

POSTAL SERVICE**39 CFR Part 551****Semipostal Stamp Program****AGENCY:** Postal Service.**ACTION:** Final rule.

SUMMARY: This final rule creates implementation regulations for the Semipostal Authorization Act, which authorizes the Postal Service to issue and sell semipostal postage stamps. Semipostal stamps are intended to raise funds for causes determined by the Postal Service to be in the public interest and appropriate. The final regulations relate to the selection procedures for causes and recipient executive agencies, the offices and authorities responsible for making decisions related to causes and recipient executive agencies, the criteria to be applied in evaluating proposals for causes and recipient executive agencies, sales limitations, the calculation of amounts to be transferred to executive agencies, and the determination of costs to be offset from differential revenue.

EFFECTIVE DATE: June 12, 2001.**FOR FURTHER INFORMATION CONTACT:** Cindy Tackett, (202) 268-6555.**SUPPLEMENTARY INFORMATION:****I. Introduction**

The Semipostal Authorization Act, Public Law 106-253, 114 Stat. 634 (2000) (hereinafter "Act"), authorizes the Postal Service to establish a 10-year program to sell semipostal stamps. The differential between the price of a semipostal stamp and the First-Class Mail® service rate, less an offset for the reasonable costs of the Postal Service, consists of an amount to fund causes that the "Postal Service determines to be in the national public interest and appropriate." By law, revenue from sales (net of postage and the reasonable costs of the Postal Service) is to be transferred to selected executive agencies within the meaning of 5 U.S.C. 105.

The Governors of the Postal Service are authorized to set prices for semipostal stamps according to a formula prescribed in the Act. Specifically, the Act prescribes that the price of a semipostal stamp is the "rate of postage that would otherwise regularly apply," plus a differential, that is, the difference between sales revenue and postage, not to exceed 25 percent. This is essentially the same formula prescribed by the Stamp Out Breast Cancer Act, Public L. 105-41, 111 Stat. 1119 (1997).

The Act provides that the Postal Service is to promulgate certain regulations via a notice and comment rulemaking. Specifically, the Postal Service must identify the "office or other authority within the Postal Service" to make decisions on the "appropriate causes and agencies" eligible to receive amounts becoming available from differential revenue less an offset for the reasonable costs of the Postal Service. The Postal Service is also directed to issue regulations on the "criteria and procedures" to be applied in making decisions on recipient executive agencies and causes. The Act further requires the Postal Service to identify "what limitations shall apply, if any, relating to the issuance of semipostals (such as whether more than one semipostal may be offered for sale at the same time)." Finally, the Postal Service's regulations must "specifically address how the costs incurred by the Postal Service * * * shall be computed, recovered, and kept to a minimum."

II. Comments on the Proposed Rule

On February 15, 2001, the Postal Service published a notice in the **Federal Register** (66 FR 10408) soliciting comments on a proposed rule to implement the Act. The Postal Service also published the notice on its Internet Web site at www.usps.com. The Postal Service received 73 comments responding to the solicitation for comments, many of which were received electronically through the Postal Service's Web site. The comments are grouped into similar themes and are addressed below.

Selection Criteria

Two commenters expressed support for the following general criteria for the Semipostal Stamp Program: (a) Semipostal stamps should benefit only congressionally authorized programs within U.S. Government executive agencies; (b) semipostal stamps should focus on programs that are characterized by a significant disparity between congressional authorizations and appropriations; (c) semipostal stamps should also look for programs for which there is a broad supportive network of private organizations that is willing and capable of assisting in local and national marketing; (d) semipostal stamps should have broad appeal to the American public and not be on programs and issues of narrow interest; and (e) the selection process should include estimating the revenue potential of a stamp through market surveys, evaluating the retention rates of commemorative and "awareness" stamps that have been issued on the

same subject, and evaluating the experience of other countries to determine the differences between successful and unsuccessful semipostal issues.

As a general matter, the Postal Service agrees that the types of factors mentioned above may be instructive and may be among the factors that could be used in the decision-making process; however, the Postal Service believes that those types of factors need not be formally inscribed in the regulations.

The same commenters also questioned the requirement in § 551.4 that causes must "further human welfare." The commenters stated that this term should be carefully defined to include causes or purposes that contribute to human welfare, such as a healthy environment or a sustainable level of biodiversity; alternatively, the requirement should be eliminated. The commenters also recommend that the requirement be removed from the list in § 551.4(d).

The Postal Service believes that the criterion of advancement of human welfare is quite broad, and can encompass a wide variety of subjects. Thus, the Postal Service does not interpret the requirement that proposals advance human welfare narrowly. To the contrary, the Postal Service intends to interpret this provision quite broadly. Topics such as a healthy environment or biodiversity appear on their face to be linked to the advancement of human welfare. This should assuage the commenters' concern. Consequently, the Postal Service does not believe a change in the regulation is necessary.

Cost Recovery

One commenter questioned whether the Postal Service would be able to recover its costs, and if not, whether ratepayers would be subsidizing the Semipostal Stamp Program. Another commenter recommended that strict auditing be used. The Postal Service believes that the regulations will provide the Postal Service with an adequate and effective means of preventing cross-subsidy. In particular, the Postal Service will track costs and revenues associated with the program, and will use data from comparable stamp issues to determine the additional costs attributable to semipostals. Furthermore, the Postal Service has reserved the right to withdraw semipostal stamps if sales or sales projections are lower than expected. In addition, the Act requires that the General Accounting Office prepare reports on the Semipostal Stamp Program. These measures provide

multiple means to protect against the risks cited by the commenters.

One commenter suggested that there should be exclusions for off-site meetings in resort areas and excessive spending on planning. The Postal Service is sensitive to these concerns, and § 551.8(f) incorporates several measures to minimize costs associated with the program. The Postal Service does not foresee deductions for the cost of off-site meetings, since decisions on semipostal stamps by the Citizens' Stamp Advisory Committee (CSAC) would be combined with that body's regular meetings. Thus, the costs of such meetings would ordinarily not need to be deducted against differential revenue under the standard set forth in § 551.8. Moreover, the Postal Service does not foresee the need for excessive spending. Indeed, in the case of the Breast Cancer Research Stamp, the costs as a proportion of total revenue transferred to the Department of Defense and the National Institutes of Health are very small, amounting to a small percentage of the funds transferred to date.

Two commenters expressed support for the policy to recover from differential revenue those costs that are attributable to the semipostal stamp that are not normally incurred for comparable commemorative stamps; however, these commenters oppose the provision in § 551.8(f)(2) that costs be minimized through issuance of one semipostal stamp at a time. To the extent this requirement prevents the Postal Service from having to dedicate additional resources to the Semipostal Stamp Program, the Postal Service believes that this provision serves as an appropriate means of minimizing costs, as required by the Act.

One commenter recommended that the cost profile used in § 551.8(c) should be identified before the sale of each stamp. The commenter believes that selection of a cost profile during or after the sales period could lead to inconsistencies in the amounts identified as recoverable costs. While the Postal Service agrees that it is generally sensible to decide on a cost profile before issuance of a stamp based on expectations of sales, the Postal Service believes it is reasonable to preserve discretion to change the cost profile if expectations of sales do not match actual experience. In such situations, it may be reasonable to draw comparisons between other commemorative issues exhibiting the same pattern, that is, where sales experience differs substantially from prior expectations. Naturally, such comparisons cannot be drawn until after the issuance of the semipostal stamp;

hence, it is reasonable to preserve discretion to select comparable stamps after the sales period begins. Thus, the Postal Service declines to adopt this suggestion.

One commenter suggested that advertising costs recoverable from differential revenue in § 551.8(e)(4) be clearly defined, so as to result in no confusion with advertising costs in § 551.8(g)(8). The advertising costs recoverable from differential revenue in § 551.8(e)(4) include those costs for advertising where the semipostal stamp is the only product featured in the advertising and for which no additional expenses are actually incurred. Section 551.8(g)(8) refers to advertising that is geared toward the image of the Postal Service as an entity. The Postal Service believes that this explanation addresses the commenter's concern.

One commenter recommended that § 551.8(d)(1) should be revised to include a threshold for costs considered too "inconsequential small." The Postal Service believes that a maximum threshold is reasonable. Hence, § 551.8(d)(1) is amended so as to define the term "inconsequential small" to include cost items not exceeding \$3,000 per invoice.

Voluntary Purchase

Two commenters expressed that customers should not be required to purchase semipostal stamps. The Postal Service agrees that the purchase of semipostal stamps should be strictly voluntary, and that postal retail units should have ample regular First-Class Mail postage stamps in stock at all locations where semipostal stamps are sold, so that no customers will feel compelled to purchase semipostal stamps. For emphasis, § 551.2 is amended to include a passage from 39 U.S.C. 416(c), which clearly states that the use of semipostal stamps is voluntary on the part of postal patrons.

Historical Events

One commenter submitting two comments objected to the exclusion of historical events in 39 CFR 551.4(d). The commenter expressed that the categorical exclusion of historical events was vague. The commenter further stated that historic-related national causes can further the national public interest and human welfare by educating the American people about their collective past. In the commenter's view, excluding historical events denies the opportunity to use semipostal stamps to fund the preservation of cultural resources and sites associated with those events. The Postal Service agrees that proposals as described by the

commenter could arguably fit within the statutory criteria. Accordingly, the term "historical events" is removed from the list of excluded causes in § 551.4(d).

Length of the Semipostal Stamp Program

One commenter suggested that the Postal Service operate the Semipostal Stamp Program for 6 months and then revisit the merits of the program after review of actual performance. The Postal Service notes that it has already established a track record with semipostal stamps through issuance of the Breast Cancer Research Stamp, which was issued in July 1998 and will continue to be sold to the public until July 29, 2002. The Postal Service's experience with the Breast Cancer Research Stamp demonstrates that semipostal stamps are accepted by the public and constitute an effective means of raising funds for selected causes. Consequently, the Postal Service declines to adopt the commenter's proposal.

Frequency

Two commenters expressed opposition to the requirement in § 551.5 that semipostal stamps may be offered for sale for less than 2 years to coincide with changes in the First-Class Mail single-piece first-ounce rate. The commenters stated that this provision should be eliminated on grounds of inequity to the beneficiary. The Postal Service is sensitive to these concerns, and intends to avoid situations where sales periods are shortened by underlying rate changes. This is not to suggest, however, that rate changes will never be implemented during the sales periods of future semipostal stamps. Past experience with the Breast Cancer Research Stamp suggests, however, that such situations should be kept to a minimum, because changing the underlying First-Class rate during the sales period of a semipostal generates confusion. This is because the postage value of semipostal stamps is based on their date of sale, not on their date of use, and there is no tracking system that would enable the Postal Service to measure differential revenue based on the date of use. Scheduling sales periods so as to coincide with changes in the First-Class Mail single-piece rate would accordingly enhance awareness among customers of the association of the underlying rate with the postage value of semipostal stamps. Thus, the Postal Service believes that § 551.5 is reasonable.

Breast Cancer Research Stamp

Several commenters suggested that the Postal Service continue to sell the Breast Cancer Research Stamp, presumably pursuant to its authority under 39 U.S.C. 416. Two commenters objected to the exclusion in § 551.4(d) of “any cause that has been previously supported by a semipostal stamp, including the stamp issued pursuant to 39 U.S.C. 414 [the authorizing statute for the Breast Cancer Research Stamp.]” One commenter states that this restriction extends beyond the Act.

The Postal Service notes that a categorical rule limiting the issuance of semipostals provides a means to diversify the Semipostal Stamp Program and ensures that no one cause receives the benefits of the program to the exclusion of others. However, the Postal Service believes that the CSAC could take account of this concern in selecting causes and recipient executive agencies. Therefore, the Postal Service will remove the limitation in § 551.4(d) providing that former causes funded by prior semipostal stamps, including the semipostal authorized by 39 U.S.C. 414, are categorically excluded from consideration.

Date of Commencement

Two commenters recommended that the Postal Service specify definitively that the 10-year sales period commences on August 1, 2002, immediately after the conclusion of the Breast Cancer Research Stamp in July 2002. As a general matter, the Postal Service intends to begin issuing semipostal stamps in mid-2002; however, the Postal Service does not wish to commit itself to issuing the first semipostal until it has a better idea of whether any rate changes are contemplated in that period, and whether the program would be better suited to begin after a rate change, rather than immediately prior to the date of implementation. Hence, the Postal Service declines to adopt the commenters' suggestion.

Number of Semipostal Stampss

Five commenters suggested that the Postal Service reconsider § 551.5(b), which provides that only one semipostal stamp will be offered for sale at a time. The commenters suggested that the Postal Service consider selling several semipostal stamps simultaneously. Two commenters suggested that the standard for discontinuing sales should be the standard in § 551.5(d), which establishes criteria for the discontinuation of semipostal stamps. Two other commenters suggested

issuing a new semipostal every year, with each offered for sale for a 2-year period.

The Postal Service appreciates these concerns, but submits that these interests are outweighed by other factors. In particular, the Postal Service believes that issuing more than one semipostal stamp will increase the complexity of the program from the perspective of both the postal retail employees and customers. This, in turn, could diminish the overall effectiveness of the program. Secondly, the Postal Service has scarce resources to commit to the Semipostal Stamp Program. Increasing the number of semipostal stamps would increase the administrative burden on the Postal Service and ultimately burden existing staff and limited resources. This, in turn, could require more dedicated resources to be committed to the task, and ultimately raises the proportion of costs to be offset against differential revenue. Finally, issuing multiple semipostals at the same time could lead to competition among semipostal stamps, and ultimately defeat the success of certain semipostal causes. Therefore, the Postal Service declines to adopt the commenters' suggestion.

Fixed Percentages for Recipient Executive Agencies

One commenter suggested that the proposed rule be amended so that agencies receive a specified percentage of the gross receipts from sales. The Act requires the Postal Service to deduct its reasonable costs incurred in connection with the program. Guaranteeing specific amounts could result in situations in which the Postal Service subsidizes amounts transferred to other agencies through ratepayer revenue. This, in the Postal Service's view, does not appear to be consistent with the spirit of the Act. Hence, the recommended change is not adopted.

Interested Persons

One commenter stated that the relationship between interested persons and recipient executive agencies in § 551.3(a) is unclear. The commenter notes that “descriptions of possible collaborations in the actual request for proposals could significantly increase the involvement across federal agencies and partnering organizations.” Section 551.4 provides that interested persons include, but are not limited to, “individuals, corporations, associations, and executive agencies under 5 U.S.C. 105.” The same meaning naturally extends to the term “interested persons” as that term is used in § 551.3. Furthermore, the regulations contain no

limitation against collaboration. Thus, the Postal Service believes that this explanation clarifies the rule.

CSAC

One commenter observed that there is no description of the CSAC in § 551.3, and suggested that a description of the composition and function of that body would be helpful. Information about the CSAC is available on the Postal Service's Web site, www.usps.com, and regulations pertaining to the CSAC are published in § 644.5 of the Administrative Support Manual. To avoid unnecessary duplication, the Postal Service believes that the regulations describing the CSAC should not be printed in the rule pertaining to semipostal stamps; however, the Postal Service has amended § 551.3 to include a reference to the regulations describing the CSAC. The Postal Service further notes that a description of the CSAC was included in footnote 1 of the supplementary information section of the proposed rule.

Two commenters stated that the CSAC is not the appropriate body to make recommendations on causes and recipient executive agencies to the postmaster general. The commenters instead recommended that the responsibility be assigned to a separate body consisting of fundraising and marketing experts. As an alternative, the commenters suggested that two additional appointments be made to the CSAC to represent fundraising expertise.

The Postal Service submits that the CSAC is well equipped to assume responsibility for the recommendation of causes and recipient executive agencies. CSAC membership represents a diverse and broad spectrum of American society, and CSAC members can be entrusted to use their judgment, experience, and talents to achieve the statutory objectives of the Act. The CSAC has had ample experience in selecting themes for commemorative stamps, many of which have been aimed at raising public awareness of important national interests. Thus, the CSAC already assumes related responsibilities through the selection of designs for commemorative stamps, and the Postal Service is confident that CSAC members can apply the same talents in the context of semipostal decision-making. Furthermore, establishing a separate panel of experts in marketing and fundraising would add substantially to the costs of administering the program, and would ultimately reduce the funds available for causes. A new committee would entail substantial planning and coordination and involve travel and

related expenses, which also would consume additional Postal Service administrative staff and resources. The Postal Service also declines to adopt the suggestion to increase the size of the CSAC. The addition of two persons would add to the expenses to be deducted from differential revenue. Moreover, existing CSAC members should be well equipped to make judgments on the feasibility of proposals, particularly given that interested persons submitting proposals are encouraged to provide supporting information demonstrating that the proposal would benefit the public interest.

CSAC Recommendations

Two commenters stated that the CSAC should be required to recommend more than one cause to the postmaster general § 551.3(d). The Postal Service does not believe that such a requirement is necessary or appropriate. The CSAC can make recommendations and prioritize them as it determines in its discretion. A rule requiring a specific number of recommendations could result in a situation where the CSAC is forced to make a recommendation notwithstanding its belief that none of the eligible proposals meet the statutory objectives. The Postal Service submits that this result is not intended by the Act, which confers discretionary authority, and not a compulsory obligation, on the Postal Service to issue semipostal stamps.

Two commenters suggested that the recommendation of causes and designs be handled as two separate actions, in order to facilitate consultations with the proposal beneficiary on the design to be developed. The Postal Service declines to adopt this proposal as part of its regulations. Such a requirement could contribute to delay. The CSAC meets four times per year, and in some cases consultations could cause delays in production and distribution schedules. Moreover, the Postal Service does not wish to commit itself or the CSAC to engaging in consultations with proposal submitters on stamp designs.

Pricing

Two commenters stated that § 551.6 should specify that the differential is not to exceed 25 percent of the underlying rate of postage. The Postal Service agrees that this change comports with the statutory language, and has made corresponding changes to § 551.6.

III. Comments Outside the Scope of the Rulemaking

A number of commenters also addressed issues beyond the scope of

the proposed rule. These are summarized below.

Nine commenters expressed favorable views about semipostal stamps generally. The Postal Service appreciates these views and encourages interested persons to consider responding to future requests for proposals.

Twenty-one commenters expressed that the Postal Service should not offer semipostal stamps. Those opposed to semipostal stamps cited a number of concerns. Some commenters suggested that it would be inappropriate for the Postal Service to select causes, since, in their view, it would show favoritism of certain causes or groups over others. Some commenters expressed concern that the Postal Service would have to defend decisions on semipostals. Some commenters were also concerned that controversial causes would be featured on semipostal stamps, and this would lead to litigation and public disapproval. Some commenters suggested that Congress should make decisions on causes. Other commenters suggested that the Postal Service should instead focus on other priorities, such as improving mail delivery service. Some commenters were concerned about the cost of the program. One commenter noted that semipostal stamps are unfair to stamp collectors.

The Postal Service is aware of the sentiments expressed in the comments, but notes that the regulations are based on legislation that Congress enacted, and thus comments disfavoring the concept of semipostal stamps are not within the scope of the rulemaking. The Postal Service further notes, however, that the regulations are intended to promote sound decision-making with regard to the selection of causes and recipient executive agencies, which should provide ample protection against many of the concerns raised by the commenters.

One commenter suggested that semipostal stamps raise funds that go towards political parties. Another commenter raised a related issue by suggesting that funds be transferred to "legitimate 501(c)(3) organizations." These proposals are not consistent with the Act, since the Act requires that funds must be transmitted to executive agencies, as defined by 5 U.S.C. 105. Political parties and tax-exempt 501(c)(3) nonprofit organizations are not executive agencies under 5 U.S.C. 105; hence they are not eligible to receive funds directly through the Semipostal Stamp Program.

One commenter recommended that vending packet machines include a brief explanation of the semipostal nature of

the stamps. The Postal Service already has implemented, and will continue to implement, measures to promote awareness of the postage value of semipostal stamps. Currently, the Postal Service promotes awareness of the postage value of stamps by printing a notice on the selva of semipostal sheets that clearly states that each stamp is valid for postage. The Postal Service will continue these means of raising awareness of the dual purpose of semipostal stamps.

Several commenters suggested ideas for semipostal stamps, including the following:

- One commenter suggested a NASCAR semipostal stamp to honor the drivers who have passed away.
- Two commenters suggested a semipostal stamp for hunger.
- One commenter suggested a gay women's Irish Catholic/German American Voting Rights fund.
- One commenter suggested a prostate research stamp.
- One commenter suggested an Alzheimer's disease semipostal stamp.
- Two commenters suggested a Dale Earnhardt commemorative stamp to benefit the Carolinas Foundation.
- Five commenters suggested a semipostal stamp to fund a companion animal spay-neuter initiative.
- One commenter suggested a generic childhood cancer semipostal stamp.

The Postal Service appreciates the public's interest in ideas for future semipostal stamps, but notes that these comments are premature at this time, as the proposed rule merely sought suggestions on, *inter alia*, the procedures for selection of causes and agencies for future semipostals. The selection process for a new semipostal stamp will be announced in a separate notice published in the **Federal Register**, at which time interested persons may submit proposals for new semipostals in accordance with 39 CFR Part 551. The Postal Service will welcome conforming proposals on causes at that time.

A number of commenters also raised miscellaneous issues unrelated to semipostal stamps. One commenter raised questions with regard to stamps featuring the image of Martin Luther King, Jr. Another commenter asked for information on the requirements for designing stamps. One commenter asked about mailing self-stamped envelopes to Ontario. One commenter asked for a hardcopy of the proposed regulations. Three commenters expressed opposition to stamps featuring designs honoring trappers and trapping. One commenter suggested that the First-Class Mail rate be changed in

greater than 1-cent increments. One commenter suggested printing stamps featuring the faces of missing children. One commenter suggested that the Postal Service suspend Saturday delivery in lieu of raising postage rates. One commenter requested information on purchasing stamps through the Postal Service's Web site. One commenter raised concerns about the privacy of her correspondence. One commenter raised concerns about postal rates and operating efficiency. One commenter expressed concern about delivery of mail to households. One commenter sent a published article related to the variable pay program for postal management.

The Postal Service values public comment on its affairs and appreciates receiving information from those doing business with the Postal Service, but notes that these comments are beyond the scope of the rulemaking.

IV. Conclusion

In accordance with 39 U.S.C. 416, the Postal Service hereby adopts the following amendments to the Code of Federal Regulations.

List of Subjects in 39 CFR Part 551

Administrative practice and procedure, Postal Service.

For the reasons set out in this document, the Postal Service amends 39 CFR chapter I by revising the heading for subchapter G and adding part 551 to subchapter G to read as follows:

Subchapter G—Postage Programs

PART 551—SEMIPOSTAL STAMP PROGRAM

Sec.

- 551.1 Semipostal Stamp Program.
- 551.2 Semipostal stamps.
- 551.3 Procedure for selection of causes and recipient executive agencies.
- 551.4 Submission requirements and selection criteria.
- 551.5 Frequency and other limitations.
- 551.6 Pricing.
- 551.7 Calculation of funds for recipient executive agencies.
- 551.8 Cost offset policy.

Authority: 39 U.S.C. 101, 201, 203, 401, 403, 404, 410, 414, and 416.

§ 551.1 Semipostal Stamp Program.

The Semipostal Stamp Program is established under the Semipostal Authorization Act, Public Law No. 106–253, 114 Stat. 634 (2000). The office of Stamp Services has primary responsibility for administering the Semipostal Stamp Program. The office of the vice president, Finance, Controller, has primary responsibility

for financial aspects of the Semipostal Stamp Program.

§ 551.2 Semipostal stamps.

Semipostal stamps are stamps that are sold for a price that exceeds the postage value of the stamp. The difference between the price and postage value of semipostal stamps, also known as the differential, less an offset for reasonable costs, as determined by the Postal Service, consists of a contribution to fund causes determined by the Postal Service to be in the national public interest and appropriate. Funds are to be transferred to selected recipient executive agencies, as defined under 5 U.S.C. 105. The office of Stamp Services determines the print quantities of semipostal stamps. The use of semipostal stamps shall be voluntary on the part of postal patrons.

§ 551.3 Procedure for selection of causes and recipient executive agencies.

The Postal Service is authorized to select causes and recipient executive agencies to receive funds raised through the sale of semipostal stamps. The procedure for selection of causes and recipient executive agencies is as follows:

(a) In advance of the issuance of a semipostal stamp, the office of Stamp Services will publish a request for proposals in the **Federal Register** inviting interested persons to submit proposals for a cause and recipient executive agencies for a future semipostal stamp. The notice will specify the beginning and ending dates of the period during which proposals may be submitted. The notice will also specify the approximate period in which the semipostal stamp for which proposals are solicited is to be sold. The office of Stamp Services may publicize the request for proposals through other means, as it determines in its discretion.

(b) Proposals will be received by the office of Stamp Services, which will review each proposal under § 551.4.

(c) Those proposals that the office of Stamp Services determines satisfy the requirements of § 551.4 will be forwarded for consideration by the Citizens' Stamp Advisory Committee, which is described in Administrative Support Manual (ASM) section 644.5. For availability of ASM 644.5, contact the Office of Stamp Services (202) 268–2319.

(d) The Citizens' Stamp Advisory Committee will review eligible proposals forwarded by the office of Stamp Services. Based on the proposals submitted, the Citizens' Stamp Advisory Committee will make recommendations on a cause and eligible recipient

executive agency(ies) to the postmaster general. If no eligible proposals are recommended, the Postal Service will solicit additional proposals through publication of a notice in the **Federal Register** and through other means as it determines in its discretion.

(e) Meetings of the Citizens' Stamp Advisory Committee are closed, and deliberations of the Citizens' Stamp Advisory Committee are predecisional in nature.

(f) The postmaster general will act on the recommendations of the Citizens' Stamp Advisory Committee. The decision of the postmaster general shall consist of the final agency decision.

(g) The office of Stamp Services will notify the executive agency(ies) in writing of a decision designating the agency(ies) as recipients of funds from a semipostal stamp.

(h)(1) A proposal submission may designate one or two recipient executive agencies to receive funds, but if more than one executive agency is proposed, the proposal must specify the percentage shares of differential revenue, net of the Postal Service's reasonable costs, to be given to each agency. If percentage shares are not specified, it is presumed that the proposal intends that the funds be split evenly between the agencies. If more than two recipient executive agencies are proposed to receive funds and the proposal is selected, the proposal is treated as prescribed by paragraph (h)(3) of this section.

(2) If more than one proposal is submitted for the same cause, and the proposals would have different executive agencies receiving funds, the funds would be evenly divided among the executive agencies, with no more than two agencies being designated to receive funds, as determined by the vice president and consumer advocate.

(3) Within 10 days of receipt of a notice indicating that it has been selected to receive funds, a selected agency could request a proportionately larger share if it can demonstrate that its share of total funding of the cause from other sources (excluding any additional funds available as a result of the semipostal stamp) exceeds that of the other recipient executive agency. The request must be in writing and must be sent to the manager of Stamp Services. In those cases, the determination regarding the proportional share to be divided among the recipient executive agencies is made by the Postal Service's vice president and consumer advocate.

(i) As either a separate matter, or in combination with recommendations on a cause and a recipient executive agency(ies), the Citizens' Stamp

Advisory Committee will recommend to the postmaster general a design (i.e., artwork) for the semipostal stamp. The postmaster general will make a final determination on the design to be featured.

§ 551.4 Submission requirements and selection criteria.

(a) Proposals on recipient executive agencies and causes must satisfy the following requirements:

(1) Interested persons must timely submit an original and 20 copies of the proposal. For purposes of this section, interested persons include, but are not limited to, individuals, corporations, associations, and executive agencies under 5 U.S.C. 105. Interested persons submitting proposals are also encouraged to submit an Adobe Acrobat (.pdf) file saved on a 3.5 inch diskette or CD-ROM diskette containing the entire contents of the submission. In extraordinary circumstances, the office of Stamp Services may, in its discretion, consider a late-filed proposal.

(2) The proposal submission must be signed by the individual or a duly authorized representative and must provide the mailing address, phone number, fax number (if available), and E-mail address (if available) of a designated point of contact.

(3) The submission must describe the cause and the purposes for which the funds would be spent.

(4) The submission must demonstrate that the cause to be funded has broad national appeal, and that the cause is in the national public interest and furthers human welfare. Respondents are encouraged to submit supporting documentation demonstrating that funding the cause would benefit the national public interest.

(5) The submission must be accompanied by a letter from an executive agency or agencies on agency letterhead representing that:

(i) it is an executive agency as defined under 5 U.S.C. 105,

(ii) it is willing and able to implement the proposal, and

(iii) it is willing and able to meet the requirements of the Semipostal Authorization Act, if it is selected. The letter must be signed by a duly authorized representative of the agency.

(b) Proposal submissions become the property of the Postal Service and are not returned to interested persons who submit them. Interested persons who submit proposals are not entitled to any remuneration, compensation, or any other form of payment, whether their proposal submissions are selected or not, for any reason.

(c) The following persons are disqualified from submitting proposals:

(1) Any contractor of the Postal Service that may stand to benefit financially from the Semipostal Stamp Program; or

(2) Members of the Citizens' Stamp Advisory Committee and their immediate families, and employees or contractors of the Postal Service, and their immediate families, who are involved in any decision-making related to causes, recipient agencies, or artwork for the Semipostal Stamp Program.

(d) Consideration for evaluation will not be given to proposals that request support for the following: Anniversaries; public works; people; specific organizations or associations; commercial enterprises or products; cities, towns, municipalities, counties, or secondary schools; hospitals, libraries, or similar institutions; religious institutions; causes that do not further human welfare; or causes determined by the Postal Service or the Citizens' Stamp Advisory Committee to be inconsistent with the spirit, intent, or history of the Semipostal Authorization Act.

(e) Artwork and stamp designs should not be submitted with proposals.

§ 551.5 Frequency and other limitations.

(a) The Postal Service is authorized to issue semipostal stamps for a 10-year period beginning on the date on which semipostal stamps are first sold to the public under 39 U.S.C. 416. The 10-year period will commence after the sales period of the Breast Cancer Research Stamp is concluded in accordance with the Stamp Out Breast Cancer Act, as amended by the Semipostal Authorization Act. The office of Stamp Services will determine the date of commencement of the 10-year period.

(b) The Postal Service will offer only one semipostal stamp for sale at any given time during the 10-year period.

(c) The sales period for any given semipostal stamp is limited to no more than 2 years, as determined by the office of Stamp Services.

(d) Prior to or after the issuance of a given semipostal stamp, the Postal Service reserves the right to withdraw the semipostal stamp from sale, or to reduce the sales period, if, *inter alia*:

(1) Its sales or revenue statistics are lower than expected,

(2) The sales or revenue projections are lower than previously expected, or

(3) The cause or recipient executive agency does not further, or comply with, the statutory purposes or requirements of the Semipostal Authorization Act. The decision to withdraw a semipostal stamp is to be made by the postmaster

general, after review of supporting documentation prepared by the office of Stamp Services.

§ 551.6 Pricing.

(a) The Semipostal Authorization Act prescribes that the price of a semipostal stamp is the "rate of postage that would otherwise regularly apply, plus a differential not to exceed 25 percent." For purposes of this provision, the First-Class Mail" single-piece first-ounce rate of postage will be considered "the rate of postage that would otherwise regularly apply."

(b) The prices of semipostal stamps are determined by the Governors of the United States Postal Service in accordance with the requirements of 39 U.S.C. 416.

§ 551.7 Calculation of funds for recipient executive agencies.

(a) The Postal Service is to determine its reasonable costs in executing its responsibilities pursuant to the Semipostal Authorization Act, as specified in § 551.8. These costs are offset against the revenue received through sale of each semipostal stamp in excess of the First-Class Mail single-piece first-ounce rate in effect at the time of purchase.

(b) Any reasonable costs offset by the Postal Service shall be retained by it, along with revenue from the sale of the semipostal stamps, as recorded by sales units through the use of a specially designated account.

(c) The Postal Service is to pay designated recipient executive agency(ies) the remainder of the differential revenue less an amount to recover the reasonable costs of the Postal Service, as determined under § 551.8.

(d) The amounts for recipient executive agencies are transferred in a manner and frequency determined by mutual agreement, consistent with the requirements of 39 U.S.C. 416.

§ 551.8 Cost offset policy.

(a) Postal Service policy is to recover from the differential revenue for each semipostal stamp those costs that are determined to be attributable to the semipostal stamp and that would not normally be incurred for commemorative stamps having similar sales; physical characteristics; and marketing, promotional, and public relations activities (hereinafter "comparable stamps").

(b) Overall responsibility for tracking costs associated with semipostal stamps will rest with the office of the vice president, Finance, Controller. Individual organizational units

incurring costs will provide supporting documentation to the office of the vice president, Finance, Controller.

(c) For each semipostal stamp, the office of the vice president, Finance, Controller, shall, based on judgment and available information, identify the comparable commemorative stamp(s) and create a profile of the typical cost characteristics of the comparable stamp(s) (e.g., manufacturing process, gum type), thereby establishing a baseline for cost comparison purposes. The determination of comparable commemorative stamps may change during or after the sales period, if the projections of stamp sales differ from actual experience.

(d) Except as specified, all costs associated with semipostal stamps will be tracked by the office of the vice president, Finance, Controller. Costs that will not be tracked include:

- (1) Costs that the Postal Service determines to be inconsequentially small, which include those cost items not exceeding \$3,000 per invoice;
- (2) Costs for which the cost of tracking would be burdensome (e.g., costs for which the cost of tracking exceeds the cost to be tracked);
- (3) Costs attributable to mail to which semipostal stamps are affixed (which

are attributable to the appropriate class and/or subclass of mail); and

(4) Administrative and support costs that the Postal Service would have incurred whether or not the Semipostal Stamp Program had been established.

(e) Cost items recoverable from the differential revenue may include, but are not limited to, the following:

- (1) Packaging costs in excess of the cost to package comparable stamps;
- (2) Printing costs of flyers and special receipts;
- (3) Costs of changes to equipment;
- (4) Costs of developing and executing marketing and promotional plans in excess of the cost for comparable stamps; and
- (5) Other costs specific to the semipostal stamp that would not normally have been incurred for comparable stamps.

(f) The Semipostal Stamp Program incorporates the following provisions that are intended to maximize differential revenues available to the selected causes. These include, but are not limited to, the following:

- (1) Avoiding, to the extent practicable, promotional costs that exceed those of comparable stamps;
- (2) Establishing restrictions on the number of concurrently issued semipostal stamps; and

(3) Making financial and retail system changes in conjunction with regularly scheduled revisions.

(g) Other costs attributable to semipostals but which would normally be incurred for comparable stamps would be recovered through the postage component of the semipostal stamp price. These include, but are not limited to, the following:

- (1) Costs of stamp design (including market research);
- (2) Costs of stamp production and printing;
- (3) Costs of stamp shipping and distribution;
- (4) Estimated training costs for field staff, except for special training associated with semipostal stamps;
- (5) Costs of stamp sales (including employee salaries and benefits);
- (6) Costs associated with the withdrawal of the stamp issue from sale;
- (7) Costs associated with the destruction of unsold stamps; and
- (8) Costs associated with the incorporation of semipostal stamp images into advertising for the Postal Service as an entity.

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