

Postal 101: Essential Information About an Indispensable Institution



About the Presenters

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- Studies the U.S. Congress, the administrative state, American politics, and election reform
- Numerous postal reports and publications, including at AEI, the R Street Institute, and the Congressional Research Service (CRS)



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Objectives

- **Help congressional staff effectively handle postal matters**
 - Meet with Members, stakeholders, and constituents
 - Deal with key concerns – postal rates, postal facilities, USPS finances
 - Handle Postal Service oversight and legislation
- **Maintain institutional capacity**
 - Get Members and staff up to speed
 - Keep up to date
 - Have ready references for more information

Outline of Briefing



1. USPS: The Basics



2. Postal Workforce, Operations, and Infrastructure



3. Types of Mail and Services



4. USPS Oversight



5. Mail Volumes & Finances



6. Postal Retirement Benefits

1. USPS: The Basics



- Independent establishment of the executive branch
- A public service that is self-supporting and businesslike
- Universal postal service
- Postal delivery and mailbox monopolies
- USPS governance
- Postal laws and regulations
- Delivering for America Plan

1a. USPS: An independent establishment of the executive branch



- Not a traditional agency in the President's Cabinet that is subject to day-to-day political control
- Manages its operations
- Owns its property, facilities, and vehicles
- Sets postal rates (with regulatory approval)
- Exempt from many laws that apply to federal agencies and private companies
- Exempt from OMB guidance

1b. A public service that is self-supporting and businesslike



- Congress created USPS to be self-supporting from postal revenues
- Congress also intended USPS to act in a businesslike manner

"[T]he Postal Service is a public service but there is no reason why it cannot be conducted in a business like way and every reason why it should be."

House Committee Report on the 1970 act creating USPS

1c. Universal postal service



- Nationwide mail delivery and postal retail service
 - 6-day delivery, except during weeks with federal holidays
 - Nationwide network of postal retail facilities, mostly run by USPS
- Defined by laws, regulations, and practices
 - Title 39 – broad policy mandates, 6-day delivery, rate discounts, uniform rates
 - USPS regulations – standards for timely mail delivery
 - USPS practices – post office locations and hours
- Universal service has evolved over time
 - Number of post offices, locations, and hours
 - Delivery frequency

1d. USPS delivery and mailbox monopolies

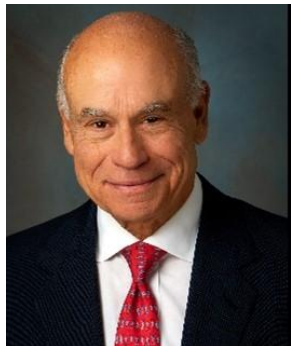


- By law, only USPS can deliver letter mail
 - Mostly First-Class Mail and Marketing Mail
 - Does not cover Periodicals (newspapers and magazines)
 - Does not cover packages such as Priority Mail
- By law, only USPS can access mailboxes
- These monopolies are intended to protect USPS's revenues, which helps support universal postal service

1e. USPS governance



- USPS Board of Governors – 11 members
 - Nine Governors, appointed by the President and confirmed by the Senate
 - Governors appoint the Postmaster General (PMG), who is a Board member
 - Governors & PMG appoint the Deputy PMG, who is a Board member



Roman Martinez IV
Chairman, Board of
Governors



Louis DeJoy
Postmaster General
and Chief Executive
Officer



Douglas Tulino
Deputy Postmaster
General and Chief
Human Resources
Officer

1f. Postal Laws and Regulations



- Title 39, U.S. Code (U.S.C.) – Postal laws
 - Postal Reorganization Act of 1970 (Pub. L. 91-375)
 - Postal Accountability and Enhancement Act (PAEA) of 2006 (Pub. L. 109-435)
 - Postal Service Reform Act of 2022 (Pub. L. 117-108)
- Other key laws
 - Title 5, U.S.C. – Postal pension and retiree health benefits
 - Title 18, U.S.C. – U.S. criminal code (e.g., laws on mail theft, postal monopolies)
- Title 39, Code of Federal Regulations (C.F.R.) – Postal regulations

1g. USPS Delivering for America Plan



- The Delivering for America Plan is USPS's vision and 10-year plan
 - Issued in March 2021
 - Intended to achieve financial sustainability and service excellence
- To fulfill its plan, USPS is restructuring its operations
 - New and rebuilt facilities for mail processing and delivery operations
 - Revised transportation networks, shifting much mail from air to trucks
 - Converted 140,000 pre-career employees to career employees
- USPS is shifting its emphasis to parcels
 - Main opportunity to grow revenue
 - Greater capacity to handle parcel volumes
 - Slower delivery of letter mail

2. Workforce, Operations, and Infrastructure

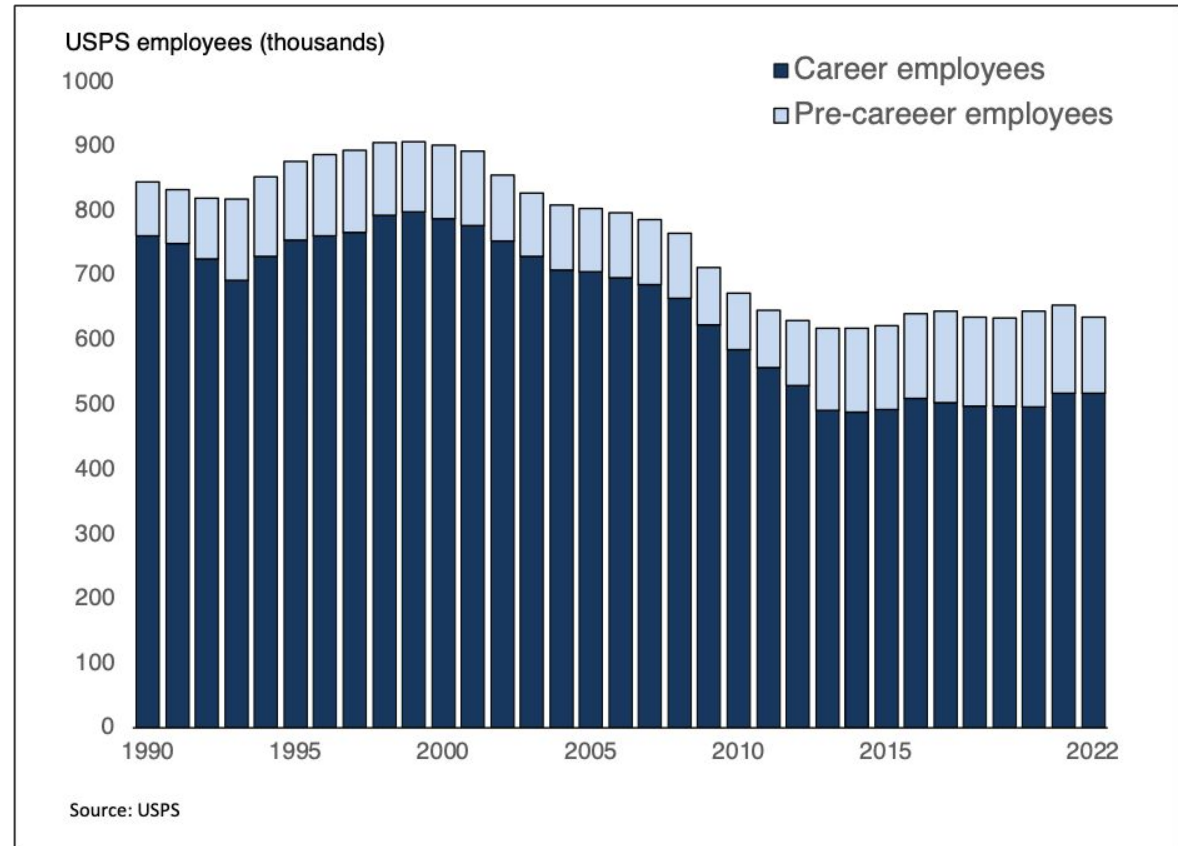


- Types of USPS employees
- Postal unions and management associations
- How USPS moves the mail from sender to recipient
- Types of postal facilities
- USPS vehicles

2a. Types of USPS employees



- Career employees
 - Permanent
 - Full employee benefits
 - Mostly full-time
 - 81% of workforce in FY 2022
- Pre-career employees
 - Temporary
 - Limited employee benefits
 - Mostly part-time
 - 19% of workforce in FY 2022



2a. Types of USPS employees (continued)



- City carrier – city route
- Rural carrier – rural route
- Clerks – window service, mail processing
- Mail handler – mail processing
- Postmaster

Type and Number of USPS Employees, FY 2022

Type of Employee	Number
City carrier	205,427
Clerk	153,577
Rural carrier	124,280
Mail handler	55,823
Postmaster/Supervisor/Manager	39,026
Building and equipment maintenance	27,098
Vehicle maintenance/Motor vehicle operator	14,735
Other	15,403
Total	635,369

Source: USPS.

Note: Data include career and pre-career employees.

2b. Postal unions and management associations

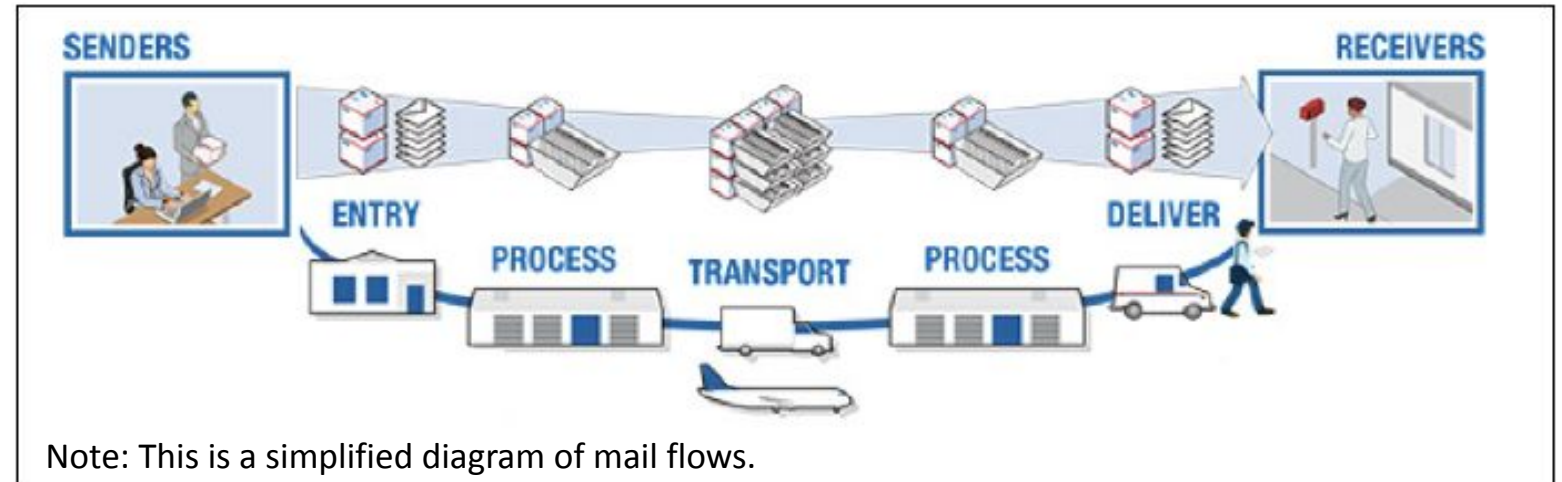


- Four major postal unions – collectively bargain for wages and work rules
 - National Association of Letter Carriers (NALC)
 - American Postal Workers Union (APWU)
 - National Rural Letter Carriers' Association (NLRCA)
 - National Postal Mail Handlers Union (NPHMU)
- Two postal management associations – consult with USPS
 - National Association of Postal Supervisors (NAPS)
 - United Postmasters and Managers of America (UPMA)

2c. How USPS moves the mail from sender to recipient



1. Acceptance
 - Collection box/mailbox
 - Local post office
 - Mail processing facility
2. Mail processing
 - Origination
 - Destination
3. Transportation
 - Surface (truck)
 - Air
4. Delivery



2d. Types of postal facilities



- Postal retail facilities
 - Post offices, branches, and stations
 - Contract Postal Units
 - Community Post Offices
 - Village Post Offices
- Mail processing facilities
 - Regional Processing and Distribution Centers
 - Local Processing Centers
 - Sorting and Delivery Centers



2e. USPS delivery vehicles



- 216,500 delivery and collection vehicles in FY 2022
 - Most are obsolete.
 - USPS is starting to replace them.
- Most new delivery vehicles will be electric.
 - 75% of new vehicles delivered by 2026
 - 100% of new vehicles delivered from 2027 on
- USPS is buying charging stations for electric vehicles.

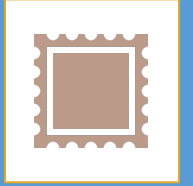


Current USPS delivery vehicle



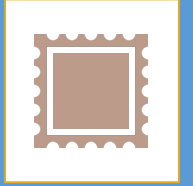
USPS Next Generation Delivery Vehicle

3. Types of Mail and Services



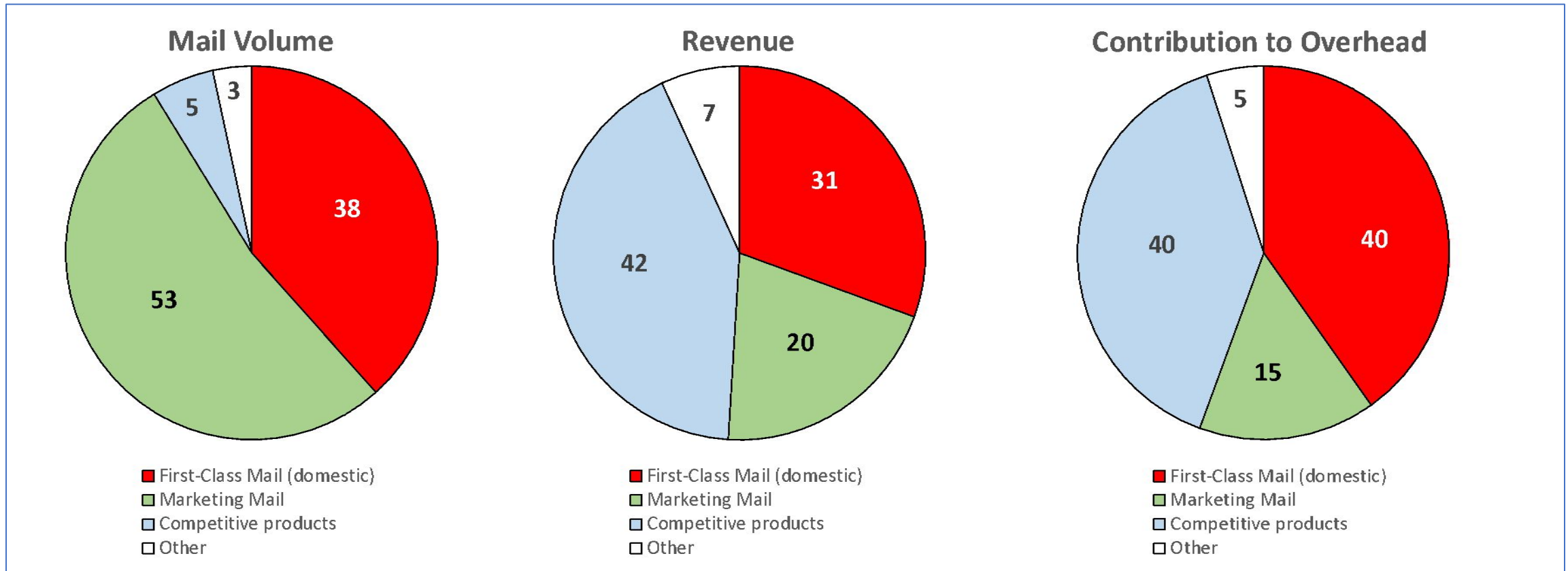
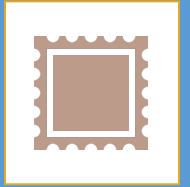
- Market-dominant vs. Competitive Products
- Major Classes of Mail Services

3a. Market-dominant Products vs. Competitive Products



- Market-dominant Products
 - USPS has a delivery monopoly or a large market share with limited competition
 - Mainly letter- and flat-size mail
 - Price cap based on the Consumer Price Index (CPI) plus other factors
- Competitive Products
 - USPS faces direct competition for delivery
 - Mainly packages
 - Price floor so products cover costs and collectively help cover overhead costs

3b. Mail and Services: FY 2022



4. USPS Oversight



- Congressional oversight committees
- Postal Regulatory Commission (PRC)
- USPS Office of Inspector General (OIG)
- U.S. Government Accountability Office (GAO)
- Postal Inspection Service

4a. Congressional Oversight Committees



- U.S. House Committee on Oversight and Accountability



James Comer
Chairman (KY-01)



Jaime Raskin
Ranking Member (MD-08)

- U.S. Senate Committee on Homeland Security and Governmental Affairs



Gary Peters
Chairman (MI)



Rand Paul
Ranking Member (KY)

4b. Postal Regulatory Commission (PRC)



- Independent federal agency
- Mission to ensure USPS transparency and accountability and foster a vital and efficient universal mail system
 - Reviews changes to postal rates, new products, and international postal treaties
 - Reviews postal office closings, delivery performance, and USPS compliance with postal laws; adjudicates complaints
 - Issues advisory opinions on service changes with substantially nationwide impact
- Five Commissioners, appointed by the President and confirmed by the Senate



Michael M.
Kubayanda
Chairman

4c. USPS Office of Inspector General (OIG)



- Independent agency within USPS
 - Under general supervision of nine presidentially appointed USPS Governors
- Mission to ensure USPS efficiency, accountability, and integrity
 - Conducts audits, evaluations, research, and investigations
 - Works to detect and prevent fraud, waste, and abuse in USPS programs and operations
 - More than 1,000 auditors, investigators, and professional support personnel across the country
- Inspector General, appointed by the USPS Board of Governors to a 7-year term



Tammy Whitcomb
Hull, Inspector
General, USPS

4d. U.S. Government Accountability Office (GAO)



- Independent, non-partisan agency within the legislative branch
- Mission to support Congress meeting its responsibilities and help improve the performance and accountability of the federal government
 - Congressional “watchdog” - oversight over federal agencies and USPS
 - Provides auditing, evaluative, and investigative services to help the government save money and work more efficiently
 - Nearly 3,400 employees across the country
- Comptroller General, appointed by the President and confirmed by the Senate to a 15-year term



Gene Dodaro,
Comptroller General,
GAO

4e. U.S. Postal Inspection Service



- The law enforcement, crime prevention, and security arm of USPS
- Mission to support and protect USPS and its employees, infrastructure, and customers; enforce the laws that defend the nation's mail system from illegal or dangerous use; and ensure trust in the mail
 - Investigates mail theft, mail fraud, identity theft, use of the mail to deliver illegal drugs and explosive devices; works with partners to investigate other crimes
 - Postal police protect USPS facilities
 - Over 1,250 Postal Inspectors, almost 450 Postal Police Officers, and more than 600 support personnel
- Chief Postal Inspector is appointed by the USPS Board of Governors with no fixed term



Gary R. Barksdale,
Chief Postal Inspector

5. Postal Service Mail Volume & Finances

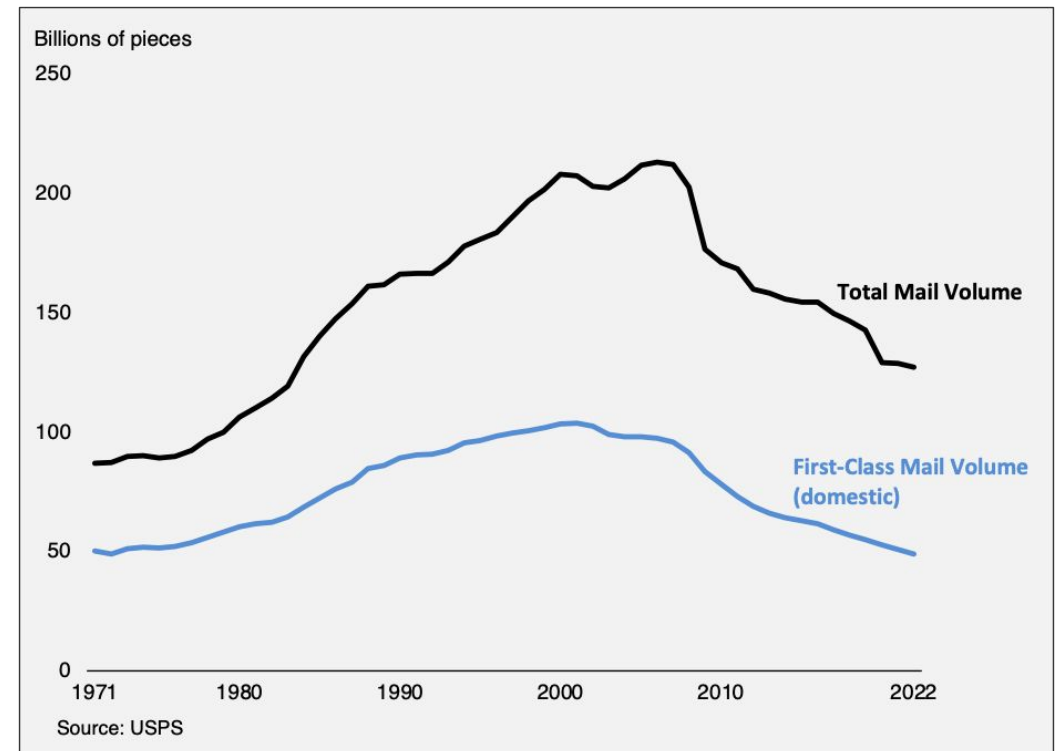


- Mail Volume
 - Letter mail volume is declining as communications, payments, and advertising shift to electronic alternatives.
 - Parcel volume has risen over time due to rising electronic commerce.
- Finances
 - Perennial financial problems continue despite enactment of postal reform legislation in 2022.

5a. Mail Volume Has Peaked



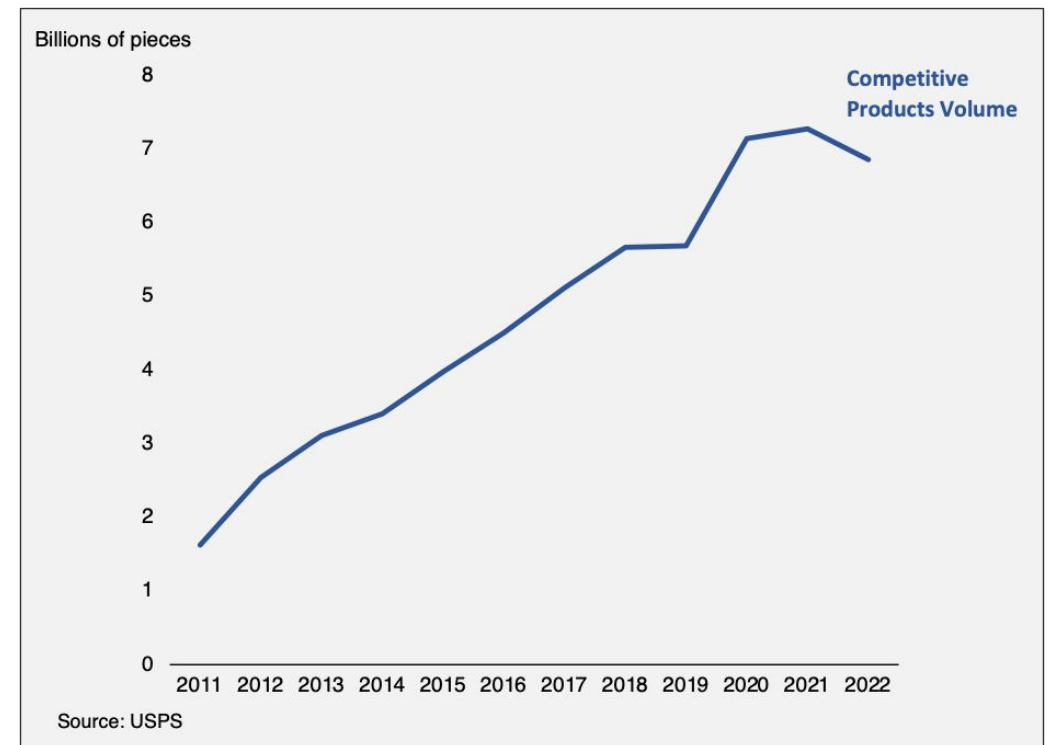
- Total mail volume: 127 billion pieces in FY 2022
 - Down 40% from FY 2007 peak
 - Down 8.3% in first 3 quarters of FY 2023
- Domestic First-Class Mail volume: 49 billion pieces in FY 2022
 - Down 53% from FY 2001 peak
 - Down 6.1% in first 3 quarters of FY 2023



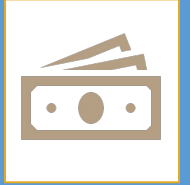
5a. Parcels Instead of Paper



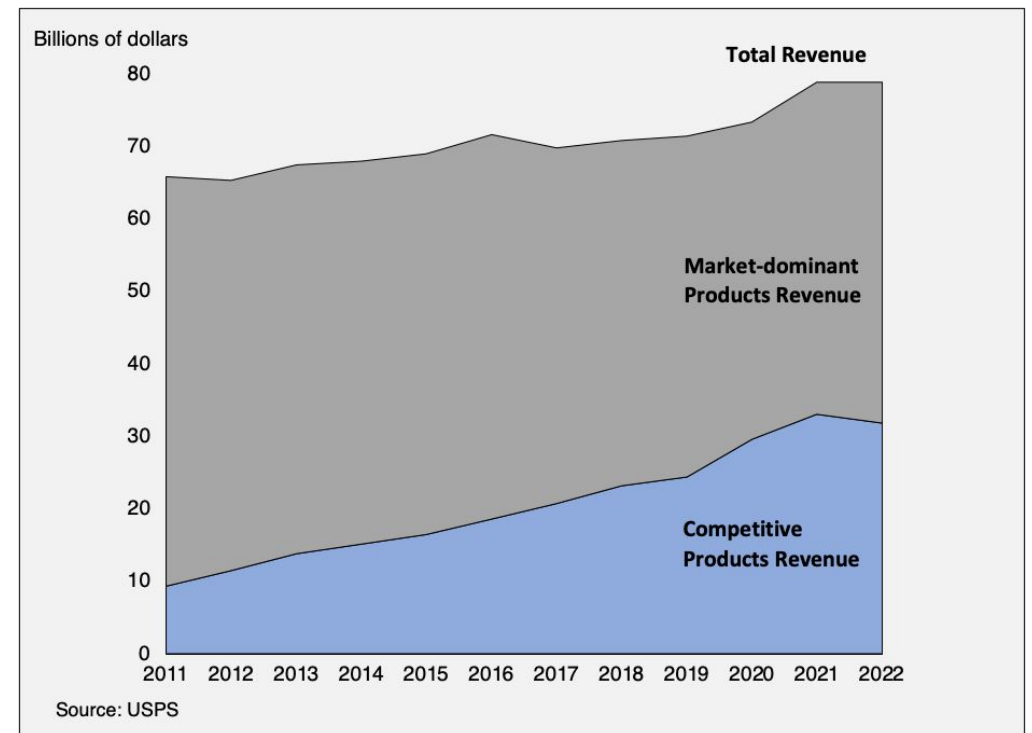
- In recent years, much of USPS's focus has shifted toward shipping parcels over paper mail
- Competitive products (mostly parcels) volume has increased greatly
 - Up from 1.6 billion pieces in FY 2011 to 6.8 billion pieces in FY 2022
 - Volume spiked during the pandemic
 - Down 2.7% in the first 10 months of FY 2023



5a. Growing Private Sector Competition



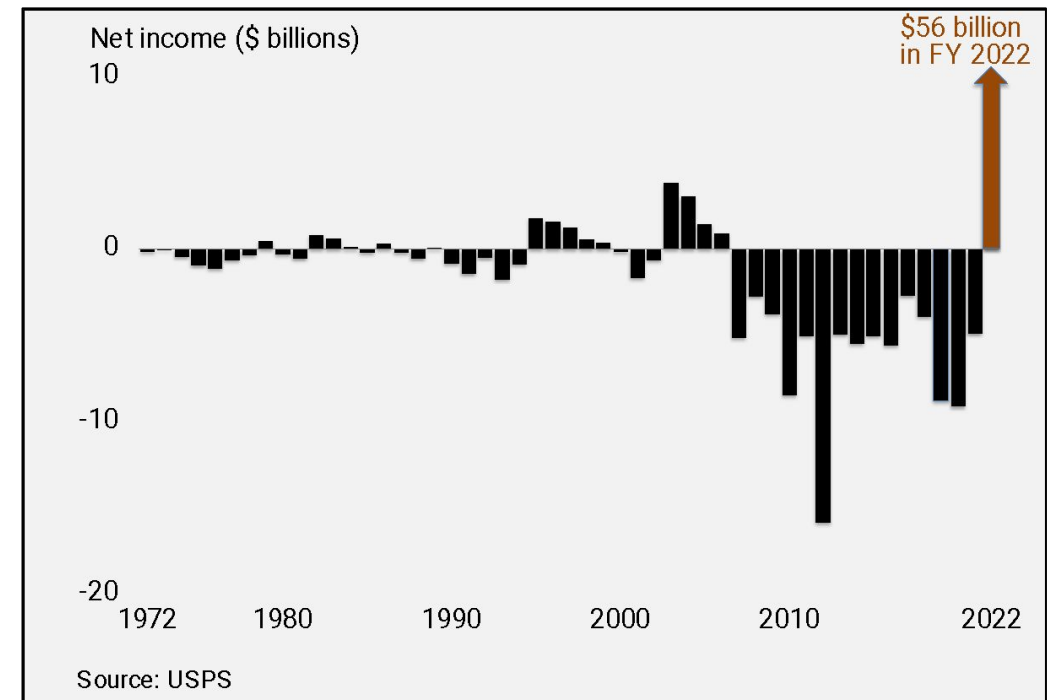
- USPS's total revenue is increasingly from parcels and services provided in competition with the private sector
- Revenue from competitive products (mostly parcels):
 - Increased from \$9.1 billion in FY 2011 to \$31.8 billion in FY 2022
 - Surged during the COVID-19 pandemic, but declined somewhat as the pandemic abated and competition increased



5a. Deficits Continue Despite Postal Reform



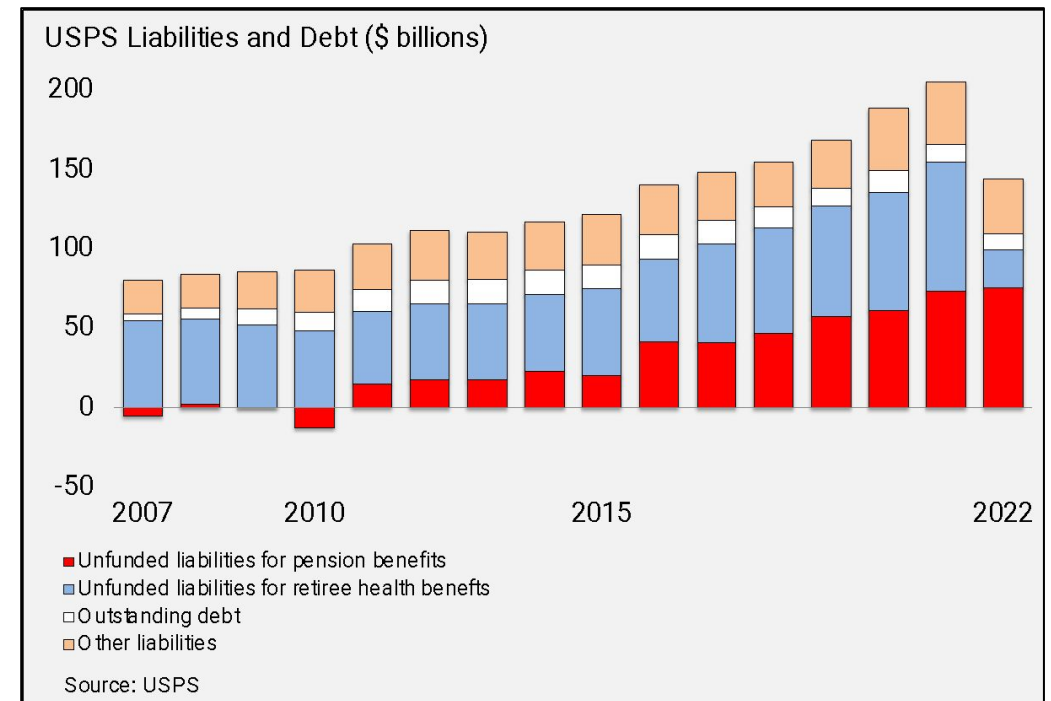
- \$5.8 billion net loss in the first ten months of FY 2023
- USPS net income was \$56 billion in FY 2022 due to reform legislation
 - \$950 million operating loss before the impact of postal reform legislation
 - \$57 billion gain from reform legislation erased past-due obligations for postal retiree health benefits
- USPS net losses totaled \$92 billion from FY 2007 through FY 2021



5a. Huge Unfunded Liabilities and Debt



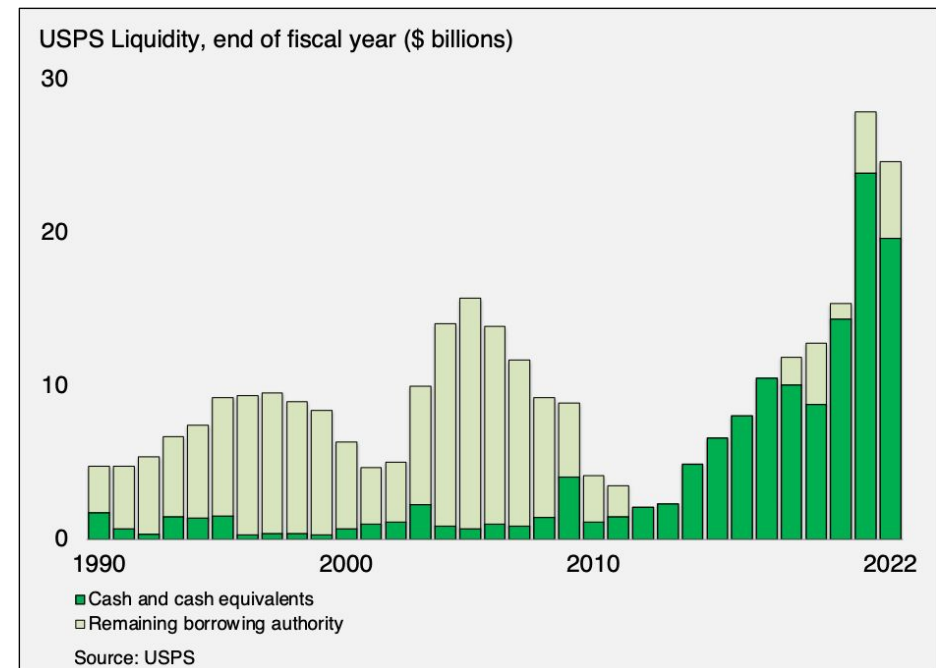
- USPS unfunded liabilities and debt were over \$144 billion at the end of FY 2022, including:
 - \$76 billion - postal pensions
 - \$24 billion - postal retiree health benefits
 - \$10 billion - USPS debt
 - \$35 billion - other (\$15B workers' comp)
- The Postal Service Reform Act of 2022 erased \$57 billion in USPS obligations for postal retiree health benefits.



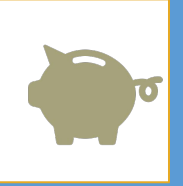
5a. USPS: Our Liquidity May Be Insufficient



- USPS has reported it may have insufficient liquidity to:
 - meet all existing legal obligations when due,
 - repay maturing debt, and
 - make critical infrastructure investments
- USPS liquidity: \$20.3 billion on 6/30/23, down \$3.3 billion from the end of FY 2022 (9/30/22).
 - \$10.6 billion - unrestricted cash and cash equivalents,
 - \$6.2 billion - short-term investments in USG securities
 - \$3.6 billion - remaining borrowing capacity
- In addition, the Inflation Reduction Act gave USPS \$3 billion for electric vehicles/infrastructure

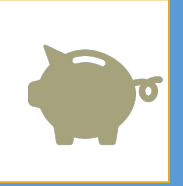


6. Postal retirement benefits



- Postal pension and retiree health benefits
- Coordination of postal retiree health benefits with Medicare
- Funding responsibilities
- Status of funding postal retirement benefits

6. Postal pension benefits



- USPS participates in federal pension benefits programs
 - Civil Service Retirement System (CSRS)
 - Federal Employees Retirement System (FERS)
- USPS is required by law to prefund pension benefits with a 100% funding target
 - Two types of USPS annual payments: “normal costs” for current employees and “amortization payments” to address unfunded liabilities
 - USPS defaulted on \$18 billion in pension amortization payments through FY 2022
 - USPS’s unfunded pension liabilities benefits: \$76 billion at the end of FY 2022

6. Postal retiree health benefits



- The Federal Employees Health Benefits (FEHB) program provides health insurance to roughly 500,000 eligible postal retirees and their survivors.
- The Postal Service Reform Act of 2022 eliminated the requirement for USPS to prefund postal retiree health benefits.
 - The 2022 act forgave \$57 billion in past-due prefunding payments.
- The Postal Service Retiree Health Benefits Fund (PSRHBF) will cover USPS's share of retiree health premiums until it runs out of money.
 - OPM projects the fund will run out of money in the early 2030s.
 - USPS will then be required to make pay-as-you-go payments for these costs, which USPS OIG estimates will be over \$5 billion annually.

6. Coordination of postal retiree health benefits with Medicare



- Medicare includes Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drugs).
 - Americans generally become eligible for Medicare at age 65.
 - Part A is free, while Part B charges premiums for coverage.
- The Postal Service Reform Act of 2022 created a separate Postal Service Health Benefits Program (PSHB) within FEHB.
 - Beginning in January 2025, new postal retirees in PSHB generally must enroll in Medicare when they become eligible.
 - Medicare is the first payer for postal retirees with Medicare and FEHB.