhat hard to fathom on its own terms. But if that is the Commission's view, it must spell it out.

In any event, as things stand now, “we simply cannot comprehend the [Commission’s] reasoning” about the meaning and application of § 3633(b). *Glob. Tel*Link v. FCC*, 866 F.3d 397, 413 (D.C. Cir. 2017). Therefore, the Commission’s Order is neither reasoned nor reasonable. “At its core, the Commission’s Order is arbitrary and capricious because it fails

to articulate a comprehensible standard” *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015). “[W]e owe no deference to an agency determination that is ‘largely incomprehensible.’” *Id.* (quoting *Coburn v. McHugh*, 679 F.3d 924, 926 (D.C. Cir. 2012)). The bottom line is that the Commission has not adequately explained why the statutory phrases at issue here have similar meanings, nor has it demonstrated that these statutory categories, even if distinct in meaning, nevertheless coincide in application. Therefore, the Commission’s application of § 3633(a)(3) and (b) was arbitrary and capricious and must be remanded.

2. *The Commission’s Consideration of “Any” Such Costs Under § 3633(b)*

A second problem with the disputed Order is that, in focusing its analysis on costs attributed to competitive products under 39 U.S.C. § 3633(a)(2), the Commission failed to “consider . . . the degree to which any costs are uniquely or disproportionately associated with any competitive products” as required by 39 U.S.C. § 3633(b). As the plain meaning of that provision suggests, the Accountability Act clearly requires the Commission to consider *any* costs uniquely or disproportionately associated with competitive products at the time it reviews its appropriate share determination under § 3633(a)(3). This includes, but is not limited to, any costs fitting that description that the Commission may have already considered when it promulgated regulations under § 3633(a)(1) or § 3633(a)(2).

The record in this case indicates that the Commission did not follow this statutory mandate. Instead, the Commission, relying on its inadequately explained interpretation of the Accountability Act, focused narrowly on the costs it had considered – and attributed – in promulgating regulations under

§ 3633(a)(2). At oral argument, counsel for the Commission suggested that by piecing together the Commission's responses to various comments, we could find that the Commission did indeed consider a broader class of costs. Tr. of Oral Argument at 75; *see also* Br. for Respondent at 35-38. Even assuming that is right, however, the Commission's Order does not make it clear or comprehensible, and we cannot fill in the blanks in the Commission's reasoning. The simple point here is that the Commission erred in concluding that it had discharged its responsibility to consider *any* costs uniquely or disproportionately associated with competitive products by virtue of the fact that it had already considered these costs when setting the price floor under § 3633(a)(2).

An agency Order that is at odds with the requirements of the applicable statute cannot survive judicial review. *See, e.g., Michigan v. EPA*, 135 S. Ct. 2699, 2706 (2015). “An agency’s failure to consider and address during rulemaking ‘an important aspect of the problem’ renders its decision arbitrary and capricious. A ‘statutorily mandated factor, by definition, is an important aspect of any issue before an administrative agency’” *Mozilla Corp. v. FCC*, 940 F.3d 1, 60 (D.C. Cir. 2019) (per curiam) (first quoting *Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983); then quoting *Pub. Citizen v. Fed. Motor Carrier Safety Admin.*, 374 F.3d 1209, 1216 (D.C. Cir. 2004)). On the record before us, the Commission’s treatment of § 3633(b) cannot survive judicial review. Therefore, we are constrained to remand the Order to the Commission for further consideration.

On remand, the Commission must consider all costs uniquely or disproportionately associated with competitive products in setting the appropriate share, even if it has already accounted for those costs under § 3633(a)(1) and (a)(2).

Furthermore, the Commission should fully address the issue left open in the court's 2018 decision in *UPS v. PRC*. The court in that decision recognized that, because the costs attributed test under § 3633(a)(2) is conservative, there may be institutional costs that are “uniquely or disproportionately associated with competitive products,” even though they cannot be said to stand in “reliably identified causal relationships” with them. The Commission's Order in this case does not address this.

In addition, the Commission must explain the relevance (if any) of costs it may have considered in implementing § 3633(a)(1). At oral argument, counsel for the Commission suggested that the Commission might not have to further consider costs uniquely or disproportionately associated with competitive products under § 3633(b) because it had already considered them pursuant to § 3633(a)(1). Tr. of Oral Argument at 43-44, 48, 54-55. However, this possibility is offered as nothing more than a fleeting suggestion in the Commission's Order and its brief to the court. *Compare* Order at 144, J.A. 663, and Br. for Respondent at 19 (focusing only on § 3633(a)(2)), *with* Order at 160 n.294, J.A. 679 n.294, and Br. for Respondent at 36 (mentioning the Commission's test under § 3633(a)(1)). If this point is somehow critical to the Commission's analysis, the Commission must make that clear in the first instance. *See SEC v. Chenery Corp.*, 318 U.S. 80, 94-95 (1943).

We do not mean for these examples to exhaust the issues that the Commission must address on remand, only to illustrate some of what a fuller “consider[ation]” of the relevant costs will involve.

* * *

In sum, the Commission must address the issues highlighted above before we can say whether its formula-based approach to determining the appropriate share under § 3633(a)(3) is permissible and reasonable. On remand, the Commission might decide to revise its judgment regarding the “appropriate share” under § 3633(a)(3). Indeed, at oral argument, counsel for the Commission conceded that the “floor” established under § 3633(a)(3) might need to be adjusted if the Commission found any costs uniquely or disproportionately associated with competitive products. Tr. of Oral Argument at 49-50. It is also possible, however, that the Commission might decide against revising its bottom-line judgment, given the other factors the Commission must consider under § 3633(b) and the latitude that the text affords the Commission in making a final determination.

We take no position on this matter. It is not for this court to say that the Commission must account for costs in any specific way under § 3633(b) or that the Commission must make any particular “appropriate share” determination under § 3633(a)(3). Rather, the judgment of the court is that, on remand, the Commission must consider all the costs referenced under § 3633(b), as the Accountability Act clearly commands. And any decision that the Commission reaches regarding the meaning and application of § 3633(b) in connection with the “appropriate share” determination under § 3633(a)(3) must be consistent with the terms of the statute, must be comprehensible, and must otherwise satisfy the requirements of reasoned decision-making.

III. CONCLUSION

For the reasons set forth above, we grant UPS’s petition for review and remand the case to the Commission for further consideration consistent with this opinion.



The United States Postal Service

Mission Statement adopted by the Board of Governors on April 1, 2020

A. Our History

The United States Postal Service has a storied history as the institution of our Government guaranteeing safe and secure communication among and between the Government and the American people.

Many are familiar with our history, which began with the Second Continental Congress and Benjamin Franklin in 1775 and continued in 1787 when the Postal Clause of the U.S. Constitution empowered Congress to establish post offices and post roads. Congress exercised those powers with the passage of The Post Office Act of 1792, which made the Postal Service a permanent fixture of the Federal Government. The Act included provisions to facilitate freedom of the press, the privacy of personal correspondence, and expand the nation's physical infrastructure, all vital to our nation's growth and prosperity.

These principles and objectives endure. While radio, television and the Internet have irrevocably altered our information-gathering habits, postal correspondence remains the most secure and resilient form of communication, providing the American People with a delivery infrastructure vital to our National Security.

The USPS retains the largest physical and logistical infrastructure of any non-military government institution, providing an indispensable foundation supporting an ever changing and evolving nationwide communication network. Capitalizing on its expertise in scheduling and high-volume sorting, the USPS also serves a vital role enabling digital commerce.

B. Our Mission

- To serve the American people and, through the universal service obligation, bind our nation together by maintaining and operating our unique, vital and resilient infrastructure.

- To provide trusted, safe and secure communications and services between our Government and the American people, businesses and their customers, and the American people with each other.
- To serve all areas of our nation, making full use of evolving technologies.

C. Carrying Out Our Mission

To meet this Mission we will:

- Remain an integral part of the United States Government, providing all Americans with universal and open access to our unrivalled delivery and storefront network.
- Maintain and enhance our reputation and role as a trusted face of the federal government in every community and provide all levels of government with access to our network and services.
- Provide frequent, reliable, safe and secure delivery of mail, packages and other communications to all Americans.
- Use technology, innovation and where appropriate private sector partnerships, to optimize and adapt our network, operations and business model to meet the changing needs of our customers and delivery recipients, while maintaining our core mission.
- Operate in a modern, efficient and effective manner that allows us to minimize what we charge for our services, consistent with meeting, in a fair way, our obligations to our current and retired employees and other stakeholders.
- Remain an employer of choice, able to attract retain and develop high quality employees that possess the skills necessary to excel in a rapidly changing business environment

Congress of the United States
Washington, DC 20515

April 3, 2020

Ms. Megan J. Brennan
Postmaster General and Chief Executive Officer
United States Postal Service
475 L'Enfant Plaza, S.W.
Room 4012
Washington, D.C. 20260

Dear Ms. Brennan:

We write with urgent concern about the immediate financial condition and needs of the U.S. Postal Service in light of the coronavirus emergency and resulting decline in economic activity. This crisis has jeopardized the Postal Service's ability to continue providing essential service to every American. We ask that you provide information as soon as possible to ensure that Congress and the public are fully informed about this matter.

On March 20, the Postal Service notified our Committees that due to the coronavirus crisis, it will (b)(3), 410(c)(2)

The Postal Service subsequently provided revenue projections indicating that it could lose up to (b)(3), 410(c) in revenues this fiscal year. During the coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including cleaning and disinfecting facilities, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs. Meanwhile, the Postal Service continues to provide universal service in every community across the country, delivering medications, emergency information, home supplies, and more.

On March 27, Congress passed the CARES Act (P.L. 116-136), which authorizes the Department of the Treasury to provide a \$10 billion loan to the Postal Service "if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money." The Secretary of the Treasury retains the discretion to make that loan and set terms, which must be mutually agreed upon by the Postal Service.

We strongly urge the Postal Service to assert its proper authorities with regard to the finances and management of the Postal Service and ensure that this loan is made in a timely manner and under conditions acceptable to the Postal Service.

Given the urgent need to fully understand the Postal Service's financial condition, we ask that you produce the following information by April 6, 2020:

1. The most recent financial estimates regarding the Postal Service's finances through the end of the fiscal year, under expected economic conditions, including: projected revenue, expenses, emergency expenses, and cash-on-hand. Such

estimates should include information about the attendant economic assumptions. We request that you send a copy of the estimates that will be used in discussions with the Treasury Department about borrowing, and continue to send updated estimates as necessary;

2. A clear public statement from the Postal Service regarding its expected financial condition, to inform its customers about its revenues, expenses, and expected solvency; and
3. A statement of the amount of funds the Postal Service intends to request from the Treasury Department under the CARES Act, including the terms requested by the Postal Service for the authorized loan.

Thank you for your attention to this urgent matter. Please direct all questions and correspondence to our staffs at (202) 225-5051 and (202) 224-2627,

Sincerely,



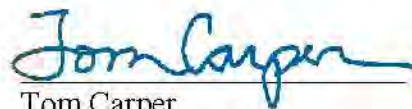
Carolyn B. Maloney
Chairwoman
House Committee on Oversight and
Reform



Gary C. Peters
Ranking Member
Senate Committee on Homeland
Security and Governmental Affairs



Gerald E. Connolly
Chairman
House Subcommittee on Government
Operations



Tom Carper
Ranking Member
Permanent Subcommittee on
Investigations



Stephen F. Lynch
Chairman
House Subcommittee National Security



Brenda Lawrence
Member
House Committee on Oversight and
Reform

Ms. Megan J. Brennan

Page 3

Enclosure

cc: The Honorable Ron Johnson, Chairman
Senate Committee on Homeland Security and Governmental Affairs

The Honorable Rob Portman, Chairman
Senate Permanent Subcommittee on Investigations

The Honorable Jody B. Hice, Ranking Member
House Subcommittee on National Security

Responding to Committee Document Requests

1. In complying with this request, produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. Produce all documents that you have a legal right to obtain, that you have a right to copy, or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party.
2. Requested documents, and all documents reasonably related to the requested documents, should not be destroyed, altered, removed, transferred, or otherwise made inaccessible to the Committees.
3. In the event that any entity, organization, or individual denoted in this request is or has been known by any name other than that herein denoted, the request shall be read also to include that alternative identification.
4. The Committees' preference is to receive documents in electronic form (i.e., CD, memory stick, thumb drive, or secure file transfer) in lieu of paper productions.
5. Documents produced in electronic format should be organized, identified, and indexed electronically.
6. Electronic document productions should be prepared according to the following standards:
 - a. The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - b. Document numbers in the load file should match document Bates numbers and TIF file names.
 - c. If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - d. All electronic documents produced to the Committees should include the following fields of metadata specific to each document, and no modifications should be made to the original metadata:

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH, PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE, SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM, CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE, DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,

INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION, BEGATTACH.

7. Documents produced to the Committees should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, zip file, box, or folder is produced, each should contain an index describing its contents.
8. Documents produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.
9. When you produce documents, you should identify the paragraph(s) or request(s) in the Committees' letter to which the documents respond.
10. The fact that any other person or entity also possesses non-identical or identical copies of the same documents shall not be a basis to withhold any information.
11. The pendency of or potential for litigation shall not be a basis to withhold any information.
12. In accordance with 5 U.S.C. § 552(d), the Freedom of Information Act (FOIA) and any statutory exemptions to FOIA shall not be a basis for withholding any information.
13. Pursuant to 5 U.S.C. § 552a(b)(9), the Privacy Act shall not be a basis for withholding information.
14. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
15. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) every privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author, addressee, and any other recipient(s); (e) the relationship of the author and addressee to each other; and (f) the basis for the privilege(s) asserted.
16. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (by date, author, subject, and recipients), and explain the circumstances under which the document ceased to be in your possession, custody, or control.
17. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, produce all documents that would be responsive as if the date or other descriptive detail were correct.

18. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data, or information not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.
19. All documents shall be Bates-stamped sequentially and produced sequentially.
20. Two sets of each production shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee on Oversight and Reform, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2105 of the Rayburn House Office Building. When documents are produced to the Committee on Financial Services, production sets shall be delivered to the Majority Staff in Room 2129 of the Rayburn House Office Building and the Minority Staff in Room 4340 of the O'Neill House Office Building. When documents are produced to the Permanent Select Committee on Intelligence, production sets shall be delivered to Majority and Minority Staff in Room HVC-304 of the Capital Visitor Center.
21. Upon completion of the production, submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control that reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, data, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone call, meeting or other inter-office or intra-office communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape, or otherwise. A document bearing any notation not a

part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.

2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, mail, releases, electronic message including email (desktop or mobile device), text message, instant message, MMS or SMS message, message application, or otherwise.
3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information that might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neutral genders.
4. The term “including” shall be construed broadly to mean “including, but not limited to.”
5. The term “Company” means the named legal entity as well as any units, firms, partnerships, associations, corporations, limited liability companies, trusts, subsidiaries, affiliates, divisions, departments, branches, joint ventures, proprietorships, syndicates, or other legal, business or government entities over which the named legal entity exercises control or in which the named entity has any ownership whatsoever.
6. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual’s complete name and title; (b) the individual’s business or personal address and phone number; and (c) any and all known aliases.
7. The term “related to” or “referring or relating to,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is pertinent to that subject in any manner whatsoever.
8. The term “employee” means any past or present agent, borrowed employee, casual employee, consultant, contractor, de facto employee, detailee, fellow, independent contractor, intern, joint adventurer, loaned employee, officer, part-time employee, permanent employee, provisional employee, special government employee, subcontractor, or any other type of service provider.
9. The term “individual” means all natural persons and all persons or entities acting on their behalf.



BOARD OF GOVERNORS

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 6, 2020

Contact: David Partenheimer
david.a.partenheimer@usps.gov
202-268-2599

Board of Governors Announces Selection of Louis DeJoy to Serve as Nation's 75th Postmaster General

WASHINGTON – The Board of Governors of the United States Postal Service today announced its unanimous selection of Louis DeJoy to serve as the 75th Postmaster General of the United States and Chief Executive Officer of the world's largest postal organization. DeJoy is an accomplished business executive with more than 35 years of experience. As Chairman and CEO of New Breed Logistics, DeJoy spent decades in collaboration with the U.S. Postal Service, Boeing, Verizon, Disney, United Technologies and other public and private companies to provide supply chain logistics, program management and transportation support. He is expected to begin serving in his new role effective June 15th.

"Louis DeJoy understands the critical public service role of the United States Postal Service, and the urgent need to strengthen it for future generations," said Robert M. (Mike) Duncan, chair of the Board of Governors. "The Board appreciated Louis' depth of knowledge on the important issues facing the Postal Service and his desire to work with all of our stakeholders on preserving and protecting this essential institution."

DeJoy becomes the fifth Postmaster General to join the institution from the private sector since the Postal Service became an independent establishment within the Executive Branch in 1971.

"Having worked closely with the Postal Service for many years, I have a great appreciation for this institution and the dedicated workers who faithfully execute its mission. I look forward to working with the supporters of the Postal Service in Congress and the Administration to ensure the Postal Service remains an integral part of the United States government. Postal workers are the heart and soul of this institution, and I will be honored to work alongside them and their unions. It will be an incredible honor to serve as Postmaster General, and I commit myself to upholding the Postal Service's cherished role in our nation," said Mr. DeJoy.

As Chairman and CEO of New Breed Logistics, Inc., he transformed a small, family owned transportation company with 10 employees into a nationwide provider of highly engineered, technology-driven, contract logistics solutions employing more than 9,000 people. New Breed Logistics was a contractor to the U.S. Postal Service for more than 25 years, supplying the Postal Service with logistics support for multiple processing facilities. The company received Quality Supplier Awards from the Postal Service in 1995, 1996, 1997 and 1998.

In 2014, New Breed merged with XPO Logistics, with DeJoy serving as CEO of XPO Logistics' supply chain business in the Americas before retiring in December 2015 as CEO and joining the XPO Logistics board of directors, where he served until 2018.

DeJoy is a member of the Board of Trustees at Elon University in North Carolina and the Fund for American Studies in Washington, DC. He received his Bachelor of Business Administration from Stetson University. He currently resides in Greensboro, North Carolina with his wife, Dr. Aldona Wos.

DeJoy's appointment comes upon the retirement of Megan Brennan, the nation's 74th Postmaster General, who announced her intent to step down in October 2019. The Board of Governors then began an extensive nationwide search, employing a national executive search firm to conduct the search with additional advisory services from Chelsea Partners. In the ensuing months, the Governors reviewed the records of more than two hundred candidates for the position before narrowing the list to more than fifty candidates to undergo substantial vetting. Subsequently, the Governors interviewed more than a dozen candidates in first round interviews, and invited seven candidates for follow-up interviews. A narrow list of finalists then underwent a final vetting process before the Governors made their decision.

#

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20215

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20215

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20210

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20210

April 30, 2020

Dear Congressional Leaders:

The undersigned companies, trade associations and consumer advocacy organizations believe it is imperative to save the United States Postal Service. We thank you all for your leadership as the nation confronts this pandemic, and urge you to provide enough funding to enable USPS to survive and serve its customers, the American people, during this exceptionally trying time.

We, along with the postal-reliant industry that generates \$1.6 trillion in sales and employs 7.3 million workers, have long supported a self-sufficient Postal Service. But no business entity can withstand a 50% or more externally-imposed drop in business and revenues, as USPS projects due to COVID-19, and long survive. That is why emergency funding must be provided now.

The American people have been reminded during this pandemic of just how fundamental to American life the Postal Service still is. USPS is delivering prescriptions, household and business staples, groceries, Personal Protective Equipment, greeting cards and personal correspondence to bridge social distancing, Paycheck Protection Program, Social Security and tax refund checks, CDC advice cards on keeping oneself and family safe, and newspapers and magazines still vital to informing the American people. It is enabling a new wave of businesses along with the e-commerce sector to survive the pandemic through remote order and fulfillment. Postal Service delivery is essential. And it is of particularly acute need in rural areas of the country, where there are no alternatives, and often not even broadband. USPS is a lifeline there and elsewhere throughout the country during these challenging times.

As to how much is needed, we defer to the experts, the bipartisan Postal Service Board of Governors appointed by the President, and our leaders in Congress. While substantial sums are needed, they amount to a small part of the emergency funds Congress has provided and will continue to provide, including to sustain small businesses, their employees and the economy. The Postal Service is the backbone of businesses large and small in America, and must endure.

The American people, 91% of whom approve of USPS¹, often raise a commotion if a single Post Office is to be closed. Closing the entire system or imposing a major reduction in service during this time of need would magnify that reaction substantially.

¹ Pew Research Center, *Survey of the Public's Views on Federal Agencies* (April 9, 2020). <https://www.people-press.org/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/>

We again strongly urge you to save the Postal Service and preserve a fundamental lifeline to millions of Americans.

Thank you.

Sincerely,

Washington, D.C.

Coalition for a 21st Century Postal Service	Washington	D.C.
American Catalog Mailers Assn.	Washington	D.C.
American Property Casual Insurance Assn.	Washington	D.C.
Consumer Action	Washington	D.C.
Greeting Card Association	Washington	D.C.
National Consumers League	Washington	D.C.
National Postal Policy Council	Washington	D.C.
National Retail Federation	Washington	D.C.
Retail Industry Leaders Assn.	Washington	D.C.
Small Business Legislative Council	Washington	D.C.
The Insurance Coalition	Washington	D.C.
The Package Coalition	Washington	D.C.
The Pharmaceutical Care Management Assn.	Washington	D.C.

Alaska

Mushing Magazine	Nome	AK
The Nome Nugget	Nome	AK

Alabama

Clarke County Democrat	Grove Hill	AL
Greenville Advocate	Greenville	AL
Selma Times-Journal	Selma	AL
The Arab Tribune	Arab	AL
The Clayton Record	Clayton	AL
The Cherokee Post-Herald	Centre	AL
The Elba Clipper	Elba	AL
The Florala News	Florala	AL
The Greenville Standard	Greenville	AL
The Lowndes Signal	Fort Deposit	AL
The Luverne Journal	Luverne	AL
The Monroe Journal	Monroeville	AL
The Northport Gazette	Northport	AL
The Outlook	Alexander City	AL
The Tallassee Tribune	Tallassee	AL
The Tuskegee News	Tuskegee	AL
The West Alabama Gazette	Millport	AL
The Wetumpka Herald	Wetumpka	AL
Wilcox Progressive Era	Camden	AL

Arizona

Clippin' the River	Bullhead City	AZ
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Colorado River Real Estate Magazine
 Entertainer
 Mohave Valley Daily News
 Runbeck Election Services, Inc.
 The Bullhead City Booster
 The Laughlin Times
 The Wickenburg Sun
 Western States Printing Alliance
 Wickenburg Shopper News

Bullhead City AZ
 Bullhead City AZ
 Bullhead City AZ
 Phoenix AZ
 Bullhead City AZ
 Bullhead City AZ
 Wickenburg AZ
 Queen Creek AZ
 Wickenburg AZ

Arkansas

Arkansas Mailing Services
 Arkansas Press Association
 Dayspring Cards
 Harrison Daily Times
 Johnson County Graphic
 Newton County Times

N. Little Rock AR
 Little Rock AR
 Siloam Springs AR
 Harrison AR
 Clarksville AR
 Jasper AR

California

Auburn Direct
 Auburn Journal
 Big Bear Grizzly
 Brentwood Press
 California News Publishers Association
 Chino Champion
 CohereOne
 Colfax Record
 Desert Entertainer
 Desert Mobile Home News
 eBay Inc.
 Folsom Lake Entertainer
 Granite Bay View
 Grizzly Weekender
 Gustine Press-Standard
 Hi-Desert Star
 Idyllwild Town Crier
 India West
 Lincoln News Messenger
 Major Mailers Assn.
 Mountain News
 Mountain Shopper
 Needles Desert Star (1987)*
 Nevada & Placer County Entertainer
 Ojai Valley News
 PacSun, LLC
 Patterson Irrigator
 PLD Group
 Point Reyes Light
 Press Banner
 Printing Industries Assn. of San Diego, Inc.

Auburn CA
 Auburn CA
 Big Bear Lake CA
 Brentwood CA
 Sacramento CA
 Chino CA
 San Rafael CA
 Colfax CA
 Yucca Valley CA
 Yucca Valley CA
 San Jose CA
 Folsom CA
 Roseville CA
 Big Bear Lake CA
 Newman CA
 Yucca Valley CA
 Idyllwild CA
 San Leandro CA
 Lincoln CA
 El Dorado Hills CA
 Lake Arrowhead CA
 Lake Arrowhead CA
 Needles CA
 Auburn CA
 Ojai CA
 Anaheim CA
 Patterson CA
 Thousand Palms CA
 Inverness CA
 Scotts Valley CA
 San Diego CA

Printing Industries Assn., Inc. of Southern California	Los Angeles	CA
Shippo	San Francisco	CA
Sky of Blue Cards	Menlo Park	CA
Smith & Noble	Corona	CA
Specialty Equipment Marketing Assn.	Diamond Bar	CA
The Ark	Tiburon	CA
The Desert Trail	Twentynine Palms	CA
The Folsom Telegraph	Roseville	CA
The Loomis News	Roseville	CA
The Malibu Times	Malibu	CA
The Placer Herald	Roseville	CA
The Press-Tribune	Roseville	CA
The San Fernando Valley Sun/el Sol Newspapers	San Fernando	CA
The Shafter Press	Shafter	CA
Title Nine	Emeryville	CA
Tracy Press	Tracy	CA
Very Napa Valley	Sonoma	CA
Visual Media Alliance	San Francisco	CA
Wine Country This Month - Central Coast	Sonoma	CA
Wine Country This Week	Sonoma	CA

Colorado

Blue Mountain Arts	Boulder	CO
Brighton Standard Blade, The	Brighton	CO
Canyon Courier	Evergreen	CO
Clear Creek Courant	Idaho Springs	CO
Commerce City Sentinel-Express	Brighton	CO
CSG Systems International	Denver	CO
Fort Lupton Press	Brighton	CO
Herald Democrat	Leadville	CO
Holyoke Enterprise, The	Holyoke	CO
Leanin' Tree	Boulder	CO
National Assn. of Presort Mailers	Broomfield	CO
Park Co. Republican & Fairplay Blume	Bailey	CO
Path2Response, LLC	Louisville	CO
Rio Blanco Herald Times	Meeker	CO
Robbin Rawlings Designs, Inc.	Boulder	CO
The Chaffee County Times	Buena Vista	CO
The Mountain Mail	Salida	CO
The Pagosa Springs SUN	Pagosa Springs	CO
The Yuma Pioneer	Yuma	CO

Connecticut

BlueCrest, Inc.	Danbury	CT
Colorblends Wholesale Flowerbulbs	Bridgeport	CT
Corporate Mailing Services, LLC	Shelton	CT
New Britain Herald	New Britain	CT
Pitney Bowes Inc.	Stamford	CT
Quadient	Milford	CT
The Bristol Press	Bristol	CT

The Chronicle
Trumbull Printing, LLC
Wasco Tribune

Willimantic CT
Trumbull CT
Wasco CT

Delaware

Cape Gazette
Greater Dover Extra
Smyrna Extra
Sussex Post
The Chronicle

Lewes DE
Dover DE
Smyrna DE
Seaford DE
Milford DE

Florida

Access Mail Processing Services, Inc..
Cedar Key Beacon
Chiefland Citizen
Citrus County Chronicle
Consolidated Mailing Services
Direct Mail Impressions
Florida Graphics Alliance
Florida Mail & Print
Florida Media Association
Florida Press Association
Gadsden County Times, The
Heritage Florida Jewish News
Kessler Creative
Key West Citizen and Free Press
Lake City Reporter
Mail, Print & Packaging Solutions, Inc.
Nona Connect
Nonahood News
North Jax Monthly
Perry News Herald
Print Reach, Inc.
Publishers' Auxiliary
Riverland News
South Marion Citizen
St. Augustine Observer
Sumter County Times
Taco Times
TC Delivers Mail Solutions & Savings
Textile Care Allied Trades Assn.
The West Volusia Beacon
Valpak
Wakulla News, The
Westside Journal
Williston Pioneer Sun-News
W.S. Badcock Corporation

Clearwater FL
Chiefland FL
Chiefland FL
Crystal River FL
Tampa FL
Boca Raton FL
Orlando FL
Ft. Myers FL
Ocala FL
Tallahassee FL
Quincy FL
Orlando FL
Jacksonville FL
Key West FL
Lake City FL
Lutz FL
Orlando FL
Orlando FL
Jacksonville FL
Perry FL
Jacksonville Beach FL
Pensacola FL
Dunnellon FL
Dunnellon FL
St. Augustine FL
Bushnell FL
Perry FL
Jacksonville FL
Wesley Chapel FL
DeLand FL
St. Petersburg FL
Crawfordville FL
Callahan FL
Williston FL
Mulberry FL

Georgia

Banks County News

Jefferson GA

Barrow News-Journal
 Charlton County Herald
 Datamatx
 Early County News
 Envelopes & Forms, Inc./SureBill
 Fayette County News
 Jackson Herald, The
 Madison County Journal, The
 Mature Living in the South
 Mature Living in the Southeast
 Monroe County Reporter
 North Georgia News
 Printing & Imaging Association of Georgia
 The Advance
 The Atlanta Voice
 The Baxley News-Banner
 The Lincoln Journal
 The Newnan Times-Herald
 The News Observer
 The News-Reporter
 The Post-Searchlight
 The Press-Sentinel
 The Telfair Enterprise
 Times-Courier
 Towns County Herald
 TSYS Inc.
 Waycross Journal-Herald

Winder GA
 Folkston GA
 Atlanta GA
 Blakely GA
 Duluth GA
 Fayetteville GA
 Jefferson GA
 Jefferson GA
 Baxley GA
 Baxley GA
 Forsyth GA
 Blairsville GA
 Smyrna GA
 Vidalia GA
 Atlanta GA
 Baxley GA
 Lincolnnton GA
 Newnan GA
 Blue Ridge GA
 Washington GA
 Bainbridge GA
 Jesup GA
 McRae-Helena GA
 Ellijay GA
 Hiawassee GA
 Columbus GA
 Waycross GA

Hawaii

Lahaina News

Maui HI

Idaho

American Mailing Products, Inc.
 Clearwater Tribune
 The Arco Advertiser
 The Challis Messenger
 Weekly Mailer

Meridian ID
 Orofino ID
 Arco ID
 Challis ID
 Burley ID

Illinois

Bal-Tech, Inc. (dba Starship Modeler)
 Barco Products
 Bunker Hill Gazette- News
 Carmi Chronicle
 Carroll County Mirror-Democrat
 Design Toscano
 Fluence Automation, LLC
 Franklin County Gazette
 Gazette-Democrat, The
 Hardin County Independent
 InnerWorkings

Lake Villa IL
 Batavia IL
 Bunker Hill IL
 Carmi IL
 Mt. Carroll IL
 Elk Grove Village IL
 Arlington Heights IL
 Benton IL
 Anna IL
 Elizabethtown IL
 Chicago IL

Journal-News, The
 KirbyBuilt Products
 K-Log
 Leader-Union, The
 Madison County Chronicle
 McLeansboro Gazette
 Midland Paper Packaging and Supplies
 Mt. Olive Herald, The
 Navigator and Journal Register, The
 North American Assn of Food Equipment Mfrs
 Olney Gazette
 OSM Worldwide
 Quicksilver Mailing Services
 Raymond News, The
 Republic-Times Group, LLC
 R.R. Donnelley
 Southwestern Journal News, The
 The Carroll County Review
 The Galena Gazette
 The Prairie News
 The Sidell Reporter
 The Vienna Times
 The Weekly Post
 The Woodstock Independent
 TreeTop Products
 Unison
 Vienna Times, The
 Weekly Press, The

Hillsboro IL
 Batavia IL
 Zion IL
 Vandalia IL
 Worden IL
 McLeansboro IL
 Wheeling IL
 Mount Olive IL
 Albion IL
 Chicago IL
 Olney IL
 Glendale Heights IL
 Springfield IL
 Raymond IL
 Waterloo IL
 Chicago IL
 Brighton IL
 Thomson IL
 Galena IL
 Toulon IL
 Sidell IL
 Vienna IL
 Elmwood IL
 Woodstock IL
 Batavia IL
 Chicago IL
 Vienna IL
 Pinckneyville IL

Indiana

Carroll County Comet
 Crothersville Times
 Data Mail, Inc.
 Engineering Innovation, Inc.
 Ferdinand News
 Indiana Minority Business Magazine
 Journal Review
 LaGrange News
 LaGrange Standard
 LSC Communications
 Middlebury Independent
 Montpelier Weekly
 Mount Vernon Democrat
 Nat'l Assn of Mutual Insurance Companies
 North Vernon Plain Dealer
 Online Data
 Paper of Montgomery County
 Parke County Sentinel
 Perry County News
 Spencer County Journal-Democrat, The
 Sullivan Daily Times

Delphi IN
 Crothersville IN
 Evansville IN
 Lafayette IN
 Ferdinand IN
 Indianapolis IN
 Crawfordsville IN
 LaGrange IN
 LaGrange IN
 Indianapolis IN
 Middlebury IN
 Montpelier IN
 Mount Vernon IN
 Indianapolis IN
 North Vernon IN
 South Bend IN
 Crawfordsville IN
 Rockville IN
 Tell City IN
 Rockport IN
 Sullivan IN

The Daily Clintonian	Clinton	IN
The Goshen News	Goshen	IN
The Mail Group	Lafayette	IN
The Mail-Journal	Syracuse	IN
The North Vernon Sun	North Vernon	IN
The Osgood Journal	Versailles	IN
The Press-Dispatch	Petersburg	IN
The Versailles Republican	Versailles	IN
The Vincennes Sun-Commercial	Vincennes	IN
Western Wayne News	Cambridge City	IN
Whitewater Publications	Brookville	IN

Iowa

Ackley World Journal	Ackley	IA
Algona Upper Des Moines, The	Algona	IA
Bedford Times-Press	Bedford	IA
Belmond Independent	Belmond	IA
Bloomfield Democrat	Bloomfield	IA
Charles City Press	Charles City	IA
Coon Rapids Enterprise	Coon Rapids	IA
Cresco Times Plain Dealer	Cresco	IA
Dayton Leader Newspaper	Dayton	IA
Denver Forum	Denver	IA
Doon Press	Doon	IA
Dysart Reporter	Dysart	IA
Edgewood Reminder	Edgewood	IA
Hartley Sentinel-Everly/Royal News	Hartley	IA
Humboldt Independent	Humboldt	IA
Iowa Falls Times-Citizen	Iowa Falls	IA
Jesup Citizen Herald	Jesup	IA
Knowles Publishing Corp.	Carroll	IA
Kossuth County Advance	Algona	IA
Mail Communications Grp, LLC/MCG Parent, LLC	Des Moines	IA
Mail Services, LLC	Urbandale	IA
Mapleton Press	Mapleton	IA
Missouri Valley Times-News	Missouri Valley	IA
Mount Ayr Record News	Mount Ayr	IA
New Century Press	Rock Rapids	IA
Nora Springs Rockford Register	Rockford	IA
North Scott Press	Eldridge	IA
North Warren Town & County News	Norwalk	IA
Northern Sun Print	Gladbrook	IA
Opinion-Tribune	Glenwood	IA
Red Oak Express, The	Red Oak	IA
Reinbeck Courier	Reinbeck	IA
Strategic America	West Des Moines	IA
Tama County Shopper	Tama	IA
Tama News-Herald	Tama	IA
Telegraph Herald	Dubuque	IA
The Akron Hometown	Akron	IA
The Anita Tribune Co., Inc.	Anita	IA

The Carlisle Citizen
 The Charles City Press
 The Columbus Gazette
 The Daily Iowan
 The Gowrie News
 The Manilla Times
 The Observer
 The Ocheyedan Press-Melvin News
 The Seymour Herald
 The Sun News
 The Times Republican
 The Tipton Conservative
 Times-Republican
 Toledo Chronicle
 T-R Plus
 Traer Star-Clipper
 West Branch Times
 West Liberty Index
 Wilton-Durant Advocate News
 Woolverton

Carlisle	IA
Charles City	IA
Columbus Junction	IA
Iowa City	IA
Gowrie	IA
Manilla	IA
Westside	IA
Ocheyedan	IA
Seymour	IA
Lowden	IA
Corydon	IA
Tipton	IA
Marshalltown	IA
Toledo	IA
Marshalltown	IA
Traer	IA
West Branch	IA
West Liberty	IA
Wilton	IA
Des Moines	IA

Kansas

Coffeyville Journal
 Colby Free Press
 Ellsworth County Independent-Reporter
 Eudora Times
 Good News Press
 Independence Daily Reporter
 Kansas Press Association
 Labette Avenue
 Lineage
 Mail Works
 Marquette Tribune
 Montgomery County Chronicle
 Mulvane News
 Prairie Star
 Rawlins County Square Deal
 Rose Hill Reporter
 The Anthony Republican
 The Cedar Vale Lookout
 The Cowley Courier Traveler
 The Eureka Herald
 The Goodland Star-News
 The Holton Recorder
 The Marysville Advocate
 The Monitor Journal
 The Norton Telegram
 The Oberlin Herald
 The Saint Francis Herald & Bird City Times
 The Wabaunsee County Signal-Enterprise
 Universal Engraving, Inc.

Coffeyville	KS
Colby	KS
Ellsworth	KS
Eudora	KS
Caney	KS
Independence	KS
Topeka	KS
Oswego	KS
Lenexa	KS
Kansas City	KS
Marquette	KS
Caney	KS
Mulvane	KS
Sedan	KS
Atwood	KS
Rose Hill	KS
Anthony	KS
Cedar Vale	KS
Arkansas City	KS
Eureka	KS
Goodland	KS
Holton	KS
Marysville	KS
Little River	KS
Norton	KS
Oberlin	KS
Saint Francis	KS
Alma	KS
Overland Park	KS

Kentucky

Anderson News, The
 Casey County News, The
 Central Kentucky News-Journal
 ElToro.com
 Georgetown News-Graphic
 Henry County Local
 Kentucky New Era
 Kentucky Standard, The
 LaRue County Herald News, The
 Lebanon Enterprise, The
 News-Enterprise
 Oldham Era, The
 Pioneer News, The
 Record, The
 Record-Herald
 Sentinel-News, The
 Spencer Magnet, The
 Springfield Sun, The
 The Cadiz Record
 The Cynthiana Democrat
 The Eagle Post
 The Grant County News
 The Harrison Shopper
 The Licking Valley Courier
 The News-Democrat
 The News-Herald
 The River City Trading Post
 The State Journal
 The Trimble Banner
 Troublesome Creek Times
 Vtility.com

Lawrenceburg KY
 Liberty KY
 Campbellsville KY
 Louisville KY
 Georgetown KY
 Eminence KY
 Hopkinsville KY
 Bardstown KY
 Hodgenville KY
 Lebanon KY
 Elizabethtown KY
 La Grange KY
 Shepherdsville KY
 Leitchfield KY
 Greensburg KY
 Shelbyville KY
 Taylorsville KY
 Springfield KY
 Cadiz KY
 Cynthiana KY
 Oak Grove KY
 Williamstown KY
 Cynthiana KY
 West Liberty KY
 Carrollton KY
 Owenton KY
 Carrollton KY
 Frankfort KY
 Bedford KY
 Hindman KY
 Louisville KY

Louisiana

American Press
 Bogalusa Daily News
 Bossier Press Tribune
 Cameron Parish Pilot
 Catahoula News Booster
 Central Speaks Newspaper
 DeQuincy News
 DMS Mail Management, Inc.
 Jennings Daily News
 LaPlace L'Observateur
 Ruston Daily Leader
 Southwest Daily News
 The Avoyelles Journal
 The Bienville Democrat
 The Bunkie Record

Lake Charles LA
 Bogalusa LA
 Bossier City LA
 Cameron LA
 Jonesville LA
 Central LA
 DeQuincy LA
 Baton Rouge LA
 Jennings LA
 LaPlace LA
 Ruston LA
 Sulphur LA
 Avoyelles LA
 Arcadia LA
 Bunkie LA

The Louisiana Weekly
The Marksville News

New Orleans LA
Marksville LA

Maine

Calyx Flowers, Inc.
Cuddledown
Ellsworth American
J.S. McCarthy
Mount Desert Islander
Snowman Group

Yarmouth ME
Yarmouth ME
Ellsworth ME
Augusta ME
Bar Harbor ME
Hermon ME

Maryland

Country Casual Teak
Healthy Directions
Ocean City Digest
Ocean City Today
Pet Industry Distributors Association
Printing and Graphics Association MidAtlantic
Tire Industry Association
USAE Weekly Newspaper

Gaithersburg MD
Bethesda MD
Ocean City MD
Ocean City MD
Abingdon MD
Columbia MD
Bowie MD
Bethesda MD

Massachusetts

Christianbook, LLC
Coldwater Creek
Daily Times Chronicle
Healy List Marketing
Integrated Systems Associates, Inc.
Legacy Publishing Group
Potpourri Group, Inc.
Printing Industries of New England
The Manchester Cricket
Trainer's Warehouse
Window Book, Inc.

Peabody MA
Hingham MA
Woburn MA
Beverly MA
Swansea MA
Clinton MA
North Billerica MA
Southborough MA
Manchester-by-the-Sea MA
Natick MA
Cambridge MA

Michigan

Alcona County Review
Ann Arbor Observer
Assn. for Mail Electronic Enhancement
Battle Creek Shopper News
Baudville Brands
Bronner's Christmas Wonderland
Cadillac News
Clare County Cleaver
Clarkston News
Community Papers of Michigan
Detroit Legal News
Extend Your Reach
Great American Media Services
Grosse Pointe News
Hastings Banner

Harrisville MI
Ann Arbor MI
Newaygo MI
Battle Creek MI
Grand Rapids MI
Frankenmuth MI
Cadillac MI
Harrison MI
Clarkston MI
Pottersville MI
Detroit MI
Lansing MI
Sparta MI
Grosse Pointe MI
Hastings MI

Hastings Reminder
 Houghton Lake Resorter
 Kent Communications, Inc.
 Koeze Company
 Lake Orion Review
 Lakewood News
 Leelanau Enterprise
 Lett Direct, Inc.
 Lowell Buyers Guide
 Lowell Ledger
 Mail Room Service Center, Inc.
 Maple Valley News
 Marshall/Chronicle
 Oxford Leader
 Save on Everything, LLC
 TGI Direct, Inc.
 The Citizen
 The Climax Crescent Newspaper
 The Clinton Local
 The Independent
 The Pinconning Journal
 The Record
 The Saginaw News
 The Tecumseh Herald
 The Yale Expositor

Hastings	MI
Houghton Lake	MI
Grand Rapids	MI
Grand Rapids	MI
Lake Orion	MI
Hastings	MI
Lake Leelanau	MI
Williamsburg	MI
Lowell	MI
Lowell	MI
Saginaw	MI
Hastings	MI
Marshall	MI
Oxford	MI
Troy	MI
Flint	MI
Ortonville	MI
Climax	MI
Clinton	MI
Dundee	MI
Pinconning	MI
Washington	MI
Saginaw	MI
Tecumseh	MI
Yale	MI

Minnesota

Belle Plaine Herald
 Benton County News
 Bloodwood Forum
 Cardsource
 Citizen Publishing Co., Inc
 Clara City Herald
 Clifton Larson Allen
 Comfrey Times
 Country Acres
 Crosby-Ironton Courier, Inc.
 Dairy Star
 Eden Valley-Watkins Voice
 Ely Echo
 Exponent, TheEast
 Fergus Falls Daily Journal
 Floodwood Forum
 Graphic Finishing
 Hanska Herald
 Hermantown Star
 IdealPrinters
 Inkjet Insight, LLC
 Jackson County Pilot
 Japs-Olson
 Lafayette Nicollet Ledger

Belle Plaine	MN
Foley	MN
Proctor	MN
Minneapolis	MN
Windom	MN
Clara City	MN
Minneapolis	MN
Comfrey	MN
Sauk Centre	MN
Crosby	MN
Sauk Centre	MN
Eden Valley	MN
Ely	MN
Grand Forks	MN
Fergus Falls	MN
Floodwood	MN
Minneapolis	MN
Madelia	MN
Hermantown	MN
St. Paul	MN
Minneapolis	MN
Jackson	MN
St. Louis Park	MN
Lafayette	MN

Madelia Times-Messenger
 Meyers Printing
 Minnesota Newspaper Association
 Minnesota Women's Press
 Nahan Printing
 National Checking
 New Babbitt Weekly News
 Northeaster
 Northern Light Region, The
 On-Trac International
 Page 1 Publications, Inc.
 Paynesville Press
 Pelican Press
 Pope County Tribune
 Printing Industry Midwest
 Proctor Journal
 Proprint
 Pure Gold
 Rock County Star Herald
 Sartell-St. Stephen Newsleader
 Saturation Mailers Coalition
 Sauk Centre Herald
 Sauk Rapids Herald
 Spicer - Lakes Area Review
 St. Joseph Newsleader
 St. Paul Voice
 Standard Dynamics
 Star Publications, LLC
 Star Shopper
 The Appleton Press
 The Battle Lake Review
 The Kerkhoven Banner
 The Middle River Honker
 The Observer
 The Star Post
 Timberjay
 Tracy Area Headlight Herald
 Valley News
 Wheaton Gazette

Mississippi

Emmerich Newspapers
 Jacobs Properties
 The Charleston Sun-Sentinel
 The Franklin Advocate
 The Star-Herald
 The Wayne County News

Missouri

Advertiser-Courier

Madelia	MN
Minneapolis	MN
Minneapolis	MN
Minneapolis	MN
St. Cloud	MN
Minneapolis	MN
Babbitt	MN
Minneapolis	MN
Baudette	MN
Brighton	MN
East Grand Forks	MN
Paynesville	MN
Pelican Rapids	MN
Glenwood	MN
Minneapolis	MN
Proctor	MN
Duluth	MN
Madelia	MN
Luverne	MN
St. Joseph	MN
Minneapolis	MN
Sauk Centre	MN
Sauk Rapids	MN
New London	MN
St. Joseph	MN
St. Paul	MN
Minneapolis	MN
Sauk Centre	MN
Sauk Centre	MN
Appleton	MN
Battle Lake	MN
Kerkhoven	MN
Middle River	MN
Belgrade	MN
Albany	MN
Tower	MN
Tracy	MN
Browns Valley	MN
Wheaton	MN

Jackson	MS
Brookhaven	MS
Charleston	MS
Meadville	MS
Kosciusko	MS
Waynesboro	MS

Hermann	MO
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Arnold-Imperial Leader
 Bowling Green Times
 Buffalo Reflex
 Cabool Enterprise
 Centralia Fireside Guard
 Christian County Headliner-News
 Elsberry Democrat
 Eureka Leader
 Excelsior Springs Standard
 Gasconade County Republican
 Hallmark
 Hathaway & Lane Direct, LLC
 Houston Herald
 Jefferson County Leader
 Lake Gazette, The
 Lincoln County Journal
 Louisiana Press-Journal
 Maginating
 Maries County Advocate
 Marshfield Mail, The
 MCH Strategic Data
 Midwest Mailing Service
 Montgomery Standard
 Newstime
 Nixa Xpress
 Ozark County Times
 Ozark Mailing Service
 Peruvian Connection, LLC
 Phelps County Focus
 Presort, Inc.
 Print Media Association
 Sage Information Services
 Sedalia Democrat, The
 Stockton Cedar County Republican
 The Labor Tribune
 The Laclede County Record
 The Mansfield Mirror
 The Mountain Grove News Journal
 The Richmond News
 The Salem News
 Town and Country Leader
 Troy Free Press
 Unterrified Democrat
 US Toy Company
 Vandalia Leader, The
 Warren County Record
 Washington Missourian
 West Plains Daily Quill
 West Side Leader, The

Festus MO
 Bowling Green MO
 Buffalo MO
 Cabool MO
 Centralia MO
 Ozark MO
 Elsberry MO
 Festus MO
 Excelsior Springs MO
 Owensville MO
 Kansas City MO
 O'Fallon MO
 Houston MO
 Festus MO
 Monroe City MO
 Troy MO
 Louisiana MO
 Kirkwood MO
 Vienna MO
 Marshfield MO
 Sweet Springs MO
 Columbia MO
 Montgomery City MO
 Lake Saint Louis MO
 Nixa MO
 Gainesville MO
 Springfield MO
 Kansas City MO
 Rolla MO
 St. Louis MO
 Chesterfield MO
 Jefferson City MO
 Sedalia MO
 Stockton MO
 St. Louis MO
 Lebanon MO
 Mansfield MO
 Mountain Grove MO
 Richmond MO
 Salem MO
 Excelsior Springs MO
 Troy MO
 Linn MO
 Grandview MO
 Vandalia MO
 Warrenton MO
 Washington MO
 West Plains MO
 Festus MO

Montana

Cut Bank Pioneer Press
 Daniels County Leader
 Glacier Reporter
 Mailing Technical Services, Inc.
 Shelby Promoter
 The Laurel Outlook
 The Valerian
 Tobacco Valley News

Cut Bank MT
 Scobey MT
 Browning MT
 Billings MT
 Shelby MT
 Laurel MT
 Valier MT
 Eureka MT

Nebraska

Ainsworth Star-Journal
 Albion News
 Barnhart Press
 Blair Pilot-Tribune
 Business Farmer
 CapStone Technologies, LLC
 Cedar County News
 Citizen
 Crete News
 Douglas County Post-Gazette
 Friend Sentinel, The
 Grant County News
 Grant Tribune-Sentinel, The
 Gretna Guide and News
 Hastings Tribune
 Hooker County Tribune
 Humphrey Democrat
 Imperial Republican, The
 Lyons Mirror-Sun
 McPherson County News
 Milford Times
 Nebraska Press Association
 North Bend Eagle
 Oakland Independent
 Petersburg Press
 Pierce County Leader
 Seward County Independent
 Springview Herald
 St. Edward Advance
 Summerland Advocate-Messenger
 The Arnold Sentinel
 The Clay County News
 The Elgin Review
 The Stapleton Enterprise
 The Voice News
 The Voice of Western Nebraska
 Thomas County Herald
 Valentine Midland News
 Washington County Enterprise
 Wauneta Breeze
 Wilber Republican, The

Ainsworth NE
 Albion NE
 Omaha NE
 Blair NE
 Scottsbluff NE
 Lincoln NE
 Hartington NE
 Arlington NE
 Crete NE
 Elkhorn NE
 Friend NE
 Hyannis NE
 Grant NE
 Gretna NE
 Hastings NE
 Mullen NE
 Humphrey NE
 Imperial NE
 Lyons NE
 Tryon NE
 Milford NE
 Lincoln NE
 North Bend NE
 Oakland NE
 Petersburg NE
 Pierce NE
 Seward NE
 Springview NE
 St Edward NE
 Clearwater NE
 Arnold NE
 Sutton NE
 Elgin NE
 Stapleton NE
 Hickman NE
 Morrill NE
 Thedford NE
 Valentine NE
 Blair NE
 Wauneta NE
 Wilber NE

Nevada

Battle Mountain Bugle
 Gardnerville Record Courier
 Humboldt Sun
 Lahontan Valley News
 Las Vegas Review Journal
 Lovelock Review Miner
 Moapa Valley Progress
 Nevada Appeal
 Nevada Press Association
 Nevada Rancher
 Northern Nevada Business Weekly

Battle Mountain NV
 Gardnerville NV
 Winnemucca NV
 Fallon NV
 Las Vegas NV
 Lovelock NV
 Overton NV
 Carson City NV
 Carson City NV
 Winnemucca NV
 Reno NV

New Hampshire

Eastern Marketing Services
 InterTown Record
 Littleton Coin Company, Inc.
 Valley News

Portsmouth NH
 North Sutton NH
 Littleton NH
 West Lebanon NH

New Jersey

A Smyth Co.
 Community News Service
 Edmund Optics
 Maljon LLC
 OSG Billing
 Page Three Consulting
 The Advertiser-News
 The Sentinel of Gloucester County
 The Sparta Independent
 The Township Journal
 The West Milford Messenger
 West Essex Tribune

Haddon Township NJ
 Lawrence NJ
 Barrington NJ
 Flanders NJ
 Ridgefield Park NJ
 Haddonfield NJ
 Vernon NJ
 Malaga NJ
 Sparta NJ
 Newton NJ
 West Milford NJ
 Livingston NJ

New Mexico

Cibola Citizen
 Hobbs News Sun
 Las Vegas Optic
 Los Alamos Monitor

Grants NM
 Hobbs NM
 Las Vegas NM
 Los Alamos NM

New York

Adirondack Daily Enterprise
 All Island Media Inc.
 Bee Group Newspapers
 Belardi Wong, ALC, LLC
 Charleston Gardens
 Chelsea Clinton News
 Chelsea News
 Cross Country Computer
 FPH Communications

Saranac Lake NY
 Edgewood NY
 Buffalo NY
 New York City NY
 New York City NY
 New York City NY
 New York City NY
 New York City NY
 East Islip NY
 New York City NY

Great Arrow Graphics	Buffalo	NY
Genesee Valley Publications	Avon	NY
Lake Placid News	Saranac Lake	NY
Lindenmeyr Central (Member of Central Nat'l Gottesman, Inc.) Purchase		NY
MeritDirect	Rye Brook	NY
Mid-Hudson Times	Newburgh	NY
New York Press Association	Albany	NY
Northern Safety & Industrial	Utica	NY
Our Town	New York City	NY
Our Town Downtown	New York City	NY
Patient Press Greeting Cards	Rochester	NY
Printing Industries Alliance	Amherst	NY
Publishers Clearing House	Jericho	NY
Ray Slyper Associates	New York City	NY
Southern Ulster Times	Milton	NY
The Altamont Enterprise & Albany County Post	Altamont	NY
The Chronicle	Goshen	NY
The Freeman's Journal	Cooperstown	NY
The Highlands Current	Cold Spring	NY
The Photo News	Monroe	NY
The Warwick Advertiser	Warwick	NY
Uncommon Goods	Brooklyn	NY
Wallkill Valley Times	Walden	NY
Westsider	New York City	NY
West Side Spirit	New York City	NY

North Carolina

Bowe Systec	Raleigh	NC
Brunswick Beacon, The	Shallotte	NC
Carteret County News-Times	Morehead City	NC
Cherokee Scout	Murphy	NC
Clay County Progress	Hayesville	NC
eVanguard Solutions, Inc (dba MailXstream)	Wilmington	NC
Fresh Angle Communications	Holden Beach	NC
National Wholesale, Inc.	Lexington	NC
Scottish Gourmet USA, LLC	Greensboro	NC
Stokes News	King	NC
The Graham Star	Robbinsville	NC
The Mount Airy News	Mount Airy	NC
The News Reporter	Whiteville	NC
The Printing Industry of the Carolinas, Inc.	Charlotte	NC
The Tribune	Elkin	NC
Yadkin Ripple	Yadkinville	NC

North Dakota

Adams County Record	Hettinger	ND
Ashley Tribune	Ashley	ND
Beulah Beacon	Beulah	ND
Billings County Pioneer	Medora	ND
Bottineau Courant	Bottineau	ND

Carson Press
 Center Republican
 Central McLean News Journal
 Emmons County Record
 Enderlin Independent
 Golden Valley Beach News
 Grant County News
 Hazen Star, The
 Kulm Messenger
 Lamoure Chronicle
 Larimore Leader/Tribune
 Litchville Bulletin
 McClusky Gazette
 McKenzie County Farmer
 McLean County Independent
 Mountrail County Record
 Napoleon Homestead
 New Town News
 North Dakota Newspaper Association
 Presort Plus
 Recreation Supply Company
 The Forum of Fargo-Moorhead
 The Herald
 The Jamestown Sun
 The Journal
 The Walsh County Record
 Tioga Tribune
 Tri-County News
 Valley News & Views
 Washburn Leader-News
 Wishek Star

Elgin	ND
Washburn	ND
Underwood	ND
Linton	ND
Enderlin	ND
Beach	ND
Elgin	ND
Hazen	ND
Kulm	ND
Lamoure	ND
Larimore	ND
Litchville	ND
McClusky	ND
Watford City	ND
Garrison	ND
New Town	ND
Napoleon	ND
New Town	ND
Bismarck	ND
Bismarck	ND
Bismarck	ND
Fargo	ND
New England	ND
Jamestown	ND
Crosby	ND
Grafton	ND
Tioga	ND
Gackle	ND
Drayton	ND
Washburn	ND
Wishek	ND

Ohio

American Greetings
 Archbold Buckeye
 Bluestone Perennials
 Chagrin Valley Times
 Farm and Dairy
 Farmland News
 Gardens Alive!
 Geauga Times Courier
 Graphic Media Alliance
 Mail Automation, Inc.
 Midwest Direct
 Millers Print and Mail, Inc.
 Nationwide Insurance
 Ohio News Media Association
 Solon Times
 Sporty's/Sportsman's Market, Inc.
 Summit Racing Equipment
 The Crestline Advocate

Cleveland	OH
Archbold	OH
Madison	OH
Chagrin Falls	OH
Salem	OH
Archbold	OH
Tipp City	OH
Chardon	OH
Westerville	OH
Baltimore	OH
Cleveland	OH
Akron	OH
Columbus	OH
Columbus	OH
Solon	OH
Batavia	OH
Tallmadge	OH
Crestline	OH

The Good News
 The Progressor-Times/Mohawk Leader
 Town Money Saver
 Up With Paper
 Vermilion Photojournal
 Westlife

Middlefield OH
 Carey OH
 Lucas OH
 Mason OH
 Vermilion OH
 Westlake OH

Oklahoma

Beckham County Record
 Blanchard News
 Bristow News
 Buffalo Weekly News
 Cheyenne Star
 Clinton Daily News
 Cordell Beacon
 Country Connection News
 Cushing Citizen
 Drumright Gusher
 Eastern Times Register, The
 Elk City News
 Eufaula Indian Journal, The
 Garvin County News Star
 Geary Star
 Harper County Leader
 Henryetta Free-Lance
 Hinton Record
 Johnston County Sentinel
 Kiowa County Democrat
 Lincoln County News
 Madill Record
 McIntosh County Democrat
 Okarche Warrior
 Okmulgee Times
 Piedmont Gazette
 Ponca City News, The
 Presort First Class
 Sequoyah County Times
 Southwest Ledger
 Stilwell Democrat Journal
 Stroud American
 Tahlequah Daily Press
 Target Marketing Print and Mail Solutions
 The Apache News
 The Comanche Times
 The Examiner
 The Fairfax Chief
 The Hooker Advance
 The Newcastle Pacer
 The Newkirk Herald Journal
 The Purcell Register
 The Walters Herald

Sayre OK
 Blanchard OK
 Bristow OK
 Buffalo OK
 Cheyenne OK
 Clinton OK
 Cordell OK
 Eakly OK
 Cushing OK
 Drumright OK
 Vian OK
 Elk City OK
 Eufaula OK
 Maysville OK
 Geary OK
 Laverne OK
 Henryetta OK
 Hinton OK
 Tishomingo OK
 Snyder OK
 Chandler OK
 Madill OK
 Eufaula OK
 Okarche OK
 Okmulgee OK
 Piedmont OK
 Ponca City OK
 Oklahoma City OK
 Sallisaw OK
 Lawton OK
 Stilwell OK
 Stroud OK
 Tahlequah OK
 Broken Arrow OK
 Apache OK
 Comanche OK
 Hugo OK
 Fairfax OK
 Hooker OK
 Newcastle OK
 Newkirk OK
 Purcell OK
 Walters OK

The Wynnewood Gazette
 Tonkawa News, The
 Tri-County Herald
 Vian Tenkiller News
 Vici Vision
 Walters Herald
 Watonga Republican
 Weatherford Daily News
 Wylie Communications, Inc.
 Yukon Progress

Wynnewood OK
 Tonkawa OK
 Meeker OK
 Vian OK
 Vici OK
 Walters OK
 Watonga OK
 Weatherford OK
 Oologah OK
 Yukon OK

Oregon

Baker City Herald
 Blue Mountain Eagle
 Boundaryless Enterprises, LLC
 Burns Times-Herald
 Capital Press
 Columbia Gorge News
 East Oregonian
 Hermiston Herald
 Hood River News
 Keizertimes
 La Grande Observer
 Lake County Examiner
 Mailbox Merchants
 News-Register
 Pacific Printing Industries Association
 Redmond Spokesman
 Seaside Signal
 Signature Graphics
 The Astorian
 The Bulletin
 The Chronicle
 The Dalles Chronicle
 TOO Magazine
 Wallowa County Chieftain
 White Salmon Enterprise

Baker City OR
 John Day OR
 Medford OR
 Burns OR
 Salem OR
 Columbia River Gorge OR
 Pendleton OR
 Hermiston OR
 Hood River OR
 Keizer OR
 La Grande OR
 Lakeview OR
 Portland OR
 McMinnville OR
 Portland OR
 Redmond OR
 Seaside OR
 Portland OR
 Astoria OR
 Bend OR
 Creswell OR
 Dalles OR
 Pendleton OR
 Enterprise OR
 White Salmon OR

Pennsylvania

Asendia
 Crayola
 Graphic Arts Association
 Philadelphia Gay News
 Printing Industries of America
 The New Republic
 The Pike County Courier
 The Savings Guide
 The Spirit

Folcraft PA
 Easton PA
 Trevoise PA
 Philadelphia PA
 Warrendale PA
 Meyersdale PA
 Milford PA
 Mechanicsburg PA
 Glenolden PA

Rhode Island

Calypso Cards	Providence	RI
Cathedral Corporation	Lincoln	RI
The Block Island Times	Block Island	RI

South Carolina

Carolina Gateway	Lancaster	SC
Domtar	Fort Mill	SC
Island News	Beaufort	SC
Lancaster News, The	Lancaster	SC
Lexington County Chronicle & The Dispatch-News	Lexington	SC
News & Reporter, The	Chester	SC
Pageland Progressive-Journal	Pageland	SC
The Catholic Miscellany	Charleston	SC
The Gaffney Ledger	Gaffney	SC
The Twin-City News	Batesburg	SC
The Voice of Blythewood & Fairfield County	Blythewood	SC

South Dakota

Clear Lake Courier	Clear Lake	SD
Custer County Chronicle	Custer	SD
Dakota Dunes/North Sioux City Times	North Sioux City	SD
Highmore Herald	Highmore	SD
Hill City Prevailer New	Hill City	SD
Lakota Times	Martin	SD
Prairie Pioneer	Pollock	SD
Qualified Presort Service, LLC	Sioux Falls	SD
Sisseton Courier	Sisseton	SD
South Dakota Newspaper Association	Brookings	SD
Southern Union County Leader Courier	Elk Point	SD
Times-Advocate	Gregory	SD
True Dakotan	Wessington Springs	SD
Winner Advocate	Winner	SD

Tennessee

Action Mail Presort, Inc.	Chattanooga	TN
Carroll County News Leader	Huntingdon	TN
Citizen Tribune	Morristown	TN
Elk Valley Times, The	Fayetteville	TN
Exchange media Group	Fayetteville	TN
Grundy County Herald	Tracy City	TN
Herald Chronicle, The	Winchester	TN
International Paper	Memphis	TN
LaFollette Press	La Follette	TN
Manchester Times	Manchester	TN
Moore County News, The	Lynchburg	TN
Morgan County News	Wartburg	TN
Printing Industry Association of the South, Inc.	Nashville	TN
Roane County News	Kingston	TN
The Paris Post-Intelligencer	Paris	TN
The Standard Banner	Jefferson City	TN

Tulahoma News

Tulahoma

TN

Texas

Ad Pages Solutions
 Alpine Avalanche
 Aransas Pass Progress
 Atlanta Citizens Journal
 Bay City Tribune
 Big Bend Sentinel
 Big Sandy-Hawkins Journal
 Blanco County News
 Brady Standard-Herald
 Breckenridge American
 Brenham Banner
 Burnet Bulletin
 Carrizo Springs Javelin
 Centerville News
 Cleburne Times Review
 Clifton Record
 Coleman Chronicle and Democrat Voice
 Copperas Cove Leader-Press
 Dalhart Texan
 Direct Merchandising, Inc.
 Double Mountain Chronicle
 Dripping Springs Century News
 Dublin Citizen
 El Campo Leader-News
 Ennis News
 Fairfield Recorder
 Focus Daily News
 Fort Stockton Pioneer
 Fredericksburg Standard-Radio Post
 Frio-Nueces Current
 Gainesville Daily Register
 Gatesville Messenger
 Gladewater Mirror
 Gonzales Inquirer
 Great American Business Products
 Groesbeck Journal
 Half Price Books
 Hays Free Press
 Herald-Banner
 Hill Country News
 Horseshoe Bay
 Ingleside Index
 Jacksboro Herald-Gazette
 Jackson County Herald-Tribune
 J.C. Penney Corporation, Inc.
 Johnson City Record-Courier
 Journal-Spectator
 Kaufman Herald

Plano TX
 Alpine TX
 Aransas Pass TX
 Atlanta TX
 Bay City TX
 Marfa TX
 Big Sandy TX
 Blanco TX
 Brady TX
 Breckenridge TX
 Brenham TX
 Burnet TX
 Carrizo Springs TX
 Centerville TX
 Cleburne TX
 Clifton TX
 Coleman TX
 Copperas Cove TX
 Dalhart TX
 Carrollton TX
 Rotan TX
 Dripping Springs TX
 Dublin TX
 El Campo TX
 Ennis TX
 Fairfield TX
 DeSoto TX
 Fort Stockton TX
 Fredericksburg TX
 Pearsall TX
 Gainesville TX
 Gatesville TX
 Gladewater TX
 Gonzales TX
 Houston TX
 Groesbeck TX
 Dallas TX
 Kyle TX
 Greenville TX
 Cedar Park TX
 Horseshoe Bay TX
 Aransas Pass TX
 Jacksboro TX
 Edna TX
 Plano TX
 Johnson City TX
 Wharton TX
 Kaufman TX

Lamb County Leader-News	Littlefield	TX
Lindale News & Times	Lindale	TX
Lindsay Letter	Lindsay	TX
Llano News, The	Llano	TX
Madisonville Meteor	Madisonville	TX
Mail Presort	Fort Worth	TX
Mason County News	Mason	TX
Mineral Wells Index	Mineral Wells	TX
Mount Pleasant Tribune	Mount Pleasant	TX
Mount Vernon Optic-Herald	Mount Vernon	TX
Muenster Enterprise	Muenster	TX
Murphy Monitor	Murphy	TX
Nocona News	Nocona	TX
Orange Leader	Orange	TX
Ozona Stockman	Ozona	TX
Palacios Beacon	Palacios	TX
Panhandle Presort Services, Ltd.	Amarillo	TX
Park Cities People	Dallas	TX
Plains Presort Services, LLC	Lubbock	TX
Pleasanton Express	Pleasanton	TX
Polk County Enterprise	Livingston	TX
Port Aransas South Jetty Newspaper	Port Aransas	TX
Port Arthur Daily News	Port Arthur	TX
Port Isabel/South Padre Press	Port Isabel	TX
Presidio International	Marfa	TX
Presort EMS	Frisco	TX
Preston Hollow People	Dallas	TX
Printing & Imaging Assn. of MidAmerica	Dallas	TX
Printing Industries of the Gulf Coast, Inc.	Houston	TX
Promotional Products International	Irving	TX
Rockwall Herald Banner	Rockwall	TX
Royal Alliances	Irving	TX
Royse City Herald Banner	Royse City	TX
San Benito News	San Benito	TX
San Marcos Daily Record	San Marcos	TX
San Saba News	San Saba	TX
Sealy News	Sealy	TX
Seguin Gazette	Seguin	TX
Sergeant Bluff Advocate	Sergeant Bluff	TX
Steel Country Bee	Daingerfield	TX
Teague Chronicle	Teague	TX
Texas Jewish Post	Dallas-Fort Worth	TX
The Alvin Sun & Advertiser	Alvin	TX
The Banner Press Newspaper	Columbus	TX
The Baytown Sun	Baytown	TX
The Big Lake Wildcat	Big Lake	TX
The Bowie News	Bowie	TX
The Cameron Herald	Cameron	TX
The Canadian Record	Canadian	TX
The Castro County News	Dimmitt	TX
The Clarendon Enterprise	Clarendon	TX

The Community News	Aledo	TX
The Cuero Record	Cuero	TX
The Daily Sentinel	Nacogdoches	TX
The Devil's River News	Sonora	TX
The Eldorado Success	Eldorado	TX
The Farmersville Times	Farmesville	TX
The Fayette County Record	La Grange	TX
The Fort Bend Herald	Rosenberg	TX
The Galveston County Daily News	Galveston	TX
The Graham Leader	Graham	TX
The Hansford County Reporter-Statesman	Spearman	TX
The Henderson News	Henderson	TX
The Highlander	Marble Falls	TX
The Katy Times	Katy	TX
The Liberty Hill Independent	Liberty Hill	TX
The Light and Champion	Center	TX
The Lufkin Daily News	Lufkin	TX
The Marlin Democrat	Marlin	TX
The Marshall News Messenger	Marshall	TX
The Meridian Tribune	Meridian	TX
The Mexia News	Mexia	TX
The Normangee Star	Normangee	TX
The Panola Watchman	Carthage	TX
The Paris News	Paris	TX
The Picayune	Marble Falls	TX
The Pittsburg Gazette	Pittsburg	TX
The Port Lavaca Wave	Port Lavaca	TX
The Princeton Herald	Princeton	TX
The Rockport Pilot	Rockport	TX
The Rosebud News	Rosebud	TX
The Sachse News	Sachse	TX
The Snyder News	Snyder	TX
The Thorndale Champion	Thorndale	TX
The Whitewright Sun	Whitewright	TX
The Wylie News	Wylie	TX
Uvalde Leader-News	Uvalde	TX
VariVerge, LLC	Dallas	TX
Vernon Record	Vernon	TX
Wallis News-Review	Wallis	TX
Weatherford Democrat	Weatherford	TX
White Oak Independent	White Oak	TX
Whitesboro News-Record	Whitesboro	TX
Wimberley View	Wimberley	TX
Wise County Messenger	Decatur	TX
Yorktown-News View	Yorktown	TX
 Utah		
Basin Nickel Ads	Vernal	UT
Beaver County Journal	Beaver	UT
Chronicle Progress	Delta	UT
Cottonwood Heights Journal	Cottonwood Heights	UT

Davis Clipper
 Draper Journal
 ETV News
 Herriman Journal
 Holladay Journal
 Intermountain Catholic
 International Bridge Inc.
 Midvale Journal
 Millcreek Journal
 Murray Journal
 Olive & Cocoa, LLC
 Presort Essentials
 Riverton Journal
 Sandy Journal
 South Jordan Journal
 South Salt Lake Journal
 Southern Utah News
 Sugar House Journal
 Taylorsville Journal
 The Intermountain Commercial Record
 and the Salt Lake Times
 The Pyramid
 The Reaper Extra
 The Richfield Reaper
 The Times-Independent
 The Wayne & Garfield County Insider
 Uintah Basin
 Utah Press Association
 Vernal Express
 West Jordan Journal
 West Valley City Journal

Vermont

Colchester Sun
 Essex Reporter
 International Coins & Currency
 Lane Press
 Milton Independent
 News & Citizen
 Saint Albans Messenger
 Shelburne News
 Shine Strategy, LLC
 South Burlington Other Paper
 Stowe Reporter
 The Citizen
 The Valley Reporter
 The Vermont Teddy Bear Company, Inc.
 The White River Valley Herald
 Vermont Country Store
 Vermont Press Association

Bountiful	UT
Draper	UT
Price	UT
Herriman	UT
Holladay	UT
Salt Lake City	UT
Provo	UT
Midvale	UT
Millcreek	UT
Murray	UT
Salt Lake City	UT
Salt Lake City	UT
Riverton	UT
Sandy	UT
South Jordan	UT
Salt Lake City	UT
Kanab	UT
Salt Lake City	UT
Taylorsville	UT
Salt Lake City	UT
Mt. Pleasant	UT
Richfield	UT
Richfield	UT
Moab	UT
Escalante	UT
Roosevelt	UT
West Jordan	UT
Vernal	UT
West Jordan	UT
West Valley City	UT

Colchester	VT
Colchester	VT
Montpelier	VT
South Burlington	VT
Milton	VT
Morrisville	VT
Saint Albans	VT
Shelburne	VT
Manchester Center	VT
South Burlington	VT
Stowe	VT
Charlotte	VT
Waitsfield	VT
Shelburne	VT
Randolph	VT
Manchester Center	VT
Colchester	VT

Virginia

AICC, The Independent Packaging Assn.	Alexandria	VA
Alexander & Company, LLC	Williamsburg	VA
American Subcontractors Assn.	Alexandria	VA
Association for Postal Commerce (Postcom)	Alexandria	VA
Assurety Consulting, Inc.	Sterling	VA
Bedford Bulletin	Bedford	VA
BMS Direct	Lynchburg	VA
Carroll News	Hillsville	VA
Central Virginian, The	Louisa	VA
Declaration, The	Galax	VA
Gazette, The	Galax	VA
Gloucester-Mathews Gazette-Journal	Gloucester	VA
International Mailers Advisory Group	Arlington	VA
News Media Alliance	Arlington	VA
Northern Neck News	Warsaw	VA
Northumberland Echo	Heathsville	VA
Parcel Shippers Assn.	Alexandria	VA
Petroleum Marketers Assn. of America	Arlington	VA
Rappahannock Record	Kilmarnock	VA
Southside Sentinel	Urbanna	VA
The CEP Group	Arlington	VA
The News-Gazette	Lexington	VA
The Recorder	Monterey	VA
The Southwest Times	Pulaski	VA
Westmoreland News	Warsaw	VA
Worth, Higgins & Associates, Inc.	Norfolk	VA

Washington

Amazon	Seattle	WA
Chinook Observer	Long Beach	WA
ComputerGear	Woodinville	WA
Eddie Bauer, LLC	Bellevue	WA
Ferndale Record	Ferndale	WA
Lynden Tribune	Lynden	WA
Northern Kittitas County Tribune	Cle Elum	WA
Sendle	Seattle	WA
Sun Precautions	Seattle	WA
Thrift Books Global, LLC	Seattle	WA

West Virginia

The Morgan Messenger	Berkeley Springs	WV
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Wisconsin

4Imprint	Oshkosh	WI
Arandell Corporation	Menomonee Falls	WI
Campbellsport News	Campbellsport	WI
Courier Sentinel	Cornell	WI
Dodge County Pionier	Mayville	WI

Elmwood Sun-Argus
 Great Lakes Graphics Association
 Kewaskum Statesman
 L&M Mail and Courier
 MadMen3, LLC
 National Business Furniture
 North Woods Trader
 Nueske's Applewood Smoked Meats
 Ozaukee Press
 Quad, Inc.
 Record Review
 Silver Star Brands
 Star Journal
 Star News
 The Democrat Tribune
 The Dodgeville Chronicle
 The Pecatonica Valley River
 The Plymouth Review
 The Sheboygan Falls News
 The Sounder
 The Star News
 The Three Lakes News
 The Woodville Leader
 Tomahawk Leader
 Tribune Phonograph
 Tribune Record Gleaner
 Vilas County News-Review
 Walsworth/Ripon
 Waupaca County Post-East
 Waupaca County Post-West
 Wisconsin Community Papers

Spring Valley WI
 Pewaukee WI
 Campbellsport WI
 Eau Claire WI
 DeForest WI
 Milwaukee WI
 Eagle River WI
 Wittenberg WI
 Port Washington WI
 Sussex WI
 Edgar WI
 Oshkosh WI
 Rhineland WI
 Medford WI
 Mineral Point WI
 Dodgeville WI
 Argyle WI
 Plymouth WI
 Sheboygan Falls WI
 Random Lake WI
 Medford WI
 Three Lakes WI
 Woodville WI
 Tomahawk WI
 Abbottsford WI
 Loyal WI
 Eagle River WI
 Ripon WI
 Waupaca WI
 Waupaca WI
 Fond du Lac WI

Wyoming

Bridger Valley Pioneer
 Cheyenne Minuteman
 Cody Enterprise
 Douglas Budget
 Gillette News-Record
 Glenrock Independent
 Guernsey Gazette
 Jackson Hole News & Guide
 Kemmerer Gazette
 Lingle Guide
 Lusk Herald
 Moorcroft Leader
 Pinedale Roundup
 Pirate Ship
 Platte County Record-Times
 Powell Tribune
 Sublette Examiner
 Sundance Times

Lyman WY
 Cheyenne WY
 Cody WY
 Douglas WY
 Gillette WY
 Glenrock WY
 Guernsey WY
 Jackson WY
 Kemmerer WY
 Lingle WY
 Lusk WY
 Moorcroft WY
 Pinedale WY
 Jackson WY
 Wheatland WY
 Powell WY
 Pinedale WY
 Sundance WY

Thermopolis Independent Record
Torrington Telegram
Uinta County Herald
Wyoming Livestock Roundup
Wyoming Pioneer

Thermopolis	WY
Torrington	WY
Evanston	WY
Casper	WY
Hulett	WY

cc: The Honorable Carolyn Maloney
The Honorable Jim Jordan
The Honorable Ron Johnson
The Honorable Gary Peters



Headquarters COVID Town Hall

April 28th, 2020



AMERICAN
OVERSIGHT

COVID
CORONAVIRUS
DISEASE 19

USPS-20-1215-000723



Opening Remarks

Megan J. Brennan

Postmaster General and Chief Executive Officer

General Election outreach to States

- Expected surge in absentee ballots
- Contact all 50 states, prioritizing 19 states with excuse required to vote with absentee ballot
- Educate states on absentee ballot envelope design and mailing requirements
- Election Mail Teams will be comprised of HQ, Area, and District staff with election mail expertise
- Efforts in progress to support increased use of absentee ballots for primaries



Legal Landscape

(b)(5)



Employee Response

Continue to support our employees as the nation ramps back up for business

- Employee health, safety and wellness
- Partnership with Unions and Management Associations
- Targeted fast track hiring
- Telework approach



Operational Continuity

Continue to deliver vital goods and services as we help the country transition

- Economic Impact Payment
- Medications
- Package platform utilization
- Manage to workload and employee availability



Continue to leverage technology to enable the Postal Service to achieve its mission

- (b)(3), 410(c)(2)



Business Continuity

Continue to ensure health of critical business processes to drive Postal operations

(b)(3), 410(c)(2)



Customer Continuity

Continue to meet our customers where they are to provide creative, meaningful and effective mailing & shipping solutions

• (b)(3), 410(c)(2)



Continue to communicate with our employees, customers and stakeholders

- COVID-19 Blue and LiteBlue sites
- HERO Messaging
- Field Positive Feedback
- Social Media
- Media Stories



THANK **YOU** FOR THE **THANK-YOU's**

Continue to support and coordinate all of Postal response to COVID-19

- Integrated transition plan
- Coordinated & prioritized solutions
- Speed & thoroughness in decision making
- Removal of barriers & allocation of resources
- Navigating the new normal



Thank You





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 27, 2020

M-20-24

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Russell T. Vought 
Acting Director

SUBJECT: Implementing the Presidential Transition Act

This Memorandum provides guidance to all Executive departments and agencies (“agencies”) on assisting the Presidential transition activities required by the Presidential Transition Act of 1963, as amended (3 U.S.C. § 102 note).

Background

The Presidential Transition Act promotes the orderly transfer of Executive powers in connection with the expiration of the term of office of a President and the inauguration of a new President. The activities required by the Act are also helpful to prepare for leadership transitions that occur between the first and second terms of Administrations.

The Act requires the establishment of a White House Transition Coordinating Council, an Agency Transition Directors Council, and designation of a General Services Administration (GSA) Federal Transition Coordinator. The Act sets up a timetable for agencies to name points of contact to assist with transition efforts and develop succession plans and establishes responsibilities for the Agency Transition Directors Council.

Timetable of Required Agency Actions

1. By May 1, 2020, each agency identified in Enclosure 1 shall name its Agency Transition Director. The Agency Transition Director should be a senior career representative whose responsibilities include leading Presidential transition efforts within the agency. Agencies shall provide the name, title, email address, and telephone number for their Agency Transition Directors to GSA’s Federal Transition Coordinator at PresidentialTransition2020@gsa.gov. These individuals will serve on the Agency Transition Directors Council, co-chaired by the Federal Transition Coordinator and the Deputy Director for Management of the Office of Management and Budget (OMB).

2. By May 1, 2020, each agency identified in Enclosure 2 shall identify a point of contact for communication purposes related to Presidential transition efforts. Agencies shall provide the name, title, email address, and telephone number for their communication coordination to GSA's Federal Transition Coordinator at PresidentialTransition2020@gsa.gov.
3. Not later than September 15, 2020, and in accordance with subchapter III of chapter 33 of title 5, United States Code, the head of each agency¹ shall ensure that a succession plan² is in place for each senior non-career position in the agency.

Responsibilities

The Agency Transition Directors Council shall:

- i. Ensure the Federal Government has an integrated strategy for addressing interagency challenges and responsibilities around Presidential transitions and turnover of non-career appointees;
- ii. Coordinate transition activities among the Executive Office of the President, agencies, and the transition team of eligible candidates and the President-elect and vice-President-elect;
- iii. Draw on guidance provided by the White House Transition Coordinating Council and lessons learned from previous Presidential transitions in carrying out its duties;
- iv. Assist the Federal Transition Coordinator in identifying and carrying out the responsibilities of the Federal Transition Coordinator relating to a Presidential transition;
- v. Provide guidance to agencies in gathering briefing materials and information relating to the Presidential transition that may be requested by eligible candidates;
- vi. Ensure materials and information described in subparagraph (v) above are prepared not later than November 1 of the year during which a Presidential election is held;
- vii. Ensure agencies adequately prepare career employees who are designated to fill non-career positions during a Presidential transition; and
- viii. Consult with the President's Management Council, or any successor thereto, in carrying out its duties.

OMB and GSA intend to hold an Agency Transition Directors Council meeting on May 27, 2020. Calendar invitations will be distributed to the Agency Transition Directors in advance of the meeting.

¹ As used in this memorandum, the term 'agency' means an Executive agency, as defined in section 105 of title 5, United States Code.

² Required pursuant to the Presidential Transition Enhancements Act of 2019 (Pub. L. 116-121).

If you have any questions regarding this Memorandum, please contact Mary Gibert, Federal Transition Coordinator at GSA (mary.gibert@gsa.gov).

Enclosures:

1. List of Agencies to Provide Agency Transition Director
2. List of Agencies to Provide Presidential Transition Communication Point of Contact Information
3. Text of Presidential Transition Act of 1963, as amended (3 U.S.C. 102 note)

Enclosure 1

List of Agencies to Provide Agency Transition Director

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Environmental Protection Agency
National Aeronautics and Space Administration
Office of Personnel Management
Office of Government Ethics
National Archives and Records Administration

List of Agencies to Provide Presidential Transition
Communication Point of Contact Information

Ability One
Access Board
Administrative Conference of the U.S.
Advisory Council on Historic Preservation
African Development Foundation
Alaska Natural Gas
American Battle Monuments Commission
American National Red Cross
Amtrak (National Railroad Passenger Corporation)
Appalachian Regional Commission
Barry Goldwater Scholarship and Excellence in Education Foundation
Broadcasting Board of Governors
Chemical Safety Board
Christopher Columbus Fellowship Foundation
Commission for the Preservation of America's Heritage Abroad
Commission on Civil Rights
Commission on Fine Arts
Commodity Futures and Trading Commission
Consumer Financial Protection Bureau
Consumer Product Safety Commission
Corporation for National and Community Service
Corporation for Public Broadcasting
Council of Governors
Defense Nuclear Facilities Safety Board
Delta Regional Authority
Denali Commission
District of Columbia Commission on Judicial Disabilities and Tenure
Dwight D. Eisenhower Memorial Commission
Election Assistance Commission
Equal Employment Opportunity Commission
Export Import Bank of the United States
Farm Credit Administration
Federal Agricultural Mortgage Corporation (Farmer Mac)
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Election Commission
Federal Energy Regulatory Commission
Federal Housing Finance Agency
Federal Labor Relations Authority
Federal Maritime Commission
Federal Mediation and Conciliation Service

Federal Mine Safety and Health Review Commission
Federal Permitting Improvement Steering Council
Federal Reserve Board
Federal Retirement Thrift Investment Board
Federal Trade Commission
Gulf Coast Ecosystem Restoration Council
Harry S. Truman Scholarship Foundation
Institute of American Indian Arts
Institute of Museum and Library Services
Interagency Council on Homelessness
Inter-American Foundation
Inter-American Tropical Tuna Commission
International Boundary and Water Commission
International Pacific Halibut Commission
Interstate Commission on the Potomac River Basin
J. William Fulbright Foreign Scholarship Board
James Madison Memorial Fellowship Foundation
John F. Kennedy Center for the Performing Arts
Legal Services Corporation
Marine Mammal Commission
Merit Systems Protection Board
Metropolitan Washington Airports Authority
Mickey Leland National Urban Air Toxic Research Committee
Millennium Challenge Corporation
Mississippi River Commission
Morris K. Udall and Stewart L. Udall Foundation
National Capital Planning Commission
National Consumer Cooperative Bank
National Council on Disability
National Credit Union Administration
National Endowment for the Arts
National Endowment for the Humanities
National Indian Gaming Commission
National Institute of Building Sciences
National Labor Relations Board
National Mediation Board
National Science Foundation
National Transportation Safety Board
Northern Border Regional Commission
Nuclear Regulatory Commission
Nuclear Waste Technical Review Board
Occupational Safety and Health Review Commission
Office of Navajo and Hopi Indian Relocation
Office of the Director of National Intelligence
Overseas Private Investment Corporation
Peace Corps

Pension Benefit Guaranty Corporation
Postal Regulatory Commission
President's Commission on White House Fellowships
President's Committee on the Arts and the Humanities
Presidio Trust
Privacy and Civil Liberties Oversight Board
Railroad Retirement Board
Selective Service System
Small Business Administration
Smithsonian Institution
Social Security Administration
Social Security Advisory Board
State Justice Institute
Tennessee Valley Authority
U.S. Agency for International Development
U.S. Institute of Peace
U.S. International Trade Commission
U.S. Mission to the United Nations
U.S. Office of Special Counsel
U.S. Postal Service
U.S. Securities and Exchange Commission
U.S. Trade and Development Agency
United Service Organizations
United States Commission on International Religious Freedom
United States Holocaust Memorial Museum
United States Patent & Trademark Office
Utah Reclamation Mitigation and Conservation Commission
Vietnam Education Foundation
Woodrow Wilson International Center for Scholars (Board of Trustees)
World War I Centennial Commission

Enclosure 3

Text of Presidential Transition Act of 1963, as amended (3 U.S.C. 102 note)

<https://www.govinfo.gov/content/pkg/PLAW-114publ136/pdf/PLAW-114publ136.pdf>

Public Law 114–136
114th Congress

An Act

To improve the process of presidential transition.

Mar. 18, 2016

[S. 1172]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Edward ‘Ted’ Kaufman and Michael Leavitt Presidential Transitions Improvements Act of 2015”.

Edward ‘Ted’
Kaufman and
Michael Leavitt
Presidential
Transitions
Improvements
Act of 2015.
5 USC 101 note.

SEC. 2. PRESIDENTIAL TRANSITION IMPROVEMENTS.

(a) IN GENERAL.—The Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

- (1) by redesignating sections 4, 5, and 6 as sections 5, 6, and 7, respectively; and
- (2) by inserting after section 3 the following:

“SEC. 4. TRANSITION SERVICES AND ACTIVITIES BEFORE ELECTION.

“(a) DEFINITIONS.—In this section—

“(1) the term ‘Administrator’ means the Administrator of General Services;

“(2) the term ‘agency’ means an Executive agency, as defined in section 105 of title 5, United States Code;

“(3) the term ‘eligible candidate’ has the meaning given that term in section 3(h)(4); and

“(4) the term ‘Presidential election’ means a general election held to determine the electors of President and Vice President under section 1 or 2 of title 3, United States Code.

“(b) GENERAL DUTIES.—The President shall take such actions as the President determines necessary and appropriate to plan and coordinate activities by the Executive branch of the Federal Government to facilitate an efficient transfer of power to a successor President, including by—

“(1) establishing and operating a White House transition coordinating council in accordance with subsection (d); and

“(2) establishing and operating an agency transition directors council in accordance with subsection (e).

“(c) FEDERAL TRANSITION COORDINATOR.—The Administrator shall designate an employee of the General Services Administration who is a senior career appointee to—

Designation.

“(1) carry out the duties and authorities of the General Services Administration relating to Presidential transitions under this Act or any other provision of law;

“(2) serve as the Federal Transition Coordinator with responsibility for coordinating transition planning across agencies, including through the agency transition directors council established under subsection (e);

“(3) ensure agencies comply with all statutory requirements relating to transition planning and reporting; and

“(4) act as a liaison to eligible candidates.

“(d) WHITE HOUSE TRANSITION COORDINATING COUNCIL.—

Deadline.

“(1) ESTABLISHMENT.—Not later than 6 months before the date of a Presidential election, the President shall establish a White House transition coordinating council for purposes of facilitating the Presidential transition.

“(2) DUTIES.—The White House transition coordinating council shall—

“(A) provide guidance to agencies and the Federal Transition Coordinator regarding preparations for the Presidential transition, including succession planning and preparation of briefing materials;

“(B) facilitate communication and information sharing between the transition representatives of eligible candidates and senior employees in agencies and the Executive Office of the President; and

“(C) prepare and host interagency emergency preparedness and response exercises.

“(3) MEMBERSHIP.—The members of the White House transition coordinating council shall include—

“(A) senior employees of the Executive branch selected by the President, which may include the Chief of Staff to the President, any Cabinet officer, the Director of the Office of Management and Budget, the Administrator, the Director of the Office of Personnel Management, the Director of the Office of Government Ethics, and the Archivist of the United States;

“(B) the Federal Transition Coordinator;

“(C) the transition representative for each eligible candidate, who shall serve in an advisory capacity; and

“(D) any other individual the President determines appropriate.

“(4) CHAIRPERSON.—The Chairperson of the White House transition coordinating council shall be a senior employee in the Executive Office of the President, designated by the President.

“(e) AGENCY TRANSITION DIRECTORS COUNCIL.—

Establishment.

“(1) IN GENERAL.—The President shall establish and operate an agency transition directors council, which shall—

“(A) ensure the Federal Government has an integrated strategy for addressing interagency challenges and responsibilities around Presidential transitions and turnover of noncareer appointees;

“(B) coordinate transition activities between the Executive Office of the President, agencies, and the transition team of eligible candidates and the President-elect and Vice-President-elect; and

“(C) draw on guidance provided by the White House transition coordinating council and lessons learned from previous Presidential transitions in carrying out its duties.

“(2) DUTIES.—As part of carrying out the responsibilities under paragraph (1), the agency transition directors council shall—

“(A) assist the Federal Transition Coordinator in identifying and carrying out the responsibilities of the Federal Transition Coordinator relating to a Presidential transition;

“(B) provide guidance to agencies in gathering briefing materials and information relating to the Presidential transition that may be requested by eligible candidates;

“(C) ensure materials and information described in subparagraph (B) are prepared not later than November 1 of a year during which a Presidential election is held;

“(D) ensure agencies adequately prepare career employees who are designated to fill non-career positions under subsection (f) during a Presidential transition; and

“(E) consult with the President’s Management Council, or any successor thereto, in carrying out the duties of the agency transition directors council.

“(3) MEMBERSHIP.—The members of the agency transition directors council shall include—

“(A) the Federal Transition Coordinator and the Deputy Director for Management of the Office of Management and Budget, who shall serve as Co-Chairpersons of the agency transition directors council;

“(B) other senior employees serving in the Executive Office of the President, as determined by the President;

“(C) a senior representative from each agency described in section 901(b)(1) of title 31, United States Code, the Office of Personnel Management, the Office of Government Ethics, and the National Archives and Records Administration whose responsibilities include leading Presidential transition efforts within the agency;

“(D) a senior representative from any other agency determined by the Co-Chairpersons to be an agency that has significant responsibilities relating to the Presidential transition process; and

“(E) during a year during which a Presidential election will be held, a transition representative for each eligible candidate, who shall serve in an advisory capacity.

“(4) MEETINGS.—The agency transition directors council shall meet—

“(A) subject to subparagraph (B), not less than once per year; and

“(B) during the period beginning on the date that is 6 months before a Presidential election and ending on the date on which the President-elect is inaugurated, on a regular basis as necessary to carry out the duties and authorities of the agency transition directors council.

“(f) INTERIM AGENCY LEADERSHIP FOR TRANSITIONS.—

“(1) OVERSIGHT AND IMPLEMENTATION OF TRANSITION.—Not later than 6 months before the date of a Presidential election, the head of each agency shall designate a senior career employee of the agency and a senior career employee of each major component and subcomponent of the agency to oversee and implement the activities of the agency, component, or subcomponent relating to the Presidential transition.

Time periods.

Deadlines.

Designation.

- Deadline. “(2) ACTING OFFICERS.—Not later than September 15 of a year during which a Presidential election occurs, and in accordance with subchapter III of chapter 33 of title 5, United States Code, for each noncareer position in an agency that the head of the agency determines is critical, the head of the agency shall designate a qualified career employee to serve in the position in an acting capacity if the position becomes vacant.
- Deadline. “(g) MEMORANDUMS OF UNDERSTANDING.—
- “(1) IN GENERAL.—Not later than November 1 of a year during which a Presidential election occurs, the President (acting through the Federal Transition Coordinator) shall, to the maximum extent practicable, negotiate a memorandum of understanding with the transition representative of each eligible candidate, which shall include, at a minimum, the conditions of access to employees, facilities, and documents of agencies by transition staff.
- “(2) EXISTING RESOURCES.—To the maximum extent practicable, the memorandums of understanding negotiated under paragraph (1) shall be based on memorandums of understanding from previous Presidential transitions.
- “(h) EQUITY IN ASSISTANCE.—Any information or other assistance provided to eligible candidates under this section shall be offered on an equal basis and without regard to political affiliation.
- “(i) REPORTS.—
- “(1) IN GENERAL.—The President, acting through the Federal Transition Coordinator, shall submit to the Committee on Oversight and Government Reform of the House of Representatives and the Committee on Homeland Security and Governmental Affairs of the Senate reports describing the activities undertaken by the President and agencies to prepare for the transfer of power to a new President.
- “(2) TIMING.—The reports under paragraph (1) shall be provided 6 months and 3 months before the date of a Presidential election.”.
- (b) OTHER IMPROVEMENTS.—Section 3 of the Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—
- (1) in subsection (a)—
- (A) in paragraph (8)—
- (i) in subparagraph (A)(i)—
- (I) by inserting “and during the term of a President” after “during the transition”; and
- (II) by striking “after inauguration”; and
- (ii) in subparagraph (B), by inserting “or Executive agencies (as defined in section 105 of title 5, United States Code)” before the period; and
- (B) in paragraph (10), by inserting “including, to the greatest extent practicable, human resource management system software compatible with the software used by the incumbent President and likely to be used by the President-elect and Vice President-elect” before the period;
- (2) in subsection (b)(2), by striking “30 days” and inserting “180 days”;
- (3) in subsection (g), by inserting “except for activities under subsection (a)(8)(A),” before “there shall be no”; and
- (4) in subsection (h)(2), by adding at the end the following:

“(D) An eligible candidate shall have a right to the services and facilities described in this paragraph until the date on which the Administrator is able to determine the apparent successful candidates for the office of President and Vice President.”.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 3 of the Pre-Election Presidential Transition Act of 2010 (3 U.S.C. 102 note) is repealed.

(2) The Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

(A) in section 3—

(i) in subsection (a)(4)(B), by striking “section 6” and inserting “section 7”;

(ii) in subsection (b), in the matter preceding paragraph (1), by striking “section 3 of this Act” and inserting “this section”; and

(iii) in subsection (h)(3)(B)(iii), by striking “section 5” each place it appears and inserting “section 6”;

(B) in section 6, as redesignated by subsection (a) of this section, by striking “section 6(a)(1)” each place it appears and inserting “section 7(a)(1)”; and

(C) in section 7(a)(2), as redesignated by subsection (a) of this section, by striking “section 4” and inserting “section 5”.

(3) Section 8331(1)(K) of title 5, United States Code, is amended by striking “section 4” and inserting “section 5”.

(4) Section 8701(a)(10) of title 5, United States Code, is amended by striking “section 4” and inserting “section 5”.

(5) Section 8901(1)(I) of title 5, United States Code, is amended by striking “section 4” and inserting “section 5”.

SEC. 3. NATIONAL ARCHIVES PRESIDENTIAL TRANSITION.

Section 2203(g) of title 44, United States Code, is amended—

(1) by redesignating paragraph (3) as paragraph (4); and

(2) by inserting after paragraph (2) the following:

“(3) When the President considers it practicable and in the public interest, the President shall include in the President’s budget transmitted to Congress, for each fiscal year in which the term of office of the President will expire, such funds as may be necessary for carrying out the authorities of this subsection.”.

SEC. 4. REPORTS ON POLITICAL APPOINTEES APPOINTED TO NON-POLITICAL PERMANENT POSITIONS. 5 USC 3101 note

(a) DEFINITIONS.—In this section—

(1) the term “agency” has the meaning given the term “Executive agency” in section 105 of title 5, United States Code;

(2) the term “covered civil service position” means a position in the civil service (as defined in section 2101 of title 5, United States Code) that is not—

(A) a temporary position; or

(B) a political position;

(3) the term “former political appointee” means an individual who—

(A) is not serving in an appointment to a political position; and

(B) served as a political appointee during the 5-year period ending on the date of the request for an appointment to a covered civil service position in any agency;

(4) the term “political appointee” means an individual serving in an appointment to a political position; and

(5) the term “political position” means—

(A) a position described under sections 5312 through 5316 of title 5, United States Code (relating to the Executive Schedule);

(B) a noncareer appointment in the Senior Executive Service, as defined under paragraph (7) of section 3132(a) of title 5, United States Code; or

(C) a position in the executive branch of the Government of a confidential or policy-determining character under schedule C of subpart C of part 213 of title 5, Code of Federal Regulations.

(b) REPORTING ON CURRENT OR RECENT POLITICAL APPOINTEES APPOINTED TO COVERED CIVIL SERVICE POSITIONS.—

(1) ANNUAL REPORT.—Except as provided in paragraph (2), the Director of the Office of Personnel Management shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives an annual report regarding requests by agencies to appoint political appointees or former political appointees to covered civil service positions. Each report shall cover one calendar year and shall—

(A) for each request by an agency that a political appointee be appointed to a covered civil service position during the period covered by the report, provide—

(i) the date on which the request was received by the Office of Personnel Management;

(ii) subject to subsection (c), the name of the individual and the political position held by the individual, including title, office, and agency;

(iii) the date on which the individual was first appointed to a political position in the agency in which the individual is serving as a political appointee;

(iv) the grade and rate of basic pay for the individual as a political appointee;

(v) the proposed covered civil service position, including title, office, and agency, and the proposed grade and rate of basic pay for the individual;

(vi) whether the Office of Personnel Management approved or denied the request; and

(vii) the date on which the individual was appointed to a covered civil service position, if applicable; and

(B) for each request by an agency that a former political appointee be appointed to a covered civil service position during the period covered by the report, provide—

(i) the date on which the request was received by the Office of Personnel Management;

(ii) subject to subsection (c), the name of the individual and the political position held by the individual, including title, office, and agency;

(iii) the date on which the individual was first appointed to any political position;

(iv) the grade and rate of basic pay for the individual as a political appointee;

(v) the date on which the individual ceased to serve in a political position;

(vi) the proposed covered civil service position, including title, office, and agency, and the proposed grade and rate of basic pay for the individual;

(vii) whether the Office of Personnel Management approved or denied the request; and

(viii) the date on which the individual was first appointed to a covered civil service position, if applicable.

(2) **QUARTERLY REPORT IN CERTAIN YEARS.**—In the last year of the term of a President, or, if applicable, the last year of the second consecutive term of a President, the report required under paragraph (1) shall be submitted quarterly and shall cover each quarter of the year, except that the last quarterly report shall also cover January 1 through 20 of the following year.

(c) **NAMES AND TITLES OF CERTAIN APPOINTEES.**—If determined appropriate by the Director of the Office of Personnel Management, a report submitted under subsection (b) may exclude the name or title of a political appointee or former political appointee—

(1) who—

(A) was requested to be appointed to a covered civil service position; and

(B) was not appointed to a covered civil service position;

or

(2) relating to whom a request to be appointed to a covered civil service position is pending at the end of the period covered by that report.

SEC. 5. REPORT ON REGULATIONS PROMULGATED NEAR THE END OF PRESIDENTIAL TERMS.

(a) **DEFINITIONS.**—In this section:

(1) The term “covered presidential transition period” means each of the following:

(A) The 120-day period ending on January 20, 2001.

(B) The 120-day period ending on January 20, 2009.

(C) The 120-day period ending on January 20, 2017.

(2) The term “covered regulation” means a final significant regulatory action promulgated by an Executive department.

(3) The term “significant regulatory action” means any regulatory action that is likely to result in a rule that may—

(A) have an annual effect on the economy of \$100,000,000 or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities;

(B) create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(C) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(D) raise novel legal or policy issues.

(4) The term “Executive department” has the meaning given that term under section 101 of title 5, United States Code.

(b) **REPORT.**—

(1) IN GENERAL.—The Comptroller General of the United States shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives a report regarding covered regulations promulgated during each covered presidential transition period.

(2) CONTENTS OF REPORT.—The report required under paragraph (1) shall, to the extent feasible, for each covered presidential transition period—

Time periods.

(A) compare the number, scope, and impact of, and type of rulemaking procedure used for, covered regulations promulgated during the covered presidential transition period to the number, scope, and impact of, and type of rulemaking procedure used for, covered regulations promulgated during the 120-day periods ending on January 20 of each year after 1996, other than 2001, 2009, and 2017;

Determination.

(B) determine the statistical significance of any differences identified under subparagraph (A) and whether and to what extent such differences indicate any patterns;

Evaluation.

(C) evaluate the size, scope, and effect of the covered regulations promulgated during the covered presidential transition period; and

Assessment.

(D) assess the extent to which the regularly required processes for the promulgation of covered regulations were followed during the covered presidential transition period, including compliance with the requirements under—

(i) chapter 8 of title 5, United States Code (commonly known as the “Congressional Review Act”);

(ii) the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 601 note);

(iii) sections 202, 203, 204, and 205 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1532–1535);

(iv) chapter 6 of title 5, United States Code (commonly known as the “Regulatory Flexibility Act”); and

(v) chapter 35 of title 44, United States Code (commonly known as the “Paperwork Reduction Act”).

SEC. 6. ANALYSIS OF THREATS AND VULNERABILITIES.

Deadline.
Reports.

(a) IN GENERAL.—Not later than February 15, 2016, the Secretary of Homeland Security shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committees on Oversight and Government Reform and Homeland Security of the House of Representatives a report analyzing the threats and vulnerabilities facing the United States during a presidential transition, which—

(1) shall identify and discuss vulnerabilities related to border security and threats related to terrorism, including from weapons of mass destruction;

(2) shall identify steps being taken to address the threats and vulnerabilities during a presidential transition; and

(3) may include recommendations for actions by components and agencies within the Department of Homeland Security.

(b) FORM.—The report submitted under subsection (a) shall be prepared in unclassified form, but may contain a classified annex.

Approved March 18, 2016.

LEGISLATIVE HISTORY—S. 1172:

HOUSE REPORTS: No. 114–384, Pt. 1 (Comm. on Oversight and Government Reform).

SENATE REPORTS: No. 114–94 (Comm. on Homeland Security and Governmental Affairs).

CONGRESSIONAL RECORD:

Vol. 161 (2015): July 30, considered and passed Senate.

Vol. 162 (2016): Feb. 29, considered and passed House, amended.

Mar. 8, Senate concurred in House amendment.



Congress of the United States
Washington, DC 20515

April 28, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
U.S. Capitol H-232
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
U.S. Capitol S-230
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
U.S. Capitol H-204
Washington, DC 20515

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
U.S. Capitol S-221
Washington, DC 20515

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader McConnell, and Minority Leader Schumer:

The coronavirus crisis is wreaking havoc on the U.S. Postal Service. Without immediate help, the Postal Service — a vital staple of American society since 1775 — could cease to function by this summer. This crisis is also affecting the State of New York more than any other. There were 287 confirmed cases of coronavirus and 14 deaths among postal workers in New York as of April 20, 2020.¹

As a direct result of the coronavirus crisis, first class and business mail volume across the country has dropped at an alarming rate. Mail volume is down by more than 30% from the same period last year. Over the next ten years, the Postal Service estimates that losses caused by the coronavirus crisis would be \$54 billion.²

This is a national emergency. The American people rely on the Postal Service to deliver crucial goods and services every day, including more than a billion life-saving medications last year alone, millions of economic stimulus checks and unemployment benefits to help during this crisis, and 2020 Census forms for every household in America.

In New York, the Postal Service delivers to 7.7 million addresses and has more than 1,800 Post Offices. In our state, the Postal Service employed 44,675 people and paid close to \$3

¹ Email from the Office of Congressional and Intergovernmental Affairs, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 20, 2020).

² Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

The Honorable Nancy Pelosi
The Honorable Kevin McCarthy
The Honorable Mitch McConnell
The Honorable Chuck Schumer
Page 2

billion in wages in 2018.³ New York also will rely heavily on the Postal Service to conduct its primary on June 23, 2020, during which no-excuse absentee ballots will be accepted.⁴

The Postal Service is a fundamental component of America's economic infrastructure, providing affordable, universal delivery of mail and e-commerce packages to more than 160 million households and businesses. The Postal Service propels a \$1.6 trillion mailing industry that employs 7.3 million people. It does all of this while operating as a business and receiving next to nothing in taxpayer dollars.⁵

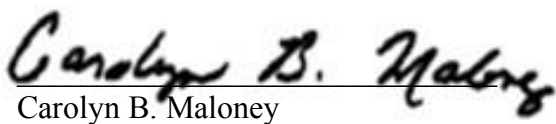
Both Democrats and Republicans supported large infusions of liquidity for other industries and companies that are critical to our nation's economy, and we must do the same now to save the Postal Service.

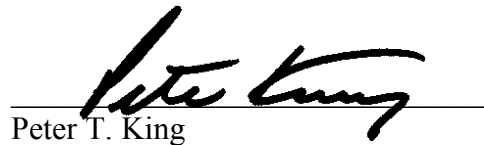
The Postal Board of Governors has asked for a package that includes \$25 billion in emergency appropriations to offset coronavirus-related losses, \$25 billion for “shovel-ready” projects to modernize the Postal Service, and access to \$25 billion in unrestricted borrowing authority from the Treasury.⁶

To be clear, these requests were put forth unanimously by a Board of Governors with a Republican majority—all of whom were appointed by President Trump.

The Postal Service is an indispensable component of America's critical infrastructure, and its workers are on the frontlines every single day delivering information and packages to the American people. We strongly support emergency funding for the Postal Service and urge you to do the same.

Sincerely,


Carolyn B. Maloney


Peter T. King

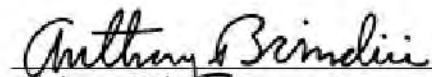
³ U.S. Postal Service, *The United States Postal Service Economic Impact: The State of New York* (July 2019).

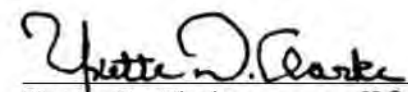
⁴ New York Governor Andrew Cuomo, *Executive Order No. 202.15: Continuing Temporary Suspension and Modification of Laws Relating to the Disaster Emergency* (Apr. 9, 2020) (online at: www.governor.ny.gov/news/no-20215-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency).

⁵ U.S. Postal Service, *Sizing It Up* (online at <https://facts.usps.com/size-and-scope>).

⁶ Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

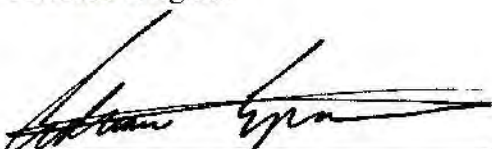
The Honorable Nancy Pelosi
The Honorable Kevin McCarthy
The Honorable Mitch McConnell
The Honorable Chuck Schumer
Page 3


Anthony Brindisi

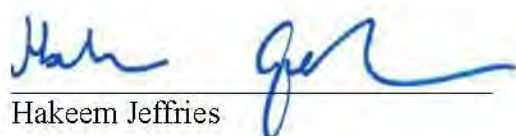

Yvette D. Clarke M.C.


Antonio Delgado


Eliot L. Engel


Adriano Espaillat

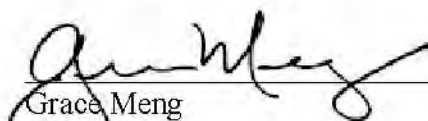

Brian Higgins

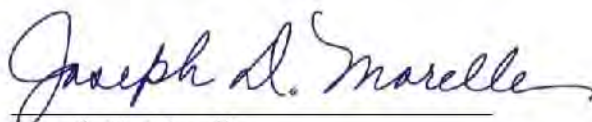

Hakeem Jeffries

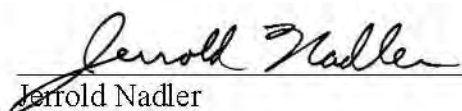

John Katko

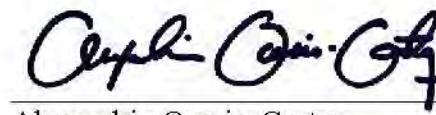

Sean Patrick Maloney

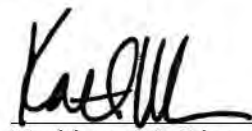

Gregory W. Meeks


Grace Meng

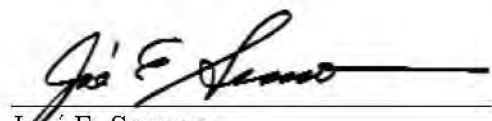

Joseph D. Morelle

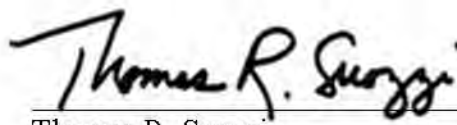

Jerrold Nadler


Alexandria Ocasio-Cortez

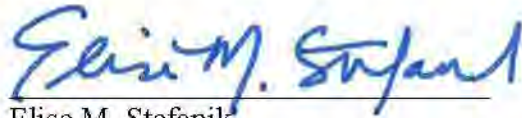

Kathleen M. Rice

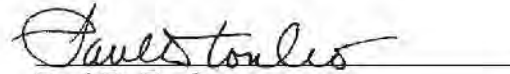

Max Rose

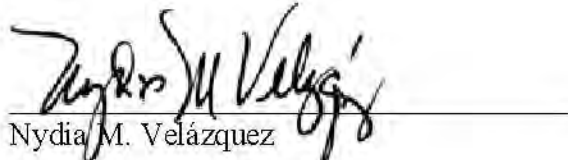

José E. Serrano


Thomas R. Suozzi

The Honorable Nancy Pelosi
The Honorable Kevin McCarthy
The Honorable Mitch McConnell
The Honorable Chuck Schumer
Page 4


Elise M. Stefanik


Paul D. Tonko


Nydia M. Velázquez

cc: The Honorable Nita Lowey, Chairwoman of the House Committee on Appropriations;
The Honorable Kay Granger, Ranking Member of the House Committee on
Appropriations

HIGHLIGHTS

» First-Line Supervisor Retention Gets High Marks

The U.S. Postal Service has done a good job of retaining first-line supervisors, with an average national attrition rate of only 1 percent for fiscal years (FYs) 2016-2018. See Page 2.

» No, Trump Isn't Trying to Kill the Postal Service

Op-ed written by Kevin Kosar, Vice President, Research Partnerships, R Street Institute. Kevin diffuses rumors surrounding the Trump Administration and the demise of the U.S. Postal Service. See Page 3.

» Political Mail In A COVID-19 World

Op-ed written by Mark Fallon, President & CEO of The Berkshire Company. Mark discusses the strong outlook for political mail this year. See Page 4.

PRESIDENT'S CORNER

Rescue Mission

This week's PostCom bulletin includes several guest submissions regarding the future of the Postal Service (see below). There are different perspectives represented, not only because the Postal Service seems to draw interest from all corners, but because there is still so much that nobody knows. What we do know is that the Postal Service is already experiencing significant volume losses and that – at least so far – financial assistance from the government has been limited.

We should expect much more debate about the Postal Service and its future in the coming months. At a virtual House Oversight and Government Reform Committee hearing last week, the Postal Service asked Congress for support including:

- A \$25Bn appropriation to offset expected revenue losses through FY 2021
- A \$25Bn grant for postal modernization investments that likely include new vehicles and facility improvements
- \$25Bn in unrestricted borrowing authority

Even when Congress is spending at unprecedented rates, that is a lot of money; \$75Bn is more – in nominal terms – than the Postal Service has ever generated in a fiscal year. While there is almost a consensus (there is a very important source of [dissent](#)) that the Postal Service is deserving of some support, they're not likely to get everything they ask for.

For one thing, Congress generally does not dole out billions of dollars without expecting something in return. Corporations and industries that are receiving funding from Coronavirus relief spending are having to accept sometimes burdensome [conditions](#). Furthermore, we are approaching the [anniversary](#) of a heated exchange between then-Congressman [Mark Meadows](#) and the PMG over the Postal Service's ten-year plan (link unavailable). If Congress had valid concerns about the future direction of the Postal Service last year, those concerns have probably not lessened in the last twelve months.

Given the looming damage to the US economy from the Coronavirus pandemic, and the importance of the Postal Service, some type of short-

term postal relief is warranted. At the same time, the USPS faces long-term structural challenges that require careful examination and will entail balancing of interests among competing stakeholders.

Emergency spending legislation that attempts to prop up the US economy while simultaneously targeting multiple industries is not the right vehicle to achieve these twin aims. The Postal Service maintains that their recent funding request is separate from their ongoing mission to achieve legislative and regulatory reform. Unfortunately, the decision makers who will shape the next round of economic relief probably won't see it that way, and by asking for so much, USPS risks having its allies on the Hill use the current crisis to enact half-baked postal reform that will buy time but little else.

IN DEPTH
ANALYSIS

First-Line Supervisor Retention Gets High Marks

The U.S. Postal Service has done a good job of retaining first-line supervisors, with an average national attrition rate of only 1 percent for fiscal years (FYs) 2016-2018, but timely hiring and qualifications of new supervisors are issues management should address, according to a new audit report. *First-Line Supervisor Recruitment and Retention*, [19SMG008HR000-R20](#).

First-line supervisors are a significant portion of the USPS workforce: during FY 2018, the Postal Service had 18,433 permanent first-line supervisors — 13,049 in retail facilities and 5,384 in mail processing facilities — with another 4,394 employees detailed to perform supervisory duties and responsibilities.

In one of a series of audits concerning first-line supervisors, the U.S. Postal Service Office of Inspector General (OIG) found that despite the solid retention rate, when vacancies did occur, 88 percent of those examined were open for more than the within-60-days hiring target.

Also, USPS hiring officials did not complete and maintain required supporting documentation for 68 percent of first-line supervisor positions. Missing documentation included signed and dated requirements matrices that determine whether potential hires met qualifications. Because this information was missing, the OIG could not determine whether these first-line supervisors met the qualifications outlined in vacancy announcements.

POSTAL PREVIEWS

Cancelled! June 2 – 3, 2020
[PostCom Study Day and Board Meeting](#) Alexandria, VA *Study Day to become a series of webinars and the Board Meeting to become virtual*

June 8-10, 2020
[MailCom 2020](#) Atlantic City, NJ
Rescheduled

June 23 – 24, 2020
[Leaders in Logistics: Post and Parcel North America](#) VA *PostCom Members receive a 10% discount with code: POSTCOM10*

July 28 – 29, 2020
[Mailers Technical Advisory Committee](#) Washington, DC

September 8-10, 2020
[13th Annual ACMA National Forum](#) Washington, DC
Rescheduled

October 6 – 7, 2020
[PostCom Study Day and Board Meeting](#) Alexandria, VA

October 13 – 15, 2020
[Parcel & Post Expo](#) Vienna, Austria

October 27 – 28, 2020
[Mailers Technical Advisory Committee](#) Washington, DC

December 2-5, 2020
[CRR's 28th Conference on Postal and Delivery Economics](#) Rome, Italy ***Rescheduled and New Location***

Based on this issue, the OIG identified \$16.4 million in unsupported questioned costs related to the pay increase for promotion to first-line supervisor. The watchdog group recommended USPS management develop controls to ensure timely hiring and that district and facility officials prepare and maintain hiring documentation as required.

Management agreed with the findings, monetary impact, and need for controls over hiring documentation. But it argued that controls exist now for officials to complete their hiring responsibilities.

GUEST ARTICLES

No, Trump Isn't Trying to Kill the Postal Service

Op-ed written by Kevin Kosar, Vice President, Research Partnerships, R Street Institute, a non-profit public policy research organization. This article was originally published on [The American Spectator](#) and reprinted with permission. Views and opinions reflected in the article are of the author's and do not necessarily reflect the views and opinions of PostCom.

Over the weekend, #postalservice began trending on Twitter. That's weird, seeing as the Post Office is, well, the Post Office. And I say that as someone who has spent 17 years studying postal policy. (Thank you for your sympathy.)

The Twitter-steria stemmed from a [report](#) that the Trump administration opposed giving the U.S. Postal Service (USPS) a bailout. House of Representatives Democrats had tried to slip a more than \$30 billion bailout into the [Coronavirus Aid, Relief, and Economic Security Act](#) (CARES Act). Trump and company rejected the bill and told Congress they beleaguered agency could have a \$10 billion loan instead.

All of this should have been old news — Trump signed the law on March 27. But the *Washington Post's* story went viral, with other newspapers and media [picking it up](#). Thence to social media, and then craziness erupted.

Three different conspiracies emerged, and all of them slapped evil horns on the president:

-Trump wants to bankrupt the agency so he can sell it off and privatize it.

-Trump wants to kill the Postal Service to hurt Jeff Bezos, whose Amazon.com uses USPS to deliver some of its parcels.

-Trump wants to shut down the Postal Service so that people cannot vote by mail.

The outrage has been burning for days, stoked by the usual suspects, like [John Dean](#) and the [Daily Kos](#).

It is difficult to express just how inane these claims are.

For one, hardly anyone wants to privatize the Postal Service. Certainly not President Trump. His [postal reform commission](#) expressly rejected privatization. Besides, who exactly would want to buy the Postal Service? It is an

agency with [\\$130 billion](#) in unfunded pension and retiree health-care obligations. By law the USPS has a heavily unionized workforce who every four years negotiate [more expensive](#) compensation contracts. And demand for USPS's services have plunged over the past decade. Mail volume is down more than 30 percent. There is a reason only the USPS delivers paper mail to nearly every home in America along with the Virgin Islands, Guam, and Puerto Rico — it is not lucrative.

And the notion that the president wants the Postal Service to cease operations is so absurd that it should not require comment. But here we are. The president, as everyone knows, really wants to get reelected, and he cares about his ratings. So why exactly would he kill an agency that is, as the Gallup pollsters [note](#), "America's favorite federal agency"?

Then there is the matter of Trump's base. He is especially popular among the elderly, veterans, and residents of rural areas. What do they all have in common beyond their affection for Trump? They like the Postal Service and depend on it.

Try closing a rural post office, and rural residents will grab their pitchforks. The elderly depend on the USPS to deliver prescription drugs and the paper mail — often preferred over digital communications. The elderly — and Republicans generally — vote by mail disproportionately. Oh, and by the way, the president himself votes by mail.

Lastly, it also is the case that the USPS hires lots of veterans. The agency [reports](#) it has 100,000 of them.

What the Left fails to understand is pretty rudimentary: throwing money at an agency running structural deficits is stupid. Yes, the Postal Service needs an infusion to help it deal with a massive drop in mail volume due to COVID-19.

But more than that, the agency [desperately needs reform](#). The Trump administration gets this point, and in the next few months we may well see a deal where the USPS gets an infusion to help it weather the COVID-19 storm and the changes it needs to survive in the digital 21st century.

Political Mail In A COVID-19 World

Op-ed written by Mark Fallon, President & CEO of The Berkshire Company, an independent management consulting firm that specializes in the print-mail industry. Article was originally published on the Consumer Postal Council's [website](#) and reprinted with permission. Views and opinions reflected in the article are of the author's and do not necessarily reflect the views and opinions of PostCom.

The first political campaign I worked on took place in 1990. I'd just returned to Massachusetts after serving in the Army. Elections were taking place for state-wide offices, including the governor, attorney general and treasurer. I'd worked in the Massachusetts State House while in graduate school and had met several of the people running for office. While looking for permanent employment, I volunteered for a couple of candidates.

My duties were fairly simple — make phone calls to prospective donors and voters, hold signs outside rallies and assemble mass mailings. Those same functions still take place today, however emails and social media either supplement or replace the phone calls and mailings.

But will those tactics be effective in 2020? Will the COVID-19 pandemic significantly change campaign messaging strategies?

While television ads will continue, the prospective audience is shrinking with on-demand shows and streaming services. Social media remains omnipresent but becomes less trustworthy with each scandal. Cellular service providers have improved detecting spam, reducing the effectiveness of robocalls.

The United States Postal Service (USPS) uses the designation “political mail” for campaigns’ marketing mail. Even with the increased use of email and social media, the USPS has seen significant increases in volumes and revenue over the last three election cycles. In 2014, campaigns spent \$375 million to send 1.9 billion pieces of political mail. For the 2018 mid-term elections, that increased to over \$573 million on three billion pieces.

The reason? Voters find hard-copy mail, delivered to their homes by the USPS, more credible than any other form of advertising – and that includes in-person visits by candidates or campaign workers. Social media ads, phone calls and text messages aren’t considered trustworthy.

Early in this election cycle – the USPS started an aggressive push to promote the use of mail in political campaigns. With a self-described “obsessive, relentless and compulsive” training program, they created a political strategy team. In addition to analysts, key staff have been designated as strategists in each of the seven USPS areas. A special website – deliverthewin.com – was launched.

The USPS has participated in American Association of Political Consultants (AAPC) and Campaigns & Elections (C&E) events with both speaking opportunities and exhibit booths. They’ve also sponsored articles, email blasts, Facebook Live interviews and webinars to promote political mail. As with online shopping, the USPS is showing candidates that physical mail is a key component of omni-channel marketing campaigns.

This sales pitch will hold even more weight during and after the pandemic. Many rallies are being cancelled and there’s uncertainty around future events. Campaigns will have greater than normal challenges to find volunteers willing to walk door-to-door. And even when they do, many doors will remain shut.

These changes don’t mean an automatic “win” for the USPS. Many printers and mail service providers are struggling during the COVID-19 crisis, and some won’t be able to weather the economic downturn. The decline in overall mail volumes has escalated during the shutdown. Planned in-person seminars and similar events have been cancelled.

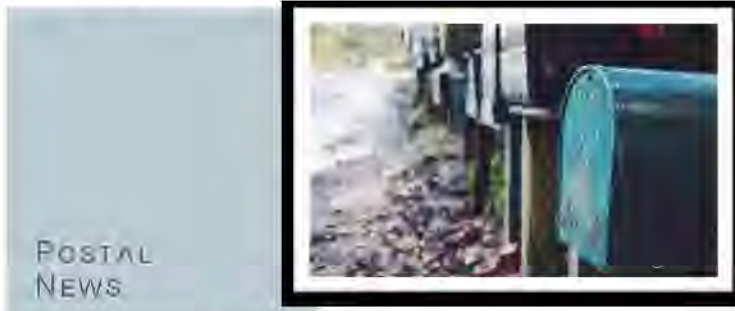
Working with political consultants, webinars are being scheduled to continue to educate campaign managers. Those are being supplemented with additional online training for service providers through the National Postal Customer Council Advisory Committee. That message will need to be amplified as businesses reopen and the economy recovers.

Political mail won’t replace the volumes of mail lost due to the current crisis. However, fewer pieces mean that what’s delivered will stand out, improving the effectiveness of mail campaigns. That may help politicians see the value of the USPS. In turn, that may gain the USPS political allies for much needed legislative reform.

In 2020, there are 35 Senate races (including two special elections), 435 House of Representatives races, and gubernatorial races in 11 states. Additionally, there are thousands of races for state representatives, mayors and town selectmen. Every candidate needs to get their message out to donors and voters.

It’s up to the USPS to help them see mail as a critical component of their campaign.

About the Author: Mark Fallon is President & CEO of The Berkshire Company, an independent management consulting firm that specializes in the print-mail industry. For additional information visit www.berkshire-company.com.



Postmaster General Warns House Committee of Dire Consequences Without Congressional Action- Trump's Own Hand Picked Board of Governors Says USPS Needs \$75B

[PostalNews](#) Today, Postmaster General Megan J. Brennan provided a video briefing to Members of the Committee on Oversight and Reform and Reform on the devastating impact the coronavirus crisis has had on the finances of the Postal Service and the steps Congress and the President must take to ensure continued delivery of essential information, packages, and services. The Postal Service is fighting for its survival, putting in jeopardy the careers and paychecks of its 650,000 employees—as well as the more than \$1.7 trillion mailing industry that employs more than 7.5 million people,” **Government Operations Subcommittee Chairman Gerald E. Connolly** said. “We cannot allow the Postal Service to collapse. To do so would deepen our nation’s economic crisis and eliminate an important lifeline for individuals who rely on the Postal Service’s 1 billion deliveries of lifesaving prescription deliveries and eviscerate the very infrastructure we need to administer the upcoming elections.”

Consumer Price Index Summary

[BLS](#) In March, the Consumer Price Index for All Urban Consumers fell 0.4 percent on a seasonally adjusted basis; rising 1.5 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy fell 0.1 percent in March (SA); up 2.1 percent over the year (NSA).

More Than 600,000 People Sign A Petition Demanding Hazard Pay For Postal Workers After 19 Die Of Coronavirus And 6,000 More Are Forced Into Self-Quarantine Across US

[DailyMail](#) More than 600,000 have signed a petition demanding the government give hazard pay to all of its USPS workers continuing to brave the outside during the coronavirus lockdown. It comes as 19 postal workers have died of coronavirus, while 500 have tested positive and another 6,000 have had to self-isolate, USPS leaders told Congress last week. The petition claims that USPS staff have not been given adequate protective equipment as they work 12-hour overtime shifts, packing and loading potentially contaminated packages and letters. 'As of this present time, there have been upwards of more than 40 confirmed cases of coronavirus within the United States Postal Service,' the Change.org petition written on March 16 says.

Trump's War Against The Postal Service Could Have Another Casualty: Tens Of Thousands Of Military Veterans With Disabilities

[BusinessInsider](#) The tenuous situation for the Postal Service puts its employees, many of whom are military veterans, in an uncertain position. USPS is one of the largest employers of veterans nationwide and dwarfs its competitors in hiring numbers: Nearly 100,000 military veterans are employed by the agency, or roughly 15% of its entire workforce of 600,000 employees, according to a spokesperson. One internal estimate showed how a subset of veterans could be disproportionately affected by cuts. Though the exact numbers were not immediately available, USPS estimated that at least 60% of its veteran employees have some sort of disability rating.

Postal Workers Say USPS Isn't Telling Them When Colleagues Test Positive for COVID-19, Despite Promising To

ProPublica The U.S. Postal Service appears to be continuing its checkered response to the coronavirus. Workers across the country say they're not being informed when colleagues have tested positive for COVID-19, despite a Postal Service policy to do so. At the end of March, after workers complained, the Postal Service told its employees they would be notified if someone "in your workplace is confirmed to have COVID-19." But workers at 11 locations told ProPublica they found out about cases through colleagues or were only told by management days after word had already gotten out.

NRLCA and USPS Sign MOU Concerning Temporary Workplace Changes to Promote Social Distancing

PostalNews From the National Rural Letter Carriers Association: Your National Board agrees that the social distancing recommendations of the Centers of Disease Control and Prevention (CDC) are important measures which should be practiced as much as possible to slow the spread of the coronavirus (COVID-19). Some of those social distancing recommendations for the workplace include increasing physical space between workers, staggering work schedules, limiting large work-related gatherings and reducing or eliminating travel. With that in mind, the NRLCA and the USPS have agreed to a MOU with temporary changes to promote social distancing. The terms of this MOU will minimize the possibility of exposure to the coronavirus or the possibility of unknowingly spreading the coronavirus to a larger portion of the workforce.



China » China.org

The arrival of the first train of a new postal rail service to Europe here opened up a new reliable and efficient logistics channel between Lithuania and China...Departing from southwest China's Chongqing Municipality on April 3, the "China Post" CR Express 1st block train, loaded with much-needed medical supplies and 42 TEUs of parcels, arrived on April 12 in Vilnius. The parcels will be later transferred to other European countries. "With this new route, especially during a difficult pandemic period, we are turning a new page towards a closer cooperation to meet consumer expectations -- assessing not only delivery time or price, but also environmental requirements," wrote the minister.

France » BBC

Amazon has been ordered to limit its deliveries in France to essential goods only, amid claims it is failing to protect its workers from coronavirus. A court in Nanterre, near Paris, ordered the online retail giant to deliver only food, hygiene and medical products in the country from Tuesday. This is to allow officials to assess whether Amazon is taking adequate precautions to protect its staff. Amazon has not commented on the court ruling.

India » [Post&Parcel](#)

With train and bus services shut, India Post is relying on its own Mail Motor Services (MMS) to carry out delivery services within the state and in adjacent states while airlines are being used to deliver parcels in the metros, reports [Hindustan Times](#). Rajguru Nagar branch sub-post office master Sarita Madaan said the branch had booked 85 parcels of medicine since the lockdown. "Before the lockdown, we rarely received bookings for medicines as people mainly relied on private courier companies but now we deliver medicines on a regular basis. People have medicines delivered within the state and to neighbouring states."

Ireland » [Post&Parcel](#)

An Post, in partnership with Children's Books, Ireland have distributed a free 24-page #ImagineNation playbook to children all over Ireland to enjoy. The campaign is aimed at helping families confined to their homes by COVID-19. The #ImagineNation playbook is full of drawing, writing and mindfulness exercises from leading Irish children's authors and illustrators including Oliver Jeffers, Chris Haughton, Sarah Crossan, Don Conroy, Niall Breslin, Niamh Sharkey and many more. The book will be accessible to all children to download as well as being delivered free by An Post to thousands of houses around the country.

Isle of Jersey » [Parcel&Post](#)

From today, Jersey Post will be delivering free postcards to all residential addresses to launch its Island-wide, Connecting Jersey campaign. From Tuesday 14 April, every Island household will receive two free postcards: • Thank you • Thinking of you. Households can send the cards free of charge to any address in Jersey throughout April.

United Kingdom » [Post&Parcel](#)

The UK Drone Delivery Group, the new drone industry initiative, established to provide guidance on the steps required for the UK to accelerate the growth of the UK drone industry, has today released its 'White Paper' for public consultation. The White Paper calls for the development of new testing grounds, which are expected to significantly transform the UK's potential to achieve world-leading status in the fast-moving drone industry.

Zimbabwe » [Herald](#)

The country's postal and courier services is continuing on a downward trend with latest figures showing a 32 percent dip during the year to December 2019 on e-substitution as technology is providing an alternative channel for transmission of information. According to the regulator, the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) postal and courier services went down 32 percent to 5,3 billion items in 2019 compared to 7,8 billion recorded in the prior year. The service has halved in the past five years from 10 billion recorded in 2015.



Federal Register: Postal Regulatory Commission - Periodic Reporting, 21130–21131 [[2020-07974](#)]; New Postal Product, 21277 [[2020-08014](#)]; **Postal Service** - Sunshine Act, 20533 [[2020-07782](#)]; Product Change: First-Class Package Service Negotiated Service Agreement, 21278 [[2020-07990](#)]; Priority Mail Negotiated Service Agreement, 21278 [[2020-07988](#)], 21278 [[2020-07989](#)], 21278 [[2020-07991](#)]

Industry Alert: New Processes for Bulk Hold Mail and Forwarding Requests by Businesses The United States Postal Service has implemented two new processes to allow businesses to submit Hold Mail requests in bulk (10 or more), as well as requests to forward mail from many locations (10 or more) to one. The new processes allow businesses with 10 or more requests to provide the Postal Service with an Excel spreadsheet with the addresses and relevant information for their hold or forwarding requests. Businesses must provide the information in a specific Excel file format. The Sales Representative will coordinate directly with the customer to obtain the required information. There are currently no changes to the maximum timeframe for holding mail (30 days). Businesses should contact their Sales Representative if they would like to request Bulk Hold Mail (10 or more) for 30 Days or to Forward Mail from many locations (10 or more) to one.

Industry Alert: COVID-19 CONTINUITY OF OPERATIONS UPDATE Mailability of Hand Sanitizer Update The March 26, 2020, Link article titled “Hands Off” described the mailing requirements for hand sanitizers and disinfecting wipes containing flammable alcohols such as ethanol and/or isopropanol (rubbing alcohol). As stated in the article, small quantities of these potentially flammable hand sanitizers and alcohol wipes are permitted in domestic mail via surface transportation. To better support our customers during this period of increased demand, mailers can obtain an exception through the Manager, Product Classification to increase the quantity of these items containing ethyl and isopropanol alcohol sent via surface transportation. Additionally, mailers can also be granted an authorization by the Manager, Product Classification to ship limited quantities of ethanol alcohol in domestic air transportation. As several mailers have been provided with written approvals from the Manager, Product Classification for products that are eligible for domestic air shipments or an increase in quantity limits in surface transport, the information below is provided as a guidance to assist in determining eligible mailings. If a mailer holds a valid authorization or an exception from the Manager, Product Classification, the following criteria must be met upon acceptance of the items:

- Upon their first mailing at each postal facility, the mailer must provide a copy of a signed letter from Headquarters, Product Classification. The letter will contain the mailer’s unique approval number and applicable mailing requirements. **Note:** It is suggested that the facility maintains copies of such letters on file for future reference.
- The outer package must have the appropriate text marking “Contains xxx” followed by their assigned unique authorization number that will begin with either HSA, HSB, HSD, HSE or HSS. **Note:** This information is included in the letter and may be hand or type written prominently on the package. Examples of text markings:

“Contains Air-Eligible Ethyl Alcohol - Authorization No. HSA - xxxxxx”

“Contains Air-Eligible Ethyl Alcohol - Authorization No. HSB - xxxxxx”

“Contains Surface Eligible Ethyl Alcohol - Exception No. HSE - xxxxxx”

"Contains Surface Eligible Isopropyl Alcohol - Exception No. HSD - xxxxxx"

"Contains Surface Eligible Alcohol Solids – Exception No. HSS – xxxxxx"

Please note that these materials are strictly prohibited in international mail, Army Post Office (APO), Fleet Post Office (FPO) and Diplomatic Post Office (DPO) destinations.

Industry Alert: International Service Impacts as of April 17, 2020 Effective April 17, 2020, the Postal Service™ will temporarily suspend international mail acceptance to destinations where transportation is unavailable due to impacts related to the COVID-19 pandemic and restrictions into the area. Customers are asked to refrain from mailing items addressed to any of the following countries, **until further notice**:

- Bermuda
- Cape Verde
- Oman
- South Sudan
- Swaziland (Eswatini)
- Yemen

These service disruptions affect Priority Mail Express International® (PMEI), Priority Mail International® (PMI), First-Class Mail International® (FCMI), First-Class Package International Service® (FCPIS®), International Priority Airmail®(IPA®), International Surface Air Lift® (ISAL®), and M-Bag® items.

For already deposited items, other than Global Express Guarantee (GXG®), Postal Service employees will endorse the items as "Mail Service Suspended — Return to Sender" and then place them in the mail stream for return.

For any returned item bearing a customs form, the Postal Service will, upon request, refund postage and fees on mail returned due to the suspension of service.

For all other returned items not bearing a customs declarations form, the Postal Service will, upon request, refund postage and fees on mail returned due to the suspension of service, or the sender may re-mail them with the existing postage once service has been restored. When remailing under this option, customers must cross out the markings "Mail Service Suspended — Return to Sender."

Unless otherwise noted, service suspensions to a particular country do not affect delivery of military and diplomatic mail.

USPS is closely monitoring the situation and will continue to update customers until the situation returns to normal. Please visit our International Service Alerts page for the most up to date information https://about.usps.com/newsroom/service-alerts/international/?utm_source=residential&utm_medium=link&utm_campaign=res_to_intl

Industry Alert: UPDATE 23: International Mail Service Disruptions Due to COVID-19 On April 15, 2020, the Postal Service™ received notifications from various postal operators regarding changes in international mail services due to the novel coronavirus (COVID-19).

The following countries have suspended certain mail services:

Honduras UPDATE: Empresa de Correos de Honduras (Honducor) has advised that they are extending the suspension of mail services until April 19, 2020, or a later date to be communicated in due course.

Mauritius UPDATE: Mauritius Post has advised that they are extending the suspension of mail services until May 4, 2020.

Nepal UPDATE: Nepal Post has advised that they are extending the suspension of mail services until April 30, 2020.

Sri Lanka UPDATE: Department of Posts has advised that they are extending the suspension of mail services until April 20, 2020.

Unless otherwise noted, service suspensions to a particular country do not affect delivery of military and diplomatic mail.

The following countries have announced service disruptions:

Colombia UPDATE: Servicios Postales Nacionales S.A. 4-72, has advised that, owing to the emergency resulting from the spread of the novel coronavirus (COVID-19), there continues to be significant delays in all of its international inbound and outbound letter-post, parcel-post and Express Mail Service (EMS) items.

Georgia UPDATE: Georgian Post has advised that the Government of Georgia has decided to extend the measures aimed at reducing the spread of COVID-19 until May 10, 2020. This includes the suspension of signature service and suspension of service standards.

Ireland UPDATE: An Post, has advised that owing to the cancellation of numerous international flights, it is currently limited in its ability to send outbound mail (letter-post, parcel-post and EMS items) to some countries and ceasing to accept mail destined for those countries until further notice. Details of these destinations can be found at <https://www.anpost.com/Coronavirus/Mails-Parcels-services>. As of April 15, An Post is sending only letters, large envelopes and packets to the United States; no parcels.

Italy UPDATE: Poste Italiane has advised that the Italian Government has extended the measures aimed at minimizing the spread of COVID-19 until May 3, 2020. This includes the suspension of signature service and service standards; limitations on the size and weight of parcels; and changes to the number delivery attempts that will be made before a package is returned to sender.

Jamaica UPDATE: Jamaica Post has advised that the suspension of service standards has been extended until further notice.

United Arab Emirates UPDATE: Emirates Post has advised that it is carrying out contactless deliveries during the COVID-19 pandemic. Deliveries to the addressee's home require the courier to confirm the recipient's name by asking to see ID, recording name and releasing item to recipient.

These service disruptions affect Priority Mail Express International® (PMEI), Priority Mail International® (PMI), First-Class Mail International® (FCMI), First-Class Package International Service® (FCPIS®), International Priority Airmail® (IPA®), International Surface Air Lift® (ISAL®), and M-Bag® items.

The DMM Advisory will continue to update mailers regarding new service disruptions as they are received. For a full list of international service disruptions, please visit <https://about.usps.com/newsroom/service-alerts/international/welcome.htm>

UPCOMING POSTCOM WEBINARS

Due to the Covid-19 Health Crisis and the importance of distributing critical information to the entire industry, the following webinars will not be limited to members only

PostCom Webinar on Coronavirus Updates – April 24, 2 pm ET [Register](#)

May Member Webinar – May 12, 2 pm ET [Register](#)

Members – Did you know you have full access to all archived Webinars (slides and recordings) and Bulletins on our website? Login to the member section using your email as your username and choose a new password.



PARCEL SHIPPERS ASSOCIATION

320 South West Street
Suite 110
Alexandria, Virginia 22314

(703) 989-0789
jim@parcelshippers.org

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

During this national emergency, the U.S. Postal Service (USPS) continues to deliver critical goods to every address, including those in hard-hit urban cities as well as difficult to reach rural areas. The services being provided by the Postal Service include the delivery of prescription drugs, household goods, election materials, census material, Coronavirus-related information, testing kits, medical equipment, and eventually vaccines. However, without immediate financial assistance, these services will not continue.

We understand House and Senate negotiators agreed to a \$13 billion appropriation during consideration of the CARES Act. We further understand this appropriation was dropped when it was opposed by the Administration. It is now obvious that much more is needed.

Yesterday the USPS Board of Governors (appointed by President Trump), notified Congress that, due to the Coronavirus emergency, it will run out of cash before September 30, the end of this fiscal year (see attached release). The bipartisan Board of Governors requested the following:

- \$25 billion emergency appropriation to offset coronavirus-related losses.
- \$25 billion grant to fund “shovel-ready” projects to modernize the Postal Service.
- Access to \$25 billion in unrestricted borrowing authority from the Treasury.

We write in support of the USPS Board of Governors’ request. In addition, Treasury should never seek to impose operational changes and policy conditions on any of the Postal Service’s new or existing borrowing authorities—changes and policies that by law are set by the USPS Board of Governors and Congress.

The over 600,000 men and women of the Postal Service, who have been on the front lines each and every day, represent the only workforce servicing every single household and open business across the nation. Unfortunately, given the lack of emergency funding, it appears they have been abandoned by the Administration. The Postal Service and the corporate members of the Parcel Shippers Association stand-out with their commitment and execution in support of the administrations efforts to keep the economy moving as it struggles throughout this pandemic.

There is a mistaken impression promoted by at least one competitor that the Postal Service undercharges for its package delivery services. This claim has been widely debunked by independent commissions, experts, and virtually everyone who has looked at it (see attached Bibliography). Unfortunately, the postal task force that you chaired accepted this view, choosing to ignore the information provided by USPS and the Postal Regulatory Commission, and proposed the costing methodology changes advocated by that competitor in its final report.

Now is NOT the time to demand structural changes in the way the Postal Service operates or prices its products as a condition to access funds vital for it to continue the extraordinary service they provide the American people. Now is the time to help the Postal Service do what they have done for over 240 years—to Bind the Nation, Enable Commerce, and most importantly, support the Administration in the economic recovery of this nation.

Sincerely,



Jim Cochrane
Chief Executive Officer
Parcel Shippers Association

Attachments:

Members and Senators letter
Senate Testimony
Related articles, testimony, court and PRC decisions

Congress of the United States
Washington, DC 20510

April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with urgent concerns regarding the financial condition of the U.S. Postal Service and the \$10 billion loan Congress authorized the Department of the Treasury to provide to the Postal Service in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.¹ The Coronavirus emergency and resulting decline in economic activity have jeopardized the Postal Service's ability to continue providing essential services to every American. We urge you to make this loan as soon as possible, with terms that respect the Postal Service's status and authorities as an independent establishment of the executive branch. We cannot afford to lose this vital infrastructure at a time when it is most needed to continue delivering prescription drugs, critical packages to households and businesses, Coronavirus-related information, vote-by-mail materials, testing kits, medical equipment, and eventually vaccines across this nation.

On March 20, the Postal Service notified our Committees that due to the Coronavirus emergency it will "run out of cash due to a potential decline in revenue of \$8-\$10 billion and may have to limit or cease operations by the end of this fiscal year." The Postal Service subsequently provided revenue projections indicating that it could lose up to \$12.6 billion in revenues this fiscal year as a result of the pandemic. During the Coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including costs of additional facility cleanings, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs.²

Meanwhile, the Postal Service continues to provide universal, essential services in every community across the nation, delivering medications, emergency information, home supplies, and more. The Postal Service is a lifeline for seniors and for people in rural areas, who often have less access to other services, particularly during this crisis. Postal workers deliver mail and packages to over 159 million households and businesses each day, including over 1 billion prescriptions last year. Businesses rely on the Postal Service to carry their packages the last

¹ Pub. L. No. 116-136 (2020).

² See, for example, U.S. Postal Service, *How Can We Help?: USPS Coronavirus Updates for Residential Customers* (Mar. 24, 2020) (faq.usps.com/s/article/USPS-Coronavirus-Updates-for-Residential-Customers).

mile, particularly in remote and rural areas, as the only carrier that delivers to every single address. Furthermore, the Postal Service is at the center of a \$1.4 trillion mailing industry that employs more than 7.5 million people.³

Enacted on March 27, the CARES Act authorizes the Postal Service to borrow up to an additional \$10 billion from the Department of the Treasury (Treasury) “if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money.” The terms of this loan are to be “mutually agreed upon by the Secretary and the Postal Service.”⁴ In discussions with Senate authorizers regarding these provisions, you indicated that a loan would be made “at the Treasury rate.” This compromise was made with the understanding that Treasury would act swiftly to provide immediate, necessary financial relief to the Postal Service with a loan under practical, commonsense financial terms.

We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the CARES Act, and with respect to the proper authorities delegated to the Postal Service. Congress maintains the authority to set the policies by which the Postal Service operates, delegated by statute to the Postal Service Board of Governors and the Postmaster General. The Board of Governors has the exclusive authority to direct the exercise of “the power of the Postal Service,”⁵ appoint or remove the Postmaster General, and “direct and control the expenditures and review the practices and policies of the Postal Service.”⁶ We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service’s statutory authorities. We cannot afford to compromise this lifeline for seniors, rural areas, and all Americans.

To ensure the terms and conditions that Treasury intends to negotiate with the Postal Service comply with federal statutes and vested authorities, we ask that you provide us with the following documents within one week after the Postal Service requests a loan under the CARES Act:

- The terms and conditions the Treasury will propose to the Postal Service for the exercise of this borrowing authority, as well as any terms and conditions provisionally agreed upon with the Postal Service, including information about any postal policy and/or operational provisions Treasury intends to improperly include as a condition of borrowing;

³ U.S. Postal Service, *Postal Facts: Sizing It Up* (facts.usps.com/size-and-scope) (accessed Mar. 30, 2020).

⁴ Pub. L. 116-136 (2020).

⁵ 39 U.S.C. § 202(a)(1).

⁶ 39 U.S.C. § 202(c); 39 U.S.C. § 205(a).

- A statement of when Treasury will allow the Postal Service to exercise its borrowing authority; and
- For context regarding the current negotiations, all signed or proposed borrowing agreements (Note Purchase Agreements), as well as all “term sheets” and communications regarding these agreements, between the Postal Service and the Treasury Department since 2018. It is our understanding the last permanent agreement expired in September 2018, and an interim agreement expired in August 2019.

Thank you for your attention to this urgent matter.

Sincerely,



Gary C. Peters
Ranking Member
Senate Committee on Homeland
Security and Governmental Affairs



Carolyn B. Maloney
Chairwoman
House Committee on Oversight
and Reform



Tom Carper
Ranking Member
Senate Permanent Subcommittee on
Investigations



Gerald E. Connolly
Chairman
House Subcommittee on Government
Operations

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 8-K

CURRENT REPORT

**PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): April 30, 2020



UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C. 41-0760000
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260
(Address of principal executive offices) (ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of April 30, 2020: N/A

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

David C. Williams announced his resignation from the Board of Governors effective April 30, 2020. Governor Williams's term had expired on December 8, 2019, and he had continued to serve as a Governor in a holdover year.

Signature

Pursuant to the requirements of the Postal Accountability and Enhancement Act of 2006, the Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

By: /s/ Thomas J. Marshall
Thomas J. Marshall,
General Counsel and
Executive Vice President

Date: May 4, 2020



May 5, 2020

The Honorable Robert M. Duncan
Chairman
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable John M. Barger
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable Ron A. Bloom
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable Roman Martinez IV
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

Dear Mr. Chairman and Governors:

On behalf of the Postal Service's 500,000 craft employees, we write to express our appreciation for the leadership you have shown during the current national crisis caused by the COVID-19 pandemic and to urge you to resist inappropriate interference by the Treasury Department in the management and operations of the Postal Service.

As our members across the country in post offices, on delivery routes, and in processing plants and other facilities face down the dangers of providing essential services during a pandemic, we thank you for fighting for the survival of the Postal Service -- a national treasure and a truly essential public service.

We specifically applaud your unanimous endorsement of immediate legislative relief to help the Postal Service survive this crisis so that we can continue to help America fight this pandemic and eventually recover from the deep recession it has caused. Our members are proud to be delivering goods to families that are sheltering in place, medicines and supplies to those who are sick, relief checks to suffering citizens and vital public health information to the entire country. And the industry -- mailers, shippers and suppliers -- is committed to respond to and fulfill these critical public needs, and work with the Postal Service to deliver them as well. The assistance you are seeking from Congress will allow us to serve these vital functions. We want to continue to deliver for the Nation.

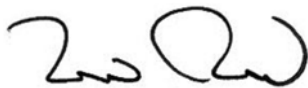
USPS Board of Governors
May 5, 2020
Page 2

We also urge you to continue to resist inappropriate efforts by the Department of Treasury to interfere with the management of the Postal Service or to place conditions on access to credit provided by the Postal Reorganization Act or the CARES Act -- conditions that would weaken the legal authorities of the Board of Governors and the Postal Regulatory Commission. It is the role of a democratically elected Congress to set postal policy in this country, and it is the role of the Board and the PRC to implement that policy with the managerial and regulatory discretion provided by law. The Treasury Department has no authority to re-write the law or impose its policy preferences on the Postal Service – or the country.

In a few years' time, when this pandemic and this economic crisis are behind us, the Postal Service will celebrate its 250th anniversary. If we all work together to preserve the institution that we love and depend upon, on that anniversary we will be able to look back at this time as being among the finest in the long proud history of the Postal Service.

Thanks again for your leadership.

Sincerely,



Fredric V. Rolando
President
National Association of Letter Carriers



Mark Dimondstein
President
American Postal Workers Union



Ronnie Stutts
President
National Rural Letter Carriers Association



Paul Hogrogian
President
National Postal Mail Handlers Union

Cc: Postmaster General Megan Brennan
Deputy Postmaster General Ronald Stroman



April 17, 2020

Lori Rectanus
Director, Physical Infrastructure Issues
Government Accountability Office

RE: U.S. Postal Service: Congressional Action to Enable a Sustainable Business Model Is Essential
(Draft Report No. GAO-20-385)

Dear Ms. Rectanus:

On behalf of the United States Postal Service, this letter responds to your invitation to comment on the draft of the Government Accountability Office's (GAO's) audit report number GAO-20-385, which was transmitted to us for review on March 12.

Following the receipt of your draft report, the onset of the Coronavirus Disease 2019 (COVID-19) pandemic has had profound impacts both on the Nation, and the Postal Service. The pandemic has demonstrated the vital nature of the public services that the Postal Service performs, as Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy. The postal sector is also part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages to all communities in the Nation, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods that sustain us that are purchased online.

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our universal service mission, the pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

While short-term action by Congress is critical, the Postal Service's financial situation has long been unsustainable due to a combination of declining mail volumes and an inflexible statutory and regulatory structure that limits our ability to reduce costs and increase revenue. Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term financial viability, as discussed in your report. As discussed below, we generally concur with your discussion of the structural challenges facing the Postal Service and the general policy options for addressing them, albeit with some clarifications.

As an initial matter, we concur with the National Bankruptcy Conference's thorough legal analysis, which concludes that the Federal bankruptcy laws do not apply to the Postal Service as an entity of the Federal Government. We further agree that attempting to apply a bankruptcy-like legal process meaningfully to the Postal Service would face significant legal hurdles, given that the central flaws in

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-1100
PHONE: 202-268-5555
FAX: 202-268-6981
THOMAS.J.MARSHALL@USPS.GOV
www.usps.com

our business model derive from statute. In this regard, bankruptcy is a process to address outstanding debts, not significant future liabilities caused by statutory obligations. To place the Postal Service on a sustainable footing requires not only addressing our unpaid past liabilities, but also, more fundamentally, reform of statutorily determined aspects of our business model. Therefore, as the National Bankruptcy Conference and GAO note (e.g., at page 36 of the draft report), "all roads for [restructuring the Postal Service's existing and future obligations] lead back to Congress."

The essential policy issues for Congress can be boiled down to two questions: what does Congress want the Postal Service to do, and how should those mandates be paid for? The former question requires Congress to consider, in particular, the level of universal postal service that is appropriate to meet the evolving needs of the American people (which is particularly important to consider in times like these), and the compensation and benefits structure that should apply to the men and women who provide that essential, fundamental service. The latter question requires Congress to consider how the costs incurred by the Postal Service should be funded, whether through the sale of postal products and services, taxpayer appropriations, or other sources.

Over the past decade, the Postal Service has aggressively pursued opportunities within its control to reduce costs and sustain revenue, some of which are discussed in your report. Yet those opportunities remain insufficient to close the current gap between our costs and revenues. The Postal Service has therefore advocated for financial and structural reforms to our business model to rebalance costs and revenue, and to sustain that balance going forward, by giving the Postal Service greater pricing and product flexibility and greater ability to reduce costs.

The central aspect of our proposal has been to rationalize our post-retirement benefits structure by ensuring that our retiree health benefits program is appropriately integrated with Medicare. As your report notes (on page 13 of the draft), most companies do not offer retiree health benefits, and the number that do has declined over time. What is not specifically mentioned in your report is that, for the minority of employers that do continue to offer a retiree health benefits program, the universal practice is to integrate that program with Medicare. Doing so would wipe out most of the Postal Service's remaining retiree health benefits prefunding liability. While Medicare integration would shift some cost to Medicare, the increase would be very small when considering the Medicare program as a whole: it would increase Medicare spending by a small fraction of one percent. In addition, other options regarding our retirement benefits would not require taxpayer support, such as changes in liability calculation methods and diversified investment of fund assets.

Beyond these policy issues, GAO also recommends that Congress consider whether to retain the Postal Service's status as an independent establishment, or to adopt a different institutional structure. We agree with GAO that this topic could logically be part of a comprehensive examination of the Postal Service's business model by Congress. We understand the purpose of the GAO report is to not make any specific recommendations to Congress in this regard, but simply to lay out the various theoretical and practical effects of various possible institutional forms; our feedback on this matter was offered in the same spirit, and as a part of your intellectual exercise. Ultimately, Congress, with input from our Board of Governors and other interested stakeholders, would need to determine whether changing the Postal Service's institutional structure is necessary or appropriate to ensure the continued provision of prompt, reliable, and efficient universal postal services to the American people.

Given Congress's constitutional responsibility over postal services and the critical nature of the postal system to the functioning of the American economy and society, particularly in times like these, Congress would have to address the basic policy questions noted above regardless of whether the Postal Service remains an independent establishment or were recast in some other form. For example, even where foreign postal operators have been privatized, they remain – uniquely among letter and package delivery providers in their countries – legally obligated to provide universal service under statutory and regulatory conditions that constrain their autonomy over rates and costs. In those countries, privatization processes have involved legislative decisions about

service levels, revenue diversification, labor and employment laws, ratemaking authority, governmental assumption of costs (e.g., pension liabilities in Germany and the United Kingdom, as well as operation of the post office network in the United Kingdom), and other taxpayer support (e.g., tax exemptions in various countries, and £ 1.1 billion in appropriated modernization funding in the United Kingdom). The draft report notes that the same was true of the privatization of Conrail in this country. And even established private automobile manufacturers and airlines have required Federal assistance and legal reforms in order to continue operating, pursuant to Congress's determination of the critical role of those industries in the American economy.

Hence, the core motivation of a sustainable postal service for the nation does not hinge on the provider's institutional form. Rather, that motivation – and the attendant legislative support – should apply so long as Congress deems postal services necessary to the nation's current and future needs. That said, it bears noting, when assessing how institutional form can affect institutional incentives, that a Government entity will necessarily prioritize the achievement of its service mission set forth in statute, while a privatized entity would have obligations to its shareholders.

At the same time, it should also be noted that (contrary to pages 34-35 of the draft report), institutional form in itself is not determinative regarding efficiency incentives. Although an independent establishment of the Executive Branch rather than a Government or private corporation, the Postal Service has long been recognized as at the forefront of postal operators – ahead of several cited in the draft report – in terms of operating efficiency. Many of the efficiency gains achieved by corporatized and privatized foreign postal operators in recent years essentially represent efforts to catch up to what the Postal Service has already done for decades (e.g., worksharing and automated delivery-point sequencing) or to keep pace with recent changes that the Postal Service began implementing before them (e.g., consolidation of its processing network and introduction of two-tier wage schedules). For example, the Postal Service was the first postal operator in the world to automate delivery sequencing (Royal Mail and La Poste followed more than a decade later). A change in institutional form is therefore clearly unnecessary to incent the Postal Service to be efficient.

In that regard, and particularly considering the highly competitive nature of the marketplace in which we operate for all of our products, we consider the drive to operate efficiently to be a part of the DNA of the Postal Service, and that would remain an inherent part of our culture irrespective of our institutional form. For that reason, we do not believe corporatization or privatization would somehow unlock new efficiency potential that the Postal Service purportedly lacks under the current structure; only reform in the laws governing Postal Service's cost structure can do that, and they would do so whether or not the Postal Service remains an independent establishment. Finally, for the reasons noted above, we also do not believe that a change in our status to a more typical federal agency that is more reliant on appropriations would result in disincentives for us to be efficient.

Thank you once again for providing us with the opportunity to comment. We would be pleased to assist your office with further information or discussion of this matter if you believe it would be helpful.

Sincerely,



Thomas J. Marshall

Attachment

cc: Corporate Audit & Response Management
Ms. Haring
Ms. Simmons

Congress of the United States

Washington, DC 20510

April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with urgent concerns regarding the financial condition of the U.S. Postal Service and the \$10 billion loan Congress authorized the Department of the Treasury to provide to the Postal Service in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.¹ The Coronavirus emergency and resulting decline in economic activity have jeopardized the Postal Service's ability to continue providing essential services to every American. We urge you to make this loan as soon as possible, with terms that respect the Postal Service's status and authorities as an independent establishment of the executive branch. We cannot afford to lose this vital infrastructure at a time when it is most needed to continue delivering prescription drugs, critical packages to households and businesses, Coronavirus-related information, vote-by-mail materials, testing kits, medical equipment, and eventually vaccines across this nation.

On March 20, the Postal Service notified our Committees that due to the Coronavirus emergency it will "run out of cash due to a potential decline in revenue of \$8-\$10 billion and may have to limit or cease operations by the end of this fiscal year." The Postal Service subsequently provided revenue projections indicating that it could lose up to \$12.6 billion in revenues this fiscal year as a result of the pandemic. During the Coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including costs of additional facility cleanings, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs.²

Meanwhile, the Postal Service continues to provide universal, essential services in every community across the nation, delivering medications, emergency information, home supplies, and more. The Postal Service is a lifeline for seniors and for people in rural areas, who often have less access to other services, particularly during this crisis. Postal workers deliver mail and packages to over 159 million households and businesses each day, including over 1 billion prescriptions last year. Businesses rely on the Postal Service to carry their packages the last

¹ Pub. L. No. 116-136 (2020).

² See, for example, U.S. Postal Service, *How Can We Help?: USPS Coronavirus Updates for Residential Customers* (Mar. 24, 2020) (faq.usps.com/s/article/USPS-Coronavirus-Updates-for-Residential-Customers).

mile, particularly in remote and rural areas, as the only carrier that delivers to every single address. Furthermore, the Postal Service is at the center of a \$1.4 trillion mailing industry that employs more than 7.5 million people.³

Enacted on March 27, the CARES Act authorizes the Postal Service to borrow up to an additional \$10 billion from the Department of the Treasury (Treasury) “if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money.” The terms of this loan are to be “mutually agreed upon by the Secretary and the Postal Service.”⁴ In discussions with Senate authorizers regarding these provisions, you indicated that a loan would be made “at the Treasury rate.” This compromise was made with the understanding that Treasury would act swiftly to provide immediate, necessary financial relief to the Postal Service with a loan under practical, commonsense financial terms.

We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the CARES Act, and with respect to the proper authorities delegated to the Postal Service. Congress maintains the authority to set the policies by which the Postal Service operates, delegated by statute to the Postal Service Board of Governors and the Postmaster General. The Board of Governors has the exclusive authority to direct the exercise of “the power of the Postal Service,”⁵ appoint or remove the Postmaster General, and “direct and control the expenditures and review the practices and policies of the Postal Service.”⁶ We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service’s statutory authorities. We cannot afford to compromise this lifeline for seniors, rural areas, and all Americans.

To ensure the terms and conditions that Treasury intends to negotiate with the Postal Service comply with federal statutes and vested authorities, we ask that you provide us with the following documents within one week after the Postal Service requests a loan under the CARES Act:

- The terms and conditions the Treasury will propose to the Postal Service for the exercise of this borrowing authority, as well as any terms and conditions provisionally agreed upon with the Postal Service, including information about any postal policy and/or operational provisions Treasury intends to improperly include as a condition of borrowing;

³ U.S. Postal Service, *Postal Facts: Sizing It Up* (facts.usps.com/size-and-scope) (accessed Mar. 30, 2020).

⁴ Pub. L. 116-136 (2020).

⁵ 39 U.S.C. § 202(a)(1).

⁶ 39 U.S.C. § 202(c); 39 U.S.C. §205(a).

- A statement of when Treasury will allow the Postal Service to exercise its borrowing authority; and
- For context regarding the current negotiations, all signed or proposed borrowing agreements (Note Purchase Agreements), as well as all “term sheets” and communications regarding these agreements, between the Postal Service and the Treasury Department since 2018. It is our understanding the last permanent agreement expired in September 2018, and an interim agreement expired in August 2019.

Thank you for your attention to this urgent matter.

Sincerely,



Gary C. Peters
Ranking Member
Senate Committee on Homeland
Security and Governmental Affairs



Carolyn B. Maloney
Chairwoman
House Committee on Oversight
and Reform



Tom Carper
Ranking Member
Senate Permanent Subcommittee on
Investigations



Gerald E. Connolly
Chairman
House Subcommittee on Government
Operations

March 19, 2020

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We, the undersigned organizations, applaud the Administration and Congress for their swift actions to mitigate the impact of the unfolding Coronavirus pandemic. As our nation deals with this unprecedented public health crisis, we would like to emphasize to you and our senior government leaders that the transportation and goods movement industry stands ready and able to play a pivotal role in promoting economic growth while assisting with pandemic healthcare relief.

Commercial transportation firms will be essential in our country's ability to restore economic health, vitality and a return to everyday life. As the federal, state and local governments take steps to limit the spread of the Coronavirus, it is crucial that such actions do not inadvertently encumber the vital role of package and mail delivery services. We therefore write to encourage you, the Vice President, and the Coronavirus Task Force to reaffirm that transportation and shipping service providers, to include air, ground and ocean networks, are critical industries that should not be hindered by unnecessary restrictions impeding our ability to deliver.

Transportation service providers and shipping/postal operators have already been recognized by the Department of Homeland Security and Presidential Policy Directives as Critical Infrastructure industries. All of these firms utilize sophisticated networks of transportation modes including aviation, rail, ocean and truck to provide final-mile delivery for consumer goods, food, medical supplies and devices, among other items. Given the current disruption to the daily life of many Americans, there is even greater demand, and reliance upon, our services. Our organizations have implemented increased measures to ensure the safety of our people, our customers, and the general public.

It is imperative that precautionary actions taken by federal, state or municipal governments do not impose unnecessary burdens or logistical complications on package and mail delivery services, or on the people that provide those services, including our pilots, couriers, hub operators and truck drivers. Such unintended negative consequences will hamper our ability to reach businesses and consumers that are relying upon timely and dependable delivery. Neither restrictive public policies that impede interstate commerce (i.e. – Article I, Section 8 of the U.S. Constitution) should be enacted, nor should new local government initiatives create a regulatory patchwork that hinders operational efficiency.

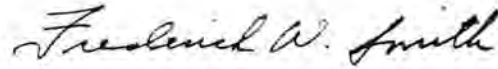
Mr. President, the spread of the Coronavirus in the U.S. is testing government institutions, challenging private industry, and placing inordinate demands on our fellow citizens. As our nation mobilizes to mitigate the impact of the pandemic, we ask that you and your Coronavirus Task Force reiterate the valuable role our firms play in this regard, and discourage states and localities from implementing public policies that restrict our ability to serve the American people.

We stand ready and willing to continue this important service to our nation, and will continue to work with federal, state and local governments in a coordinated fashion to help our employees deliver for America in the safest possible manner while also keeping our employees and the customers they serve safe too.

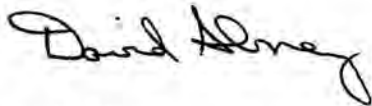
Sincerely,



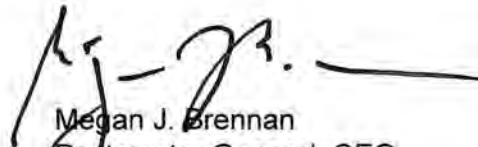
Chris Spear
President & CEO
American Trucking Associations



Frederick W. Smith
Chairman and CEO
FedEx



David Abney
Chairman and Chief Executive Officer
UPS



Megan J. Brennan
Postmaster General, CEO
United States Postal Service

From: [Marshall, Thomas J - Washington, DC](#)
To: [Kennedy, Dale E - Washington, DC](#); [Ellis, David B - Washington, DC](#); [Weidner, Keith E - Washington, DC](#)
Cc: [Monteith, Steven W - Washington, DC](#); [Foti, Thomas J - Washington, DC](#); [Krage Strako, Jakki - Washington, DC](#)
Subject: RE: [EXTERNAL] MSP's Being Forced to Shut Down
Date: Friday, March 20, 2020 3:18:26 PM
Attachments: [image001.jpg](#)

(b)(5) We will keep you posted.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Kennedy, Dale E - Washington, DC
Sent: Friday, March 20, 2020 2:19 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2); Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2); Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Monteith, Steven W - Washington, DC (b)(6), (b)(3), 410(c)(2); Foti, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2); Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] MSP's Being Forced to Shut Down

Tom, David and Keith,

(b)(5)
(b)(5)

Thanks,

Dale Kennedy
O: 202-268-6592
C: (b)(6), (b)(3), 410(c)(2)

From: (b)(6)
Sent: Friday, March 20, 2020 2:15 PM
To: Monteith, Steven W - Washington, DC <(b)(6), (b)(3), 410(c)(2)>; Kennedy, Dale E - Washington, DC (b)(6), (b)(3), 410(c)(2); Foti, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: [EXTERNAL] MSP's Being Forced to Shut Down

Steve, Tom, Dale,

(b)(5)

Best, Steve

Stephen Kearney
executive director
Alliance of Nonprofit Mailers
1211 Connecticut Ave, NW, Suite 610
Washington, DC 20036

Tel: 202-462-5132

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