



CRS Issue Statement on the U.S. Postal Service: Finances and Operations

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Since 1971, the U.S. Postal Service (USPS) has been a self-supporting, governmental entity. Unlike most other government agencies, the USPS does not rely upon annual appropriations. The Postal Service is a marketized government agency, that is, it is designed to cover its operating costs by generating revenues through the sales of postage and related products and services

Prior to 1971, the federal government provided postal services via the U.S. Post Office Department, a government agency that received annual appropriations from Congress. The Postal Reorganization Act (PRA; P.L. 91-375; 84 Stat. 725) replaced USPOD with the USPS, an “independent establishment of the executive branch” (39 U.S.C. 201). The PRA deemed the USPS as

a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution ... and supported by the people. The Postal Service shall... provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities (39 U.S.C. 101(a)).

On December 9, 2006, Congress enacted H.R. 6407, the Postal Accountability and Enhancement Act (PAEA). President George W. Bush signed it into law on December 20, 2006 (PAEA; P.L. 109-435; 120 Stat. 3198). The PAEA was the first major revision of the PRA, and it made many changes to current postal law. However, the PAEA did not alter the fundamental aspects of the U.S. postal system—government-operated, universal mail acceptance and delivery throughout the United States and its territories.

During the past three years, the USPS has experienced significant financial challenges. The USPS lost \$5.3 billion in FY2007, \$2.8 billion in FY2008, and \$3.8 billion in FY2009. Were it not for congressional action to reduce a statutorily required retiree health benefits payment (P.L. 111-68, Section 164), the USPS would have lost \$7.8 billion in FY2009. Come September 30, 2010, the USPS is scheduled to make a \$5.5 billion payment to its Retiree Health Benefits Fund. Already, there is widespread doubt within the postal community that the USPS will have sufficient funds to make that payment. The ramifications of such a default, if it were to occur, are unclear. The Postal Service’s ability to borrow money to cover its operating losses is diminishing. Between FY2005 and FY2009, the USPS’s debt rose from \$0 to \$10.2 billion, and federal statute limits its outstanding debt to \$15 billion.

John E. Potter, the Postmaster General, has said that the U.S. Postal Service’s model is “broken,” and that the USPS will continue to run deficits absent fundamental changes to the USPS. While the Postal Service does have more operational freedoms than the typical federal agency, much of its structure and operations remains the creation of federal law. Thus, if the U.S. Postal Service needs to be fundamentally altered in order to make it financially self sufficient, then Congress may have to enact such changes through statute.

Policy Problem

The USPS has run large deficits in FY2007 through FY2009, and it is predicting a large deficit in FY2010. Is the USPS on a financially unsustainable path? What, if anything, should Congress do to assist the USPS?

Specific Policy Questions

1. Is the government obliged to provide universal delivery of mail? Is the USPS necessary?
2. Are the USPS's financial difficulties remediable or must the USPS's business model be reinvented to ensure its viability?
3. Should the USPS be permitted to offer nonpostal products and services in order to increase its revenues?
4. Should Congress require the USPS to carry all classes of mail at rates that are no less than their costs? Or should the USPS be free to price all its services at whatever it deems the market will bear?
5. Does the USPS have sufficient authorities to adjust its mail delivery and retail service networks in response to changing mailer demand?
6. Should the USPS continue to deliver mail six days per week?
7. Should the USPS's schedule of mandatory annual payments to prefund its future retiree health benefits (as required by the Postal Accountability and Enhancement Act of 2006) be further amended?

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