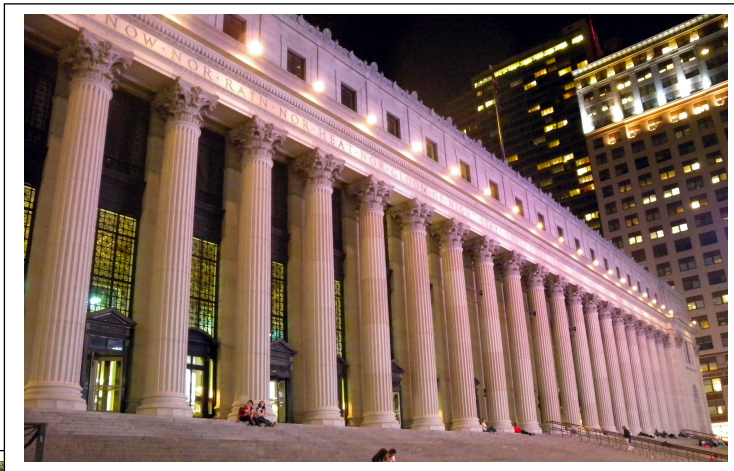


# The U.S. Postal Service: A Primer



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### About This Publication

This publication is an introduction to USPS and postal issues. It was not reviewed or approved by USPS. [Kenneth E. John](#) is President of [Postal Policy Associates](#), an independent consulting firm. He has worked on postal issues for more than 25 years, including as a Senior Analyst for the U.S. Government Accountability Office (GAO) and as a detailee for the U.S. House of Representatives Committee on Government Oversight and Reform. Photos are used under license, are in the public domain, or were taken by the author. © 2024 Postal Policy Associates. All rights reserved.

## An Indispensable Institution

The U.S. Postal Service (USPS) is an indispensable institution providing vital services to the nation and the world. It delivers correspondence, payments, and merchandise. It delivers ballots. USPS even delivers baby chicks to poultry farmers. It dispatches and delivers international mail.

Unfortunately, USPS finances are broken and there is no quick fix. USPS is supposed to be self-funding but lost \$6.5 billion in FY 2023 and has budgeted for a \$6.3 loss in FY 2024. Profitable First-Class Mail and Marketing Mail volume is declining. Costs are rising and legal requirements limit USPS's ability to cut expenses.

On March 23, 2021, USPS issued its [“Delivering for America” plan](#), an ambitious 10-year plan to modernize USPS, improve operational performance, cut costs, grow package volumes, and achieve positive net income. USPS is overhauling its mail processing, transportation, and delivery operations, modernizing facilities, replacing outmoded delivery vehicles, converting many pre-career (non-career) employees to career status, and raising postal rates faster than inflation. Although USPS has relaxed delivery standards for some types of mail, late delivery continues to be an intractable problem, especially in some areas. Mail theft and robbery of USPS carriers is surging.

### USPS Statistics: FY 2023

- 640,000 total employees
  - 525,000 career employees
  - 115,000 pre-career employees
- 33,000 post offices and retail facilities
- 247,000 vehicles
- 167 million delivery points (addresses)
- 116 billion pieces of mail
- \$79.3 billion in revenue
- Would rank 47<sup>th</sup> on the Fortune 500 list

Source: USPS.

Congress recently provided USPS with fiscal relief, including \$10 billion during the COVID-19 pandemic plus \$3 billion for electric vehicles and supporting infrastructure. [The Postal Service Reform Act of 2022](#) shifted costs to Medicare by increasing USPS retiree participation in the program. It ended required USPS prefunding payments for postal retiree health benefits, forgave \$57 billion in past due prefunding payments. USPS cash flow was unaffected because USPS had not made these payments for many years.

USPS and the Office of Personnel Management (OPM) project that funds for postal retiree health benefits will be exhausted in the early 2030s. USPS then must make pay-as-you-go payments to sustain these benefits. USPS estimates these payments will start at \$6 billion annually. If USPS does not make these payments, Congress or the federal courts likely will be called on to resolve the issue. In addition, USPS has unfunded liabilities for pension benefits that grew to \$75 billion at the end of FY 2023, including \$18 billion in past-due payments. Postal pension assets were \$256 billion at the end of FY 2023.

Options to restore postal finances involve difficult tradeoffs. USPS can save money by cutting the quality of service—such as the number of post offices or retail window hours—but service cuts impact customers, communities, and employees. Congress can seek better returns on assets for postal retiree health and pension benefits funds by requiring diversification from low-yielding Treasury securities into stocks and bonds. However, this would subject the funds to risk of loss, while any gains may be inadequate to keep the retiree health benefits fund and USPS solvent. USPS wants the federal government to assume more responsibility for funding postal pension benefits, but this may not boost USPS cash on hand because USPS can opt to skip required pension payments. Ultimately, Congress could balance USPS's budget through a one-time bailout or annual appropriations. However, this would reduce incentives for USPS to become more efficient and may raise issues regarding fair competition with private delivery companies.

## USPS Mission of Universal Postal Service

USPS's mission is to provide universal postal service. Universal service is defined by laws, regulations, and practices. It has two main dimensions: nationwide mail delivery and postal retail service.



### Universal Postal Service: Legal Requirements and Practices

Laws: Universal service is governed by Title 39 of the U.S. Code. Some key requirements are:

- USPS is [required](#) to provide prompt, reliable, and efficient service to all areas of the country. It is further [required](#) to serve the entire population as nearly as practicable.
- USPS generally is [required](#) to deliver mail at least 6 days a week, with exceptions such as 5-day delivery during weeks that include a federal holiday.
- USPS is [required](#) to provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. No small post office can be closed solely for operating at a deficit.
- At least one class of mail must have a uniform rate regardless of distance. First-Class Mail has always met this [requirement](#).
- USPS is [required](#) to seek an advisory opinion from the Postal Regulatory Commission (PRC) before making a change affecting postal services nationwide or on a substantially nationwide basis.

Regulations: Title 39 of the U.S. Code of Federal Regulations (CFR) provides specific standards for some aspects of universal service. USPS issues these regulations and has authority to change them.

USPS regulations set standards for timely mail delivery (see the section on delivery performance). USPS [regulations](#) also set standards for other USPS services, such as making mail available for pickup at the PO Box each delivery day no later than the daily "up-time" publicly posted at the post office. Other standards specify how quickly USPS must electronically provide delivery status notification to senders of certain types of market-dominant mail.

In addition, the CFR [incorporates](#) some USPS documents and decisions by reference—such as the [Mailing Standards of the United States Postal Service, Domestic Mail Manual](#); the [International Mail Manual](#), [Mailing Standards of the United States Postal Service](#); the [Employee and Labor Relations Manual](#); the [Postal Operations Manual](#); the [Administrative Support Manual](#); the [Financial Management Manual](#); Headquarters Circulars; Management Instructions; Regional Instructions; delegations of authority; and, resolutions of the USPS Board of Governors.

**Practices:** Within the framework of law and regulation, USPS practices at the local level affect how universal service is provided to customers. For example, USPS determines the total number of post offices and postal retail facilities, their locations and hours of operation, and which facilities have self-service kiosks. USPS also decides how stamps are sold online, by phone, mail, and at private stores.



**International agreements:** Universal postal service is provided on a worldwide basis under international agreements negotiated through the Universal Postal Union (UPU), a United Nations agency with more than 190 member countries, including the United States. Member countries designate postal operators—such as USPS for the United States—to collect, receive, and deliver international mail at set rates. These rates for letter mail are called “terminal dues.” Countries can negotiate bilateral agreements among themselves that supersede terminal dues.

## Costs to Provide Universal Postal Service

Universal service obligations cost USPS an estimated \$6.2 billion in FY 2021, the most recent year for which estimates are available.<sup>1</sup> The largest cost was \$2.6 billion for 6-day delivery (compared to 5-day delivery of mail and packages).<sup>2</sup> Other costs included \$1.2 billion for nonprofit mail discounts, \$828 million in losses on Periodicals (mainly magazines and newspapers), \$663 million for small post offices, mostly located in rural or remote areas, and \$541 million for the U.S. Postal Inspection Service.<sup>3</sup>

## USPS Monopolies

USPS has statutory monopolies to deliver letter mail and to access mailboxes. The letter monopoly is USPS’s exclusive right to carry and deliver addressed, paper-based correspondence, with some exemptions.<sup>4</sup> First-Class Mail and Marketing Mail comprise most mail under the letter monopoly. The mailbox monopoly prevents private competitors and others from depositing unstamped items into

<sup>1</sup> PRC, [Annual Report to the President and Congress: Fiscal Year 2022](#) (Washington, D.C.: January 2023).

<sup>2</sup> USPS has estimated it could save \$1.4 to \$1.8 billion annually if it reduced mail delivery to 5 days a week while continuing to deliver packages 7 days a week. See GAO, *U.S. Postal Service: Additional Guidance Needed to Assess Effect of Changes to Employee Compensation*, [GAO-20-140](#) (Washington, D.C.: Jan. 17, 2020).

<sup>3</sup> The [U.S. Postal Inspection Service](#) is the law enforcement, crime prevention, and security arm of USPS.

<sup>4</sup> [18 U.S.C. §§ 1693-1699](#) and [39 U.S.C. §§ 601-606](#). Mail under the delivery monopoly has a weight limit of 12.5 ounces and a price limit of 6 times the stamp rate (*i.e.*, the first ounce of a single-piece First-Class Mail letter).

mailboxes, essentially granting USPS exclusive access to mailboxes.<sup>5</sup> The combined value of the letter and mailbox monopolies was \$3.1 billion in FY 2021, according to the most recent PRC [estimate](#). This figure indicates USPS's net income would decline by this amount if both monopolies were eliminated.

## USPS: An Independent Establishment of the Executive Branch

Congress created USPS in 1971 out of the former U.S. Post Office Department, a traditional federal agency.<sup>6</sup> In doing so, Congress left the organization within the executive branch but removed it from the President's Cabinet and gave it authority to operate independently from the President. Congress intended that USPS would remain a public service and operate in a businesslike manner.

### Independence

- USPS manages its operations, owns its property, facilities, and vehicles, and issues its own regulations.
- The Postmaster General is not part of the Cabinet. The USPS governing board is not subject to day-to-day control by the President.
- USPS is exempt from many laws that apply to other federal agencies. Guidance issued by the Office of Management and Budget (OMB) does not apply to USPS, although USPS may voluntarily follow it.
- USPS sets postal rates subject to approval by the independent PRC.
- USPS engages in collective bargaining to establish compensation and work rules for most postal employees. Unresolved disputes are settled by binding arbitration.
- USPS sets compensation for its executives and managers.

USPS was preceded by the former U.S. Postal Office Department, a Cabinet department which was beset with financial and operational problems. Congress had starved the Post Office Department of adequate funding and interfered with postal operations.<sup>7</sup> Congress set artificially low postage rates for the Department and funded the resulting deficits through appropriations. Congress also set postal wages that underpaid employees and meddled in management, notably by exercising patronage for postmaster and rural carrier jobs.

***USPS was preceded by the former U.S. Post Office Department, which was beset by problems.***

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<sup>5</sup> [18 U.S.C. § 1725](#). For more information about USPS monopolies, see GAO, *U.S. Postal Service: Key Considerations for Potential Changes to USPS's Monopolies*, [GAO-17-543](#) (Washington, D.C.: June 22, 2017).

<sup>6</sup> USPS was created as "an independent establishment of the executive branch of the Government of the United States." [39 U.S.C. § 201](#). For more information, see GAO, *Postal Service Reform: Issues Relevant to Changing Restrictions on Private Letter Delivery*, [GAO/GGD-96-129B](#) (Washington, D.C.: Sept. 12, 1996), pp. 8-9.

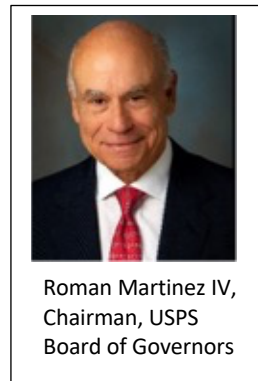
<sup>7</sup> USPS, *The United States Postal Service: An American History* (Washington, D.C.: 2022); President's Commission on Postal Organization (the "Kappel Commission"), [Toward Postal Excellence](#) (Washington, D.C.: June 1968).

As mail volume grew in the 1960s, the Post Office Department had inadequate equipment and facilities to handle the mail. It suffered repeated service breakdowns, including multiple meltdowns at the Chicago Post Office. In March 1970, while Congress was debating postal legislation, a wildcat postal strike began in New York City and spread to dozens of other cities. Referred to by some as the Great Postal Strike of 1970, it involved an estimated 152,000 postal employees who were protesting low wages and poor working conditions. President Richard M. Nixon declared a National Emergency and called up National Guard troops to deliver the mail. The strike ended after eight days with a negotiated settlement, but not before serving as a major impetus for Congress to pass the [Postal Reorganization Act of 1970](#), including provisions to increase wages and authorize collective bargaining for postal employees.

The Postal Reorganization Act created the Postal Service to be an independent entity that is self-financing. The act gradually reduced public service appropriations that had supported basic postal operations. Congress last provided these appropriations in 1982.<sup>8</sup>

## Governance Structure

USPS is governed by an 11-member [Board of Governors](#), which has responsibilities similar to a corporate board of directors. Nine members (Governors) are appointed by the President and confirmed by the Senate. The other two members are the Postmaster General and the Deputy Postmaster General. The Governors appoint the Postmaster General, who is a voting member of the Board; this group then appoints the Deputy Postmaster General, who also is a voting member. Some powers are reserved solely for the nine presidentially appointed Governors, such as approving postal rates.



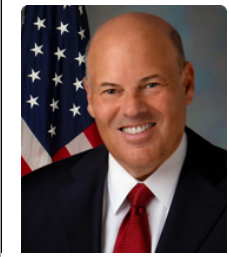
The Governors are required to represent the public interest generally, are prohibited from being representatives of specific interests using USPS, and may be removed only for cause. For all qualification requirements, see [39 U.S.C. § 202\(a\)](#). Governors serve 7-year staggered terms that expire in December of each year, plus up to 1 year after their terms expire or until a successor is confirmed. No more than five of the nine Governors may be members of the same political party.

In January 2024, the Board had seven Governors, including three Democrats, three Republicans, and one Independent. They are Chairman [Roman Martinez IV](#) (R), Vice Chairman [Amber F. McReynolds](#) (I), [Robert M. Duncan](#) (R), [Anton G. Hajjar](#) (D), [Derek Kan](#) (R), [Ronald A. Stroman](#) (D), and [Daniel Tangherlini](#) (D). Two Governor positions were vacant, with no nominees designated to fill them. The seven Governors include one white woman and three nonwhite men (one African American, one Hispanic, and one Asian American).

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<sup>8</sup> USPS received about \$50 million in [appropriations for FY 2023](#) to cover free and reduced-rate mail for the visually impaired and for overseas voting material. This was less than 0.1 percent of USPS expenses.

## Postmaster General Louis DeJoy



Louis DeJoy, USPS  
Postmaster General  
and CEO

[Louis DeJoy](#) is the Postmaster General of the United States and Chief Executive Officer of USPS. His tenure began in June 2020. He is the first Postmaster General to be hired from outside USPS since the 1990s. He was the [Chairman and CEO](#) of the former New Breed Logistics, a nationwide logistics and supply-chain services provider headquartered in North Carolina and a longtime USPS contractor. He sold New Breed Logistics to XPO Logistics in 2014 for a reported \$615 million. Mr. DeJoy was CEO of XPO Logistics' supply chain business in the Americas until he retired in 2015. He then served on its board of directors until 2018. Mr. DeJoy has testified that he is divested from XPO. He also founded LDJ Global Strategies, a real estate, investment, and consulting company. Before becoming Postmaster General, he was a longtime GOP donor and a fundraiser for former President Donald J. Trump. He has been a controversial figure, with some Democrats and public interest groups criticizing his actions, particularly early in his tenure. However, Mr. DeJoy received bipartisan praise for his role in promoting postal reform legislation enacted in 2022.

## The Postal Workforce

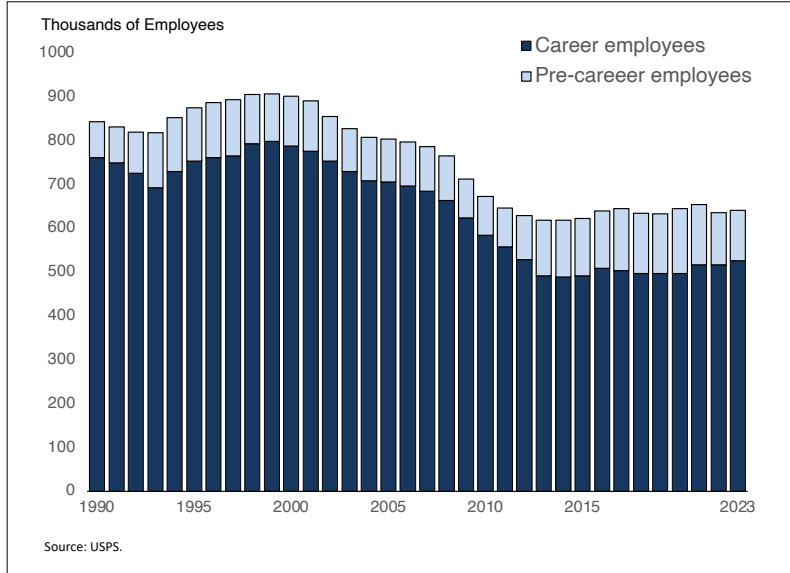
USPS is a massive organization. It had about 640,000 employees at the end of FY 2023, including 525,000 career employees and 115,000 pre-career employees (formerly called non-career employees). The number of career employees has grown in recent years as USPS converted many pre-career employees to career status. According to USPS, these conversions were intended to help improve operational performance and create a stable and empowered workforce with opportunities for career development and growth.

- *Career employees* are considered permanent and have full benefits, including pension and retiree health benefits. Nearly all are assigned to work full-time schedules.
- *Pre-career employees* are considered temporary. They have lower pay and fewer benefits, such as not receiving pension and retiree health benefits. Many of them work part-time.





**Figure 1: Number of USPS Employees, FY 1990-2023**



USPS employees are part of the federal civil service. According to USPS, it is one of the leading employers of minorities, women, veterans, and disabled veterans in the U.S. About half of the postal workforce is female (45 percent) and about half is nonwhite (29 percent Black or African American, 13 percent Hispanic, and 7 percent Asian American); about one-tenth are military veterans. GAO recently reported that the diversity of USPS’s workforce and its executives has increased in recent years, although USPS executives remain less diverse than the workforce.<sup>9</sup>

The four most common positions are city carriers, clerks (e.g., retail window clerks and processing clerks who operate sorting equipment), rural carriers, and mail handlers who load, unload, and move bulk mail at processing facilities.

**Figure 2: Number and Type of USPS Employees, FY 2023**

Type of Employee	Number
City carrier	208,382
Clerk	149,881
Rural carrier	127,371
Mail handler	52,368
Postmaster/Installation head/Supervisor/Manager	40,302
Building and equipment maintenance	27,930
Vehicle maintenance/Motor vehicle operator	16,036
Other	17,822
<b>Total</b>	<b>640,092</b>

Source: USPS.

Note: Data include career and pre-career employees.

<sup>9</sup> GAO, *U.S. Postal Service: Opportunities Exist to Strengthen Workforce Diversity Efforts*, [GAO-24-105732](https://www.gao.gov/products/GAO-24-105732) (Washington, D.C.: Dec. 15, 2023).

**Figure 3: Average Cost per Hour for Selected Types of Employees, 2023 (dollars per hour)**

Type of Employee	Employees: Basic Pay	USPS: Total Compensation and Benefits
<b>Career employees</b>		
City carrier	\$ 30.34	\$ 51.97
Rural carrier	31.41	52.88
Clerk	30.94	52.78
Mail handler	27.66	48.27
<b>Pre-career employees</b>		
City carrier assistant	\$ 19.59	\$ 25.41
Rural carrier associate	20.22	25.38
Postal support employee	20.25	25.19
Mail handler assistant	18.74	23.09

Source: Analysis of USPS data for federal pay periods 1-26, ending December 23, 2023.

Note: Postal support employees generally do the same type of work as career clerks.

USPS has a complicated pay scale determined largely through the collective bargaining process. About 92 percent of USPS employees are covered by collective bargaining agreements. The four largest postal unions are:

- [National Association of Letter Carriers](#) (NALC) represents city carriers.
- [American Postal Workers Union](#) (APWU) represents clerks who work at retail windows, mail processing facilities, and other locations, as well as employees who transport mail and maintain motor vehicles.
- [National Rural Letter Carriers Association](#) (NRLCA) represents carriers on rural routes.
- [National Postal Mail Handlers Union](#) (NPMHU) represents mail handlers who work in mail processing facilities.

Most nonunion postal employees are represented by management associations, including the [National Association of Postal Supervisors](#) (NAPS) and the [United Postmasters and Managers Association](#) (UPMA). These associations do not collectively bargain. However, USPS is required to consult them with respect to pay and related issues.

## Oversight of USPS

The [Senate Committee on Homeland Security and Governmental Affairs](#) and the [House Committee on Oversight and Accountability](#) have primary jurisdiction for congressional oversight of USPS. In addition, the Postal Regulatory Commission (PRC), the USPS Office of Inspector General (USPS OIG), the U.S. Government Accountability Office (GAO), and the Postal Inspection Service provide oversight.

- [PRC](#) was established in 1971 as the Postal Rate Commission and renamed the Postal Regulatory Commission in 2006. PRC is comprised of five Commissioners appointed by the President and confirmed by the Senate. No more than three Commissioners can be of the same political party. They serve staggered terms of 6 years. PRC’s Chairman is designated by the President, and

President Joe Biden designated [Michael M. Kubayanda](#) as Chairman in January 2021. Mr. Kubayanda is serving in his second term that expires in 2026.

- [USPS OIG](#) is part of USPS and was established by Congress in 1996. The OIG conducts audits of postal programs and operations, analyses of postal issues, and criminal investigations. OIG’s work is self-initiated or started at the request of Congress or USPS management. The USPS Board of Governors appoints the Inspector General. [Tammy Hull](#) is the current Inspector General. Her 7-year term expires in 2025.
- [GAO](#) is an independent nonpartisan agency of the legislative branch. GAO’s postal-related work is requested by Congress, although in the past some has been required by law or self-initiated. The current head of GAO is Comptroller General [Gene L. Dodaro](#). He is serving a single 15-year term that expires in 2025.
- The [U.S. Postal Inspection Service](#) is part of USPS. Its 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. The Inspection Service is America’s oldest law enforcement agency, tracing its birth to August 7, 1775. [Gary R. Barksdale](#) is the Chief Postal Inspector. He was appointed by the USPS Board of Governors and has no fixed term.

## Postal Service Products

### Types of Mail

There are types or "classes" of mail such as First-Class Mail and Marketing Mail. Each class of mail has different features, postage rates, and standards for the speed of delivery. These features vary according to (1) the specific type of mail, (2) whether it is “single-piece mail” such as a letter with a stamp or “bulk mail” such as a mass mailing of bills or advertisements, and (3) whether it is sent within the United States (domestic mail) or to another country. In addition, USPS has a host of detailed mailing requirements, such as how the mail should be addressed and the maximum weight of each piece.

Also, all USPS products are grouped into two categories: “market-dominant products” and “competitive products.” Market-dominant products are those for which USPS has a statutory monopoly to deliver or a large market share with limited competition. Competitive products include parcels and other mail for which similar products and services are offered by private sector companies, such as United Parcel Service (UPS), FedEx Corporation (FedEx), Deutsche Post DHL Group (DHL), Amazon, and regional parcel carriers.

Average rates for each class of market-dominant mail generally are limited by a price cap based on inflation plus other factors that permit higher rate increases.<sup>10</sup> Competitive product rates are not subject to an inflation-based price cap. Each competitive product is required to be profitable (*i.e.*, product revenues cover costs).<sup>11</sup>

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<sup>10</sup> Market-dominant rates can increase above inflation under extraordinary or exceptional circumstances that necessitate a larger rate increase. [39 U.S.C. § 3622\(d\)](#). For more information on the price cap, see the November 30, 2020, PRC [press release](#) and [order](#) that revised regulations for market-dominant rates.

<sup>11</sup> All competitive products combined are required to earn a minimum profit. PRC determines this minimum.

**Figure 4: Selected Types of Domestic Mail**

Type of Mail	Typical Contents
<b>Market-Dominant Products</b>	
<a href="#">First-Class Mail</a>	Correspondence, bills, payments, postcards, large envelopes
<a href="#">Marketing Mail</a>	Advertisements including catalogs
<a href="#">Periodicals</a>	Magazines, newspapers, other periodical publications
<a href="#">Package Services</a>	Media Mail, Library Mail, Bound Printed Matter
<b>Competitive Products</b>	
<a href="#">Priority Mail Express</a>	Packages and envelopes that need the fastest delivery
<a href="#">Priority Mail</a>	Packages and envelopes that need fast delivery
<a href="#">USPS Ground Advantage</a>	Ground shipping service within the U.S.
<a href="#">Parcel Select</a>	Bulk quantities of packages entered closer to the destination, including packages entered by competitors such as UPS and FedEx
<a href="#">Parcel Return Service</a>	Returned merchandise

Source: USPS.

More information on domestic and international mail is accessible on the USPS web site, including on its [Mail & Packages](#) web page. See also USPS, [A Customer Guide to Mailing](#).

USPS offers [PO Boxes](#), [money orders](#), and [other services](#) such as mail insurance, delivery notification, and extra security for valuable items. USPS also offers some non-postal services, such as [passport services](#).

### Retail Postal Rates

Retail postal rates are based on the type of mail and its characteristics such as weight, size, and where it is sent, among other things. Rates also depend on the shape of the mail – that is, whether the mail is a letter, postcard, large envelope (“flat”), or parcel.

The basic stamp rate for First-Class Mail domestic letters up to 1 ounce increased by 2 cents to 68 cents on January 21, 2024. The additional ounce rate for stamped letters remained the same at 24 cents. Rates for First-Class Mail are the same regardless of distance (“uniform rate”).



Postage rates for packages sent by the public vary by distance as well as weight. Flat-rate Priority Mail is a notable exception; its rates vary depending on the size of the box or envelope.

**Figure 5: Selected Retail Postage Rates, January 31, 2024**

Type of Domestic Mail	Postage Rate
<b>Market-Dominant Products</b>	
<b>First-Class Mail</b>	
Letters - up to 1 ounce (standard rectangular envelope with a stamp)	\$ 0.68
Letters - each additional ounce	.24
Postcards (standard size)	.53
Large envelopes (“flats”) – up to 1 ounce	1.39
Large envelopes (“flats”) – each additional ounce	.24
<b>Package Services</b>	
Media Mail (formerly known as the “book rate”)	4.13
<b>Competitive Products</b>	
Priority Mail Express	At least \$30.45
Priority Mail	At least \$9.25
USPS Ground Advantage	At least \$5.00

Source: USPS.

“Forever Stamps” remain valid even if postage rates rise after the stamps are sold. The first Forever Stamp was sold in April 2007 and featured an image of the Liberty Bell. It was introduced largely for customer convenience but also reduced the amount of USPS window clerk time spent selling stamps. In 2011, all First-Class Mail stamps (for letters up to 1 ounce) became Forever Stamps except for stamps in coils of 500, 3,000, and 10,000.

### Postage Discounts for Bulk Mail

Bulk mail is generally sent by private companies, non-profit organizations, and federal, state, and local governments. USPS provides postage discounts for this mail. They are called “worksharing discounts” because mailers are required to prepare the mail in ways that reduce USPS workload. This preparation includes:

- *Presorting*: Mailers presort mail in order of ZIP Code and in some cases by the address order that the carrier will deliver the mail. This reduces USPS sorting costs.
- *Barcoding*: Mailers apply barcodes to each piece of mail. These barcodes provide information on the destination of the mail and facilitate sorting by USPS automated equipment.
- *Destination entry*: Mailers bring their mail to USPS facilities that are closer or closest to the mail’s destination. As a result, USPS avoids transportation costs.<sup>12</sup>

<sup>12</sup> Mailers can receive discounts for presorting and barcoding mail without doing destination entry. First-Class Mail is not eligible for destination entry discounts.

To receive worksharing discounts, mailers must meet minimum volume requirements.<sup>13</sup> Mailers also must organize bulk mail in containers (trays, tubs, sacks, pallets) to enhance USPS's ability to handle it efficiently.

Most mail receives worksharing discounts. These discounts have led to the emergence of companies in the mailing industry that are called "consolidators." They pick up mail from individual mailers, do presorting and other required activities, and enter it at USPS facilities. There also are companies in the mailing industry, often referred to as "mail service providers," which specialize in mail design, printing, preparation, pre-mailing transportation, and tracking.

## Contracts with Bulk Mailers

USPS can contract with bulk mailers to provide them with customized postage rates. These contracts are called "negotiated service agreements." Contract terms are tailored to each mailer and can include volume minimums and mail preparation requirements. PRC is required to review and approve each contract. Each contract must be profitable when its postage rates are for competitive products. Currently, USPS contracts with bulk mailers are for competitive products. Three of the largest are with Amazon, UPS, and FedEx.

## Non-Postal Products and Services

USPS generally is not allowed to provide non-postal products and services, but there are exceptions.

- USPS provides non-postal services that were grandfathered by PRC under the 2006 [Postal Accountability and Enhancement Act](#) (PAEA), such as philatelic sales (items for stamp collecting), officially licensed retail products, and passport photo service.
- USPS can enter into interagency agreements to provide property and services to federal agencies. The [Postal Service Reform Act of 2022](#) required USPS to be fully reimbursed by federal agencies when it does so. For example, USPS has an agreement with the U.S. Department of State to accept first-time passport applications.
- The [Postal Service Reform Act of 2022](#) authorized USPS to enter into new agreements with state, local, and tribal governments to offer non-postal services to the public on their behalf, provided that the services are non-commercial, approved by the USPS Board of Governors, provide a net financial benefit to USPS, and do not interfere with or detract from the value of postal services. As of January 31, 2024, USPS had not entered into any such agreements.

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<sup>13</sup> For example, to qualify for a worksharing discount, a bulk mailing of presorted First-Class Mail must include at least 500 pieces of mail. A mailing of Marketing Mail must contain 200 or more pieces or at least 50 pounds of mail.

## Regulation of Postal Rates

PRC regulates postal rates. It also reviews USPS compliance with laws and regulations.

- PRC reviews USPS requests for changes in postal rates. For each request, PRC holds a public proceeding in which interested parties can submit comments. PRC appoints a knowledgeable “public representative” to act on behalf of the public in all proceedings.
- PRC determines requirements for how USPS measures its costs and allocates them to products and services. USPS and other parties can petition PRC to make changes in postal costing methods. PRC reviews these proposals in public proceedings.
- Interested parties can appeal PRC decisions to the U.S. Court of Appeals for the D.C. Circuit. Appeals have challenged PRC decisions to approve an “exigent” rate increase above the price cap, to relax the price cap, and to establish some postal costing methods. The Court affirmed some decisions and remanded others to PRC for further consideration.

PRC annually reviews postal rates for legal compliance and issues an [Annual Compliance Determination Report](#). If PRC finds noncompliance, it then specifies actions that USPS must take to come into compliance. For example, PRC may direct USPS to change specific postal rates so that the mail meets cost-coverage requirements.

PRC also issues two annual reports: an [Analysis of USPS’s Annual Performance Report and Performance Plan](#) and a [Financial Analysis of USPS’s Financial Results and 10-K Statement](#).

## USPS Reports

USPS regularly issues reports with detailed information on the organization, its goals, and its financial and service performance. USPS must report costs, revenues, and profitability for each type of mail. Its accounting system does not fully provide this information. Therefore, USPS uses further means to compile the data. It is an extremely complex process handled by the USPS Finance Department which employs staff with specialized knowledge in economics, statistics, research methodology, and postal operations.<sup>14</sup>

**Figure 6: Selected Postal Reports and Information**

Report	Contents
<a href="#">Delivering for America (DFA) Plan</a>	USPS 10-year plan issued March 23, 2021
<a href="#">DFA Second-Year Progress Report</a>	Progress report on DFA plan issued April 2023
<a href="#">Annual Report to Congress - FY 2023</a>	Letter from USPS leadership, information on Board members
<a href="#">Comprehensive Statement of Postal Operations - FY 2023</a>	Overview of USPS, key financial and operating statistics, USPS executive compensation
<a href="#">Annual Performance Report - FY 2023</a>	Results for FY 2023 vs. targets for timely delivery, financial health, customer experience, safety, and worker engagement
<a href="#">Annual Performance Plan - FY 2024</a>	Targets for FY 2024
<a href="#">Integrated Financial Plan - FY 2024</a>	USPS operating and capital budget for FY 2024
<a href="#">Annual 10-K Report - FY 2023</a>	Financial results for FY 2023
<a href="#">Quarterly 10-Q Report - Q1, FY 2024</a>	Financial results for the first quarter of FY 2024
<a href="#">December 2023 Preliminary Financial Information</a>	Financial results for December 2023 and FY 2024 to date
<a href="#">Cost &amp; Revenue Analysis - FY 2023</a>	Revenue, costs, and profitability for types of mail and services
<a href="#">Revenue, Pieces &amp; Weight - FY 2023</a>	Revenue, volume, and weight for types of mail and services for FY 2023
<a href="#">Revenue, Pieces &amp; Weight - FY 2024, Quarter 1</a>	Revenue, volume, and weight for types of mail and services for the first quarter of FY 2024

Source: USPS, PRC.

Note: Links in this figure are to the most recent report as of February 18, 2024.

<sup>14</sup> For more information, see USPS OIG, *Costing Best Practices*, [CP-AR-19-004](#) (Arlington, VA: Sept. 17, 2019), *Postal Service Product Costing Methodologies*, [MS-MA-13-002](#) (Arlington, VA: Apr. 11, 2013), *A Primer on Postal Costing Issues*, [RARC-WP-12-008](#) (Arlington, VA: Mar. 20, 2012); and, John C. Panzar, *The Role of Costs for Postal Regulation* (Sept. 30, 2014).



## USPS Financial Condition and Retiree Benefits

### Overview

USPS is in poor financial condition. USPS’s financial viability remains on [GAO’s High-Risk List](#), with GAO reporting that USPS cannot fully fund its current level of services and financial obligations. Its current operating model is unsustainable.

USPS’s financial condition deteriorated in FY 2023. USPS lost \$6.5 billion in FY 2023 due to stagnant revenues and rising expenses. Falling mail volumes offset the effect of price increases, while expenses increased for compensation, employee benefits, pension benefits, and workers’ compensation.

The FY 2023 loss came despite financial relief that Congress provided in the [Postal Service Reform Act of 2022](#). The 2022 act ended USPS prefunding payments for retiree health benefits—a \$5.1 billion expense in FY 2021—and forgave past-due payments for these benefits that totaled \$57 billion.

### USPS Financial Highlights

#### Deficits

- \$6.5 billion net loss in FY 2023.
- USPS has budgeted for a \$6.3 billion loss in FY 2024.

#### Financial obligations

- \$168 billion in unfunded liabilities and debt as of September 30, 2023.

#### Resources

- \$18.8 billion in liquidity (unrestricted cash, short-term investments, and unused borrowing authority) as of September 30, 2023, down \$5.8 billion from a year ago.
- \$3.0 billion in restricted cash for electric vehicles and supporting infrastructure.

USPS had \$168 billion in unfunded liabilities and debt at the end of FY 2023—an amount equal to 211 percent of its annual revenue. Most unfunded liabilities were for pension and retiree health benefits. This means that insufficient funds have set aside for postal pension and retiree health benefits to fully cover their future costs.

USPS liquidity fell during FY 2023 but remains at historically high levels. However, USPS has warned that its liquidity is inadequate to meet its needs (see section on liquidity).

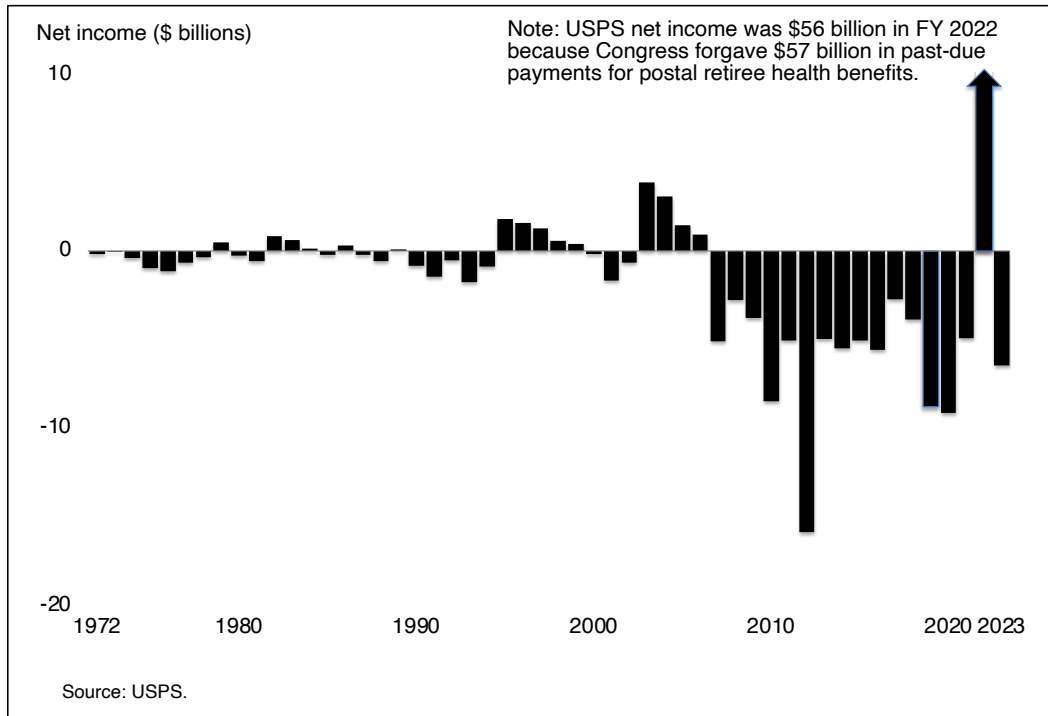
**Figure 7: USPS Financial Results, FY 2013-2023 (billions of dollars)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total revenues</b>	<b>\$67.3</b>	<b>\$67.9</b>	<b>\$69.0</b>	<b>\$71.5</b>	<b>\$69.7</b>	<b>\$70.8</b>	<b>\$71.3</b>	<b>\$73.2</b>	<b>\$77.1</b>	<b>\$78.8</b>	<b>\$79.3</b>
Expenses before the Postal Service Reform Act of 2022	72.3	73.4	74.0	77.1	72.4	74.7	80.1	82.4	82.0	79.7	85.8
Impact of 2022 act	0	0	0	0	0	0	0	0	0	-57.0	0
<b>Total expenses</b>	<b>72.3</b>	<b>73.4</b>	<b>74.0</b>	<b>77.1</b>	<b>72.4</b>	<b>74.7</b>	<b>80.1</b>	<b>82.4</b>	<b>82.0</b>	<b>22.8</b>	<b>85.8</b>
<b>Net income</b>	<b>-5.0</b>	<b>-5.5</b>	<b>-5.1</b>	<b>-5.6</b>	<b>-2.7</b>	<b>-3.9</b>	<b>-8.8</b>	<b>-9.2</b>	<b>-4.9</b>	<b>56.0</b>	<b>-6.5</b>

Source: USPS.

Note: [The Postal Service Reform Act of 2022](#) forgave \$57 billion in past-due USPS payments for postal retiree health benefits that was reported as a negative expense for FY 2022. These payments were originally reported as expenses for the fiscal year each payment was due.

**Figure 8: USPS Net Income, FY 1972-2023**



## Declining Mail Volume

Total mail volume fell 8.9% in FY 2023, the largest single-year drop since FY 2020, when volume fell 9.4% due to the COVID-19 pandemic, and FY 2009, when volume fell 12.8% due to the Great Recession. Mail volume is in long-term decline due to growing use of electronic communications and payments. Rising postal rates also impact mail volume.

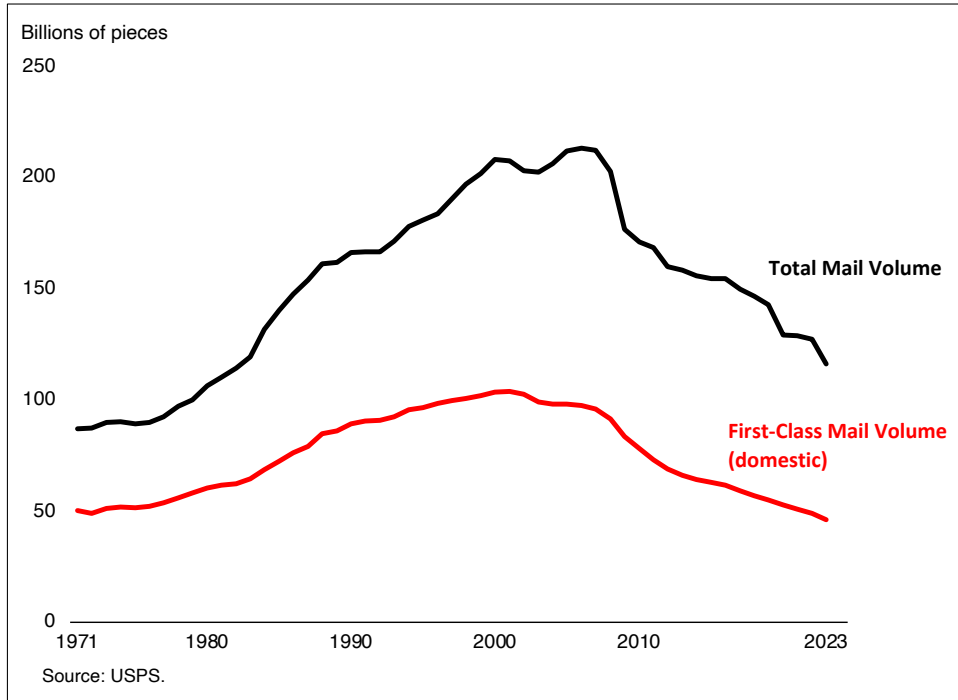
**Figure 9: Mail Volume Changes from the Past Year (percent)**

	FY 2021	FY 2022	FY 2023
Domestic First-Class Mail	-3.8%	-3.4%	-6.5%
Marketing Mail	-3.3%	1.3%	-11.5%
Competitive Products	1.7%	-5.7%	-2.1%
<b>Total Mail</b>	<b>-0.2%</b>	<b>-1.2%</b>	<b>-8.9%</b>

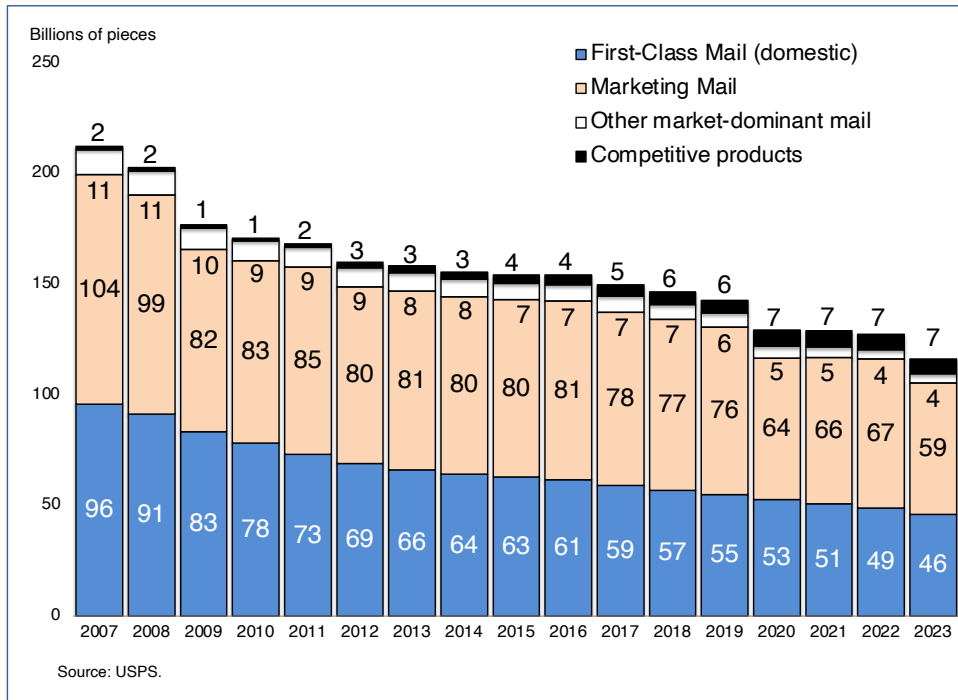
Note: Results shown are for selected types of mail.  
Source: USPS.

- *Domestic First-Class Mail*: volume fell 6.5% in FY 2023, nearly double the rate of decline in FY 2022. USPS reported that migration to electronic alternatives was the most significant factor in the FY 2023 decline.
- *Marketing Mail*: volume fell 11.5% in FY 2023. In contrast, its volume increased 1.3% in FY 2022. According to USPS, cuts in advertising spending and competition from digital and mobile advertising contributed to declining Marketing Mail volume in FY 2023.
- *Competitive products*: volume fell 2.1% in FY 2023 following a 5.7% drop in FY 2022. USPS reported that growing competition for package delivery from the private sector contributed to these volume declines. In contrast, competitive products volume more than quadrupled from FY 2007 to 2021, when volumes peaked during the pandemic.

**Figure 10: Mail Volume Trends, FY 1971-2023**



**Figure 11: Mail Volume by Type of Mail, FY 2007-2023**



Note: The competitive products category of mail was created by the 2006 [Postal Accountability and Enhancement Act](#). FY 2007 is the first year for which competitive products volume data are available.

## Slowing Revenue Growth

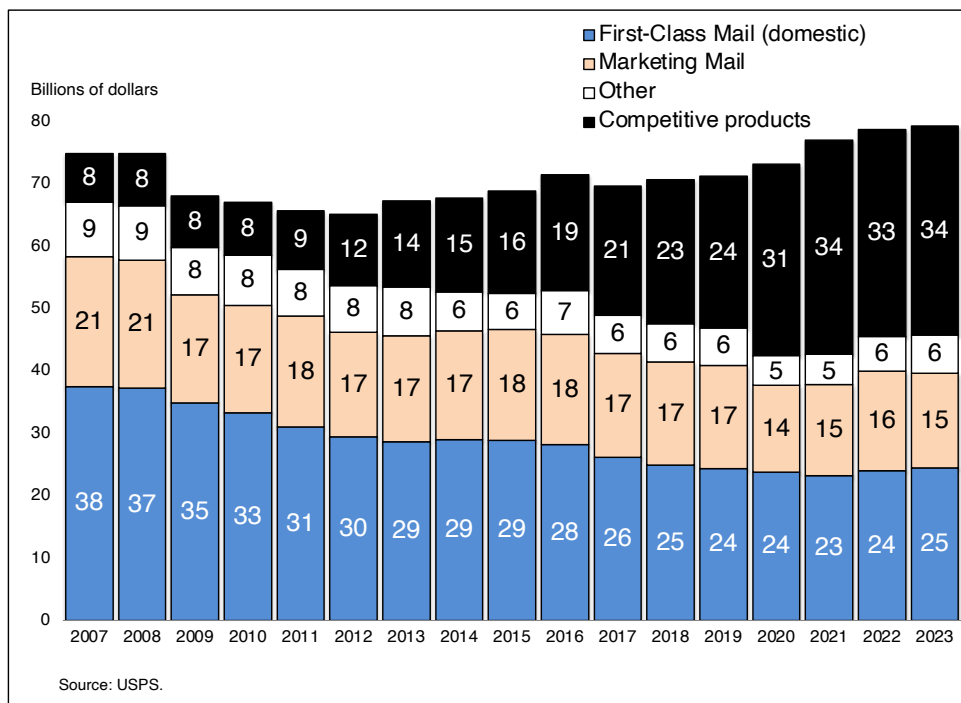
Total USPS revenues grew 0.7% in FY 2023, 2.3% in FY 2022, and 5.3% in FY 2021. Growth stalled in FY 2023 when falling mail volumes canceled out the effect of rate increases.

Specifically, total revenues in FY 2023 were \$79.3 billion, up only \$513 million from FY 2022. Key components included:

- *Domestic First-Class Mail*: \$24.6 billion, up 2.1% from FY 2022,
- *Marketing Mail*: \$15.1 billion, down 5.7%, and
- *Competitive products*: \$33.5 billion, up 0.8% percent.

Over the past 15 years, competitive product revenues soared while First-Class Mail and Marketing Mail revenues declined. Competitive product revenues hit an all-time high of \$34.4 billion in FY 2021 when e-commerce rose during the COVID-19 pandemic.

**Figure 12: USPS Revenues, FY 2007-2023**

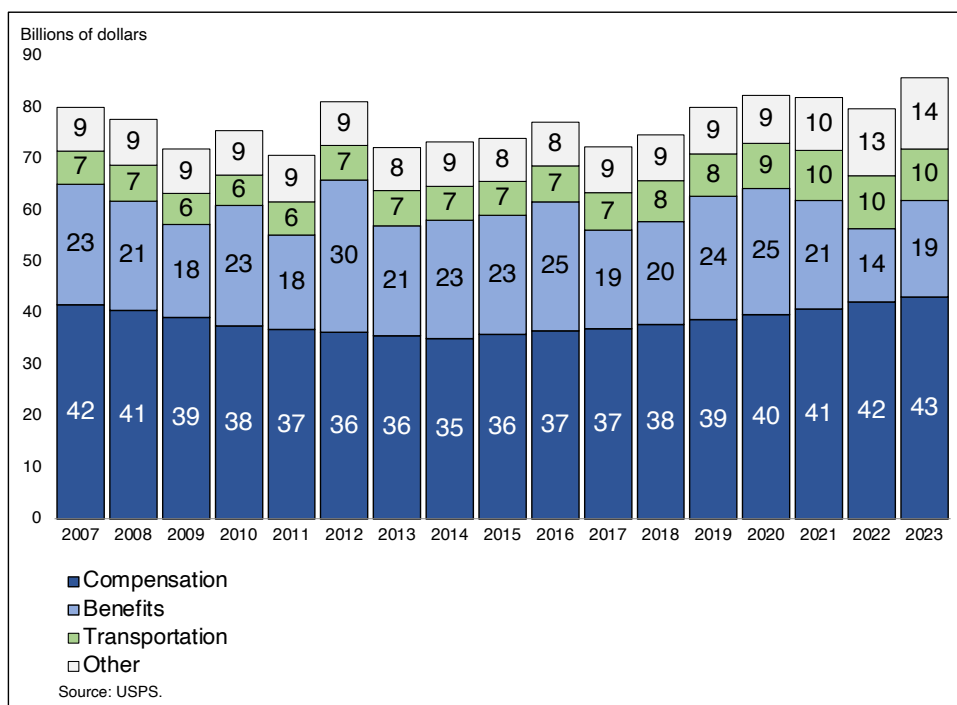


## Rising Expenses

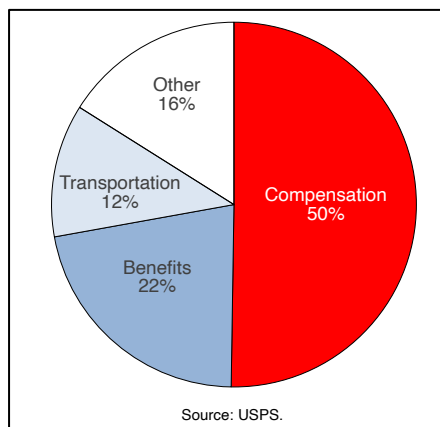
Total USPS expenses increased \$6.1 billion (7.6%) in FY 2023 from the prior fiscal year, which was the largest one-year increase in more than a decade. Most of the increase was for compensation and benefits that included employee benefits, pension benefits, and workers' compensation. As a result, total expenses reached an all-time high of \$85.8 billion in FY 2023.

Legal requirements limit USPS's ability to cut expenses. USPS is required by law to participate in federal pension and retiree health benefit programs. It is required to provide universal postal service including 6-day mail delivery and a national network of post offices. In addition, pay and work rules are largely set by collective bargaining with binding arbitration when the parties do not reach agreement.

**Figure 13: USPS Expenses, FY 2007-2023**



**Figure 14: USPS Expenses by Type, FY 2023**



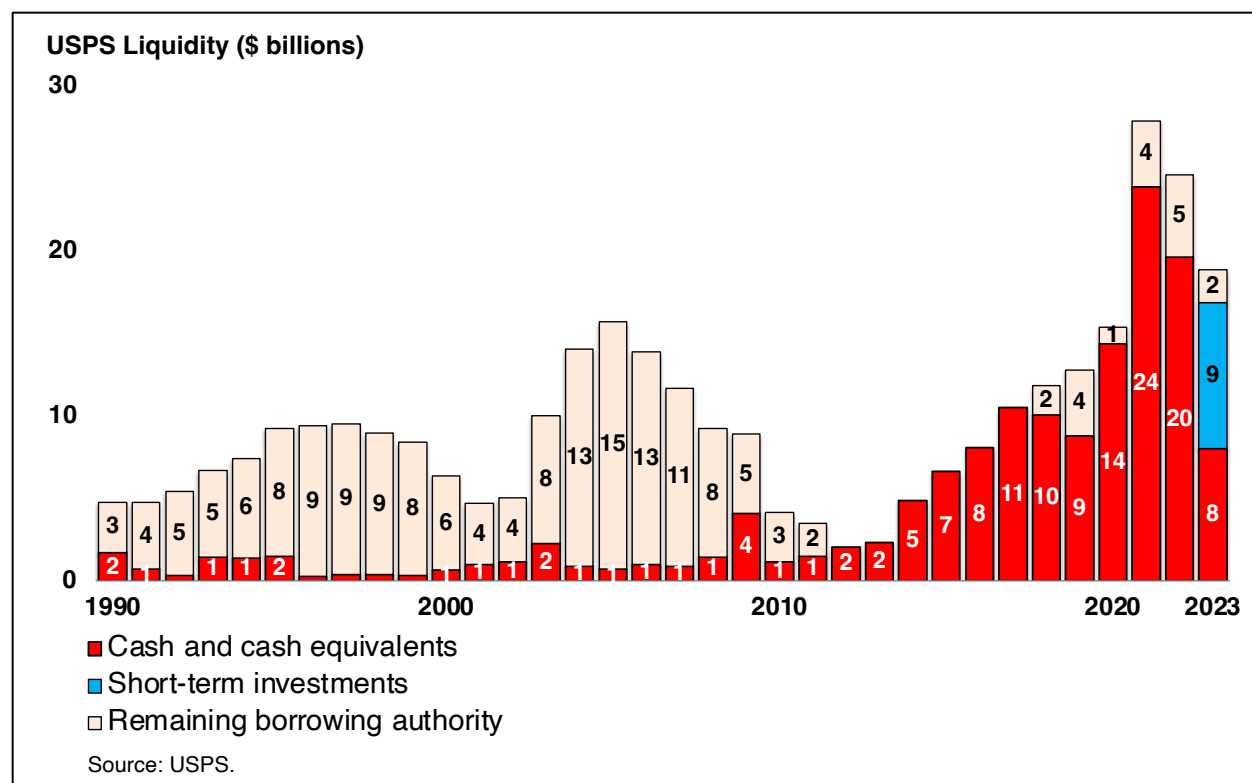
## Falling Liquidity

USPS liquidity (assets that can be converted into ready cash) declined \$5.8 billion in FY 2023 to \$18.9 billion at the end of the fiscal year. This liquidity included \$8.1 billion in cash and cash equivalents, \$8.8 billion in short-term investments, and \$2.0 billion in unused borrowing authority.<sup>15</sup>

In addition to these liquid assets, USPS has \$3 billion in restricted funds that the [Inflation Reduction Act of 2022](#) provided for USPS electric vehicles and supporting infrastructure. These restricted funds will help USPS conserve liquidity.

USPS liquidity is at a historically high level. However, USPS has warned that its liquidity is insufficient to pay all obligations, make necessary capital investments, and handle unexpected contingencies, without putting universal postal service at undue risk. To preserve liquidity, USPS defaulted on \$22.6 billion in pension amortization payments through the end of FY 2023, including \$4.5 billion in FY 2023.<sup>16</sup>

**Figure 15: USPS Liquidity at the End of the Fiscal Year, FY 1990-2023**



<sup>15</sup> Cash and cash equivalents include unrestricted cash and investments issued by the U.S. Treasury with initial maturities of 3 months or less. Short-term investments, which USPS began to make in FY 2023, include U.S. government securities with initial maturities greater than 3 months that are due within a year. USPS borrowing authority is limited by law to \$15 billion. [18 U.S.C. § 2005](#).

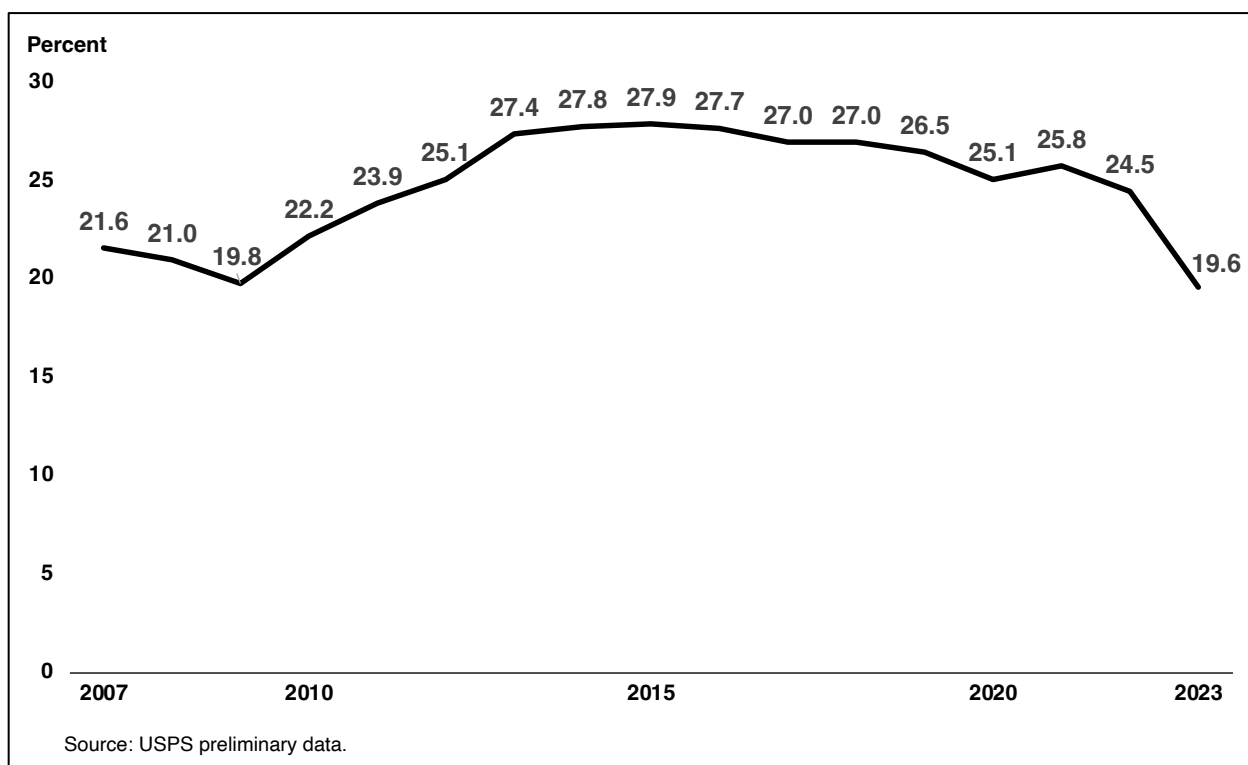
<sup>16</sup> Pension amortization payments are catch up payments designed to restore full prefunding of pension benefits over time. USPS made \$600 million in pension amortization payments in FY 2023.

## Declining Productivity

USPS productivity growth is fundamental to its financial health. Total Factor Productivity (TFP) is the measure used to determine how efficiently USPS uses its resources. This important statistic is based on complex calculations.<sup>17</sup> USPS has stated that it is more informative to consider changes in TFP over a period of years than year-to-year.

TFP increased a cumulative 19.6 percent from FY 1971 to FY 2023 according to USPS preliminary data. However, TFP peaked in FY 2015 and then declined 8.3 percent from FY 2015 to FY 2023, reaching its lowest level since FY 2009. TFP declined 4.9 percent in FY 2023 alone. USPS reported that the FY 2023 decrease “can partially be attributed to a decrease in labor productivity as we continue to focus on stabilizing operations and to drive operational precision as part of the Delivering for American plan and to the decline in workload.”<sup>18</sup>

**Figure 16: USPS Total Factor Productivity (TFP), Cumulative Percent Change Since FY 1971**



<sup>17</sup> For more information on TFP, see; PRC, [Financial Analysis of United States Postal Service Financial Results and 10-K Statement: Fiscal Year 2022](#) (Washington, D.C.: May 2023), pp. 90-91.

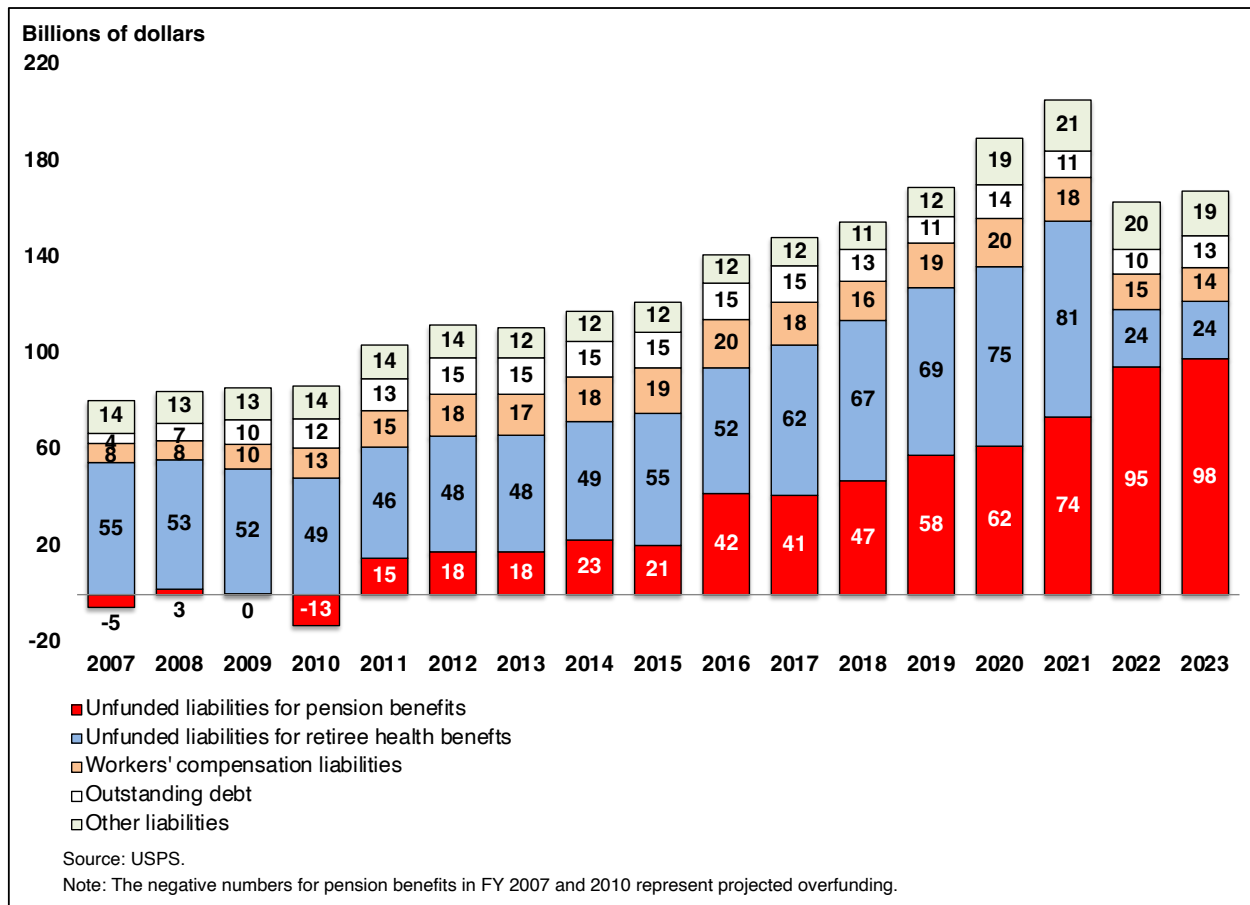
<sup>18</sup> USPS, [Fiscal Year 2023 Annual Report to Congress](#) (Washington, D.C.: Dec. 20, 2023), p. 58.

## Huge Unfunded Liabilities and Debt

USPS unfunded liabilities are future financial obligations that USPS has not set aside funds to pay for. At the end of FY 2022, total USPS unfunded liabilities and debt were \$168 billion, which was 211 percent of USPS annual revenues. Most unfunded liabilities were for pension benefits (\$98 billion), retiree health benefits (\$24 billion) and workers' compensation (\$14 billion).

USPS debt is money it has borrowed from the U.S. Treasury Department. USPS debt was \$13 billion at the end of FY 2022, leaving USPS with \$2 billion in unused borrowing authority.

**Figure 17: USPS Unfunded Liabilities and Debt, FY 2007-2023**



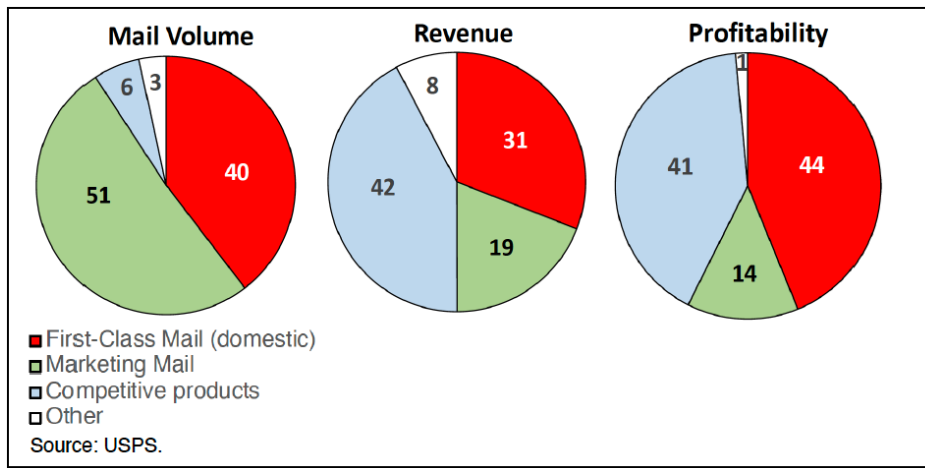


## Product Profitability

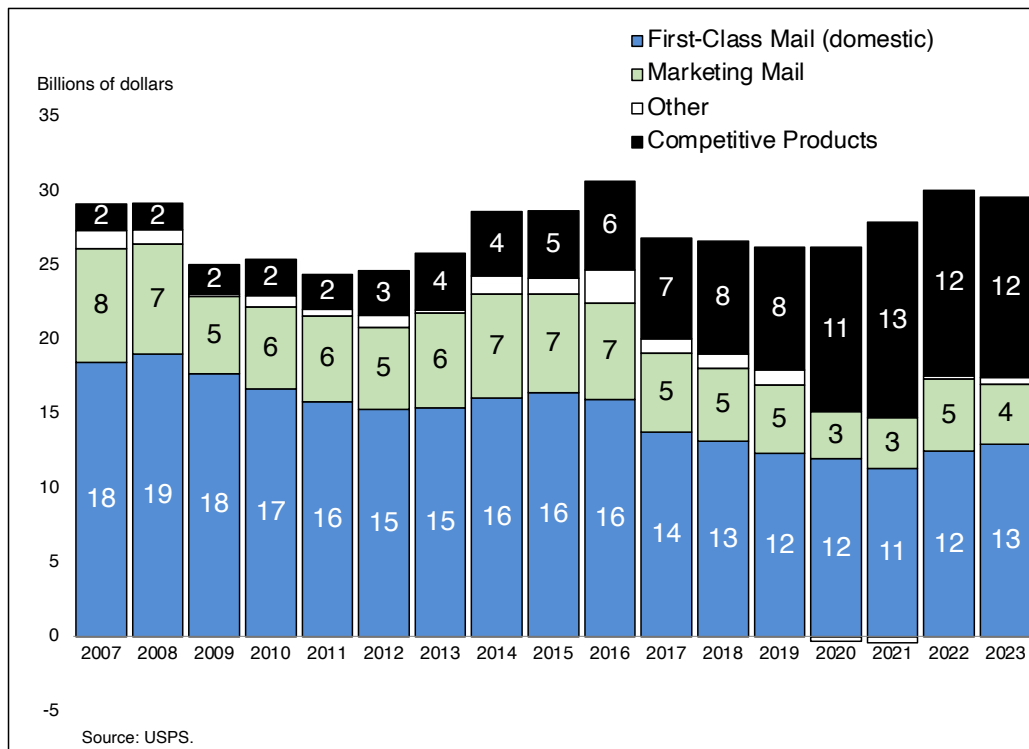
Product profitability is equal to product revenues minus product costs. It is referred to as “contribution to overhead” because it helps cover overhead costs – such as costs to provide universal 6-day delivery and postal retail service, regardless of mail volume.

Competitive products were as nearly profitable as domestic First-Class Mail in FY 2023. The profitability of competitive products has grown greatly since FY 2007, when they generated a small share of the total.

**Figure 18: Mail Volume, Revenue, and Profitability in FY 2023**



**Figure 19: Product Profitability, FY 2007-2023**



## Postal Retiree Health Benefits

About 500,000 postal retirees and their survivors (“postal retirees”) currently receive federal retiree health benefits through the Federal Employees Health Benefits Program (FEHBP). OPM administers the FEHBP.

USPS is responsible for covering roughly 72 percent of the health insurance premiums for postal retirees. Postal retirees are responsible for most of the rest.<sup>19</sup>

The Postal Service Retiree Health Benefits Fund currently pays USPS’s share of postal retiree health premiums. OPM administers this fund. Its balance was \$32.3 billion at the end of FY 2023. The balance is falling because fund payments for premiums are less than fund earnings on assets invested in U.S. Treasury securities.

[The Postal Service Reform Act of 2022](#) requires USPS to start making “top-up” retiree health payments in 2026.<sup>20</sup> OPM has estimated these payments will be \$0.7 billion in FY 2026 and \$0.8 billion in FY 2027. The payments are to be deposited into the retiree health benefits fund.

OPM and USPS have projected that the retiree health benefits fund will be depleted by the early 2030s. USPS then must start making pay-as-you-go payments for its share of retiree health insurance premiums. USPS projects its first full-year payment will be about \$6 billion. Current law is silent on what would happen if the retiree health benefits fund is depleted and USPS does not make payments to cover its share of retiree health insurance premiums. Congress or the federal courts would likely be called on to resolve the issue.

### Postal Retiree Health Benefits and Coordination with Medicare

- The Federal Employees Health Benefits program (FEHBP) covers federal employees and retirees, including postal and non-postal participants. Health insurance providers contract with OPM.
- Medicare includes Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drugs).
- Medicare is the first payer for postal retirees with both Medicare and FEHB.
- The Postal Service Reform Act of 2022 created a separate Postal Service Health Benefits (PSHB) program within FEHB.
- Currently, postal retirees can voluntarily enroll in Medicare Part B. Starting in 2025, new postal retirees who continue in FEHB generally must enroll in PSHB and enroll in Medicare Part B when they become eligible.

**Figure 20: Postal Retiree Health Benefits: Summary Data, FY 2018-2023 (dollars in billions)**

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Required USPS payments into the RHB Fund	\$ 4.5	\$ 4.6	\$ 4.7	\$ 5.1	\$ 0	\$ 0
Actual USPS payments made into the RHB Fund	0	0	0	0	0	0
RHB Fund income – interest on assets	1.3	1.2	1.1	1.0	0.9	0.8
RHB Fund expenses – insurance premiums paid	3.7	3.7	3.9	4.0	4.2	4.3
<b>RHB Fund assets, end of fiscal year</b>	<b>\$ 47.5</b>	<b>\$ 45.0</b>	<b>\$ 42.1</b>	<b>\$ 39.1</b>	<b>\$ 35.8</b>	<b>\$ 32.3</b>

Source: USPS.

Note: Retiree health benefits fund assets are invested in U.S. Treasury securities.

<sup>19</sup> The federal government is responsible paying a prorated share of some premiums. [5 U.S.C. § 8906\(g\)](#).

<sup>20</sup> USPS payments into the retiree health benefits fund will be required if claims costs for postal participants exceed the premium payments for their FEHBP health insurance; these payments will be based on the difference between postal retiree health premiums and estimated net claims costs.

## Postal Pension Benefits

About 700,000 postal retirees and their survivors receive federal pension benefits. OPM administers these federal pension programs.

USPS and active career postal employees make payments to fund postal pensions. USPS must fully prefund pension benefits for employees while they are working. USPS is required to make additional “amortization” payments to gradually eliminate any funding shortfalls (unfunded liabilities).

USPS’s unfunded pension liabilities were \$98 billion at the end of FY 2023, including \$23 billion in past-due amortization payments that USPS failed to make because of its poor financial condition. The unfunded liabilities have increased greatly since the end of FY 2010, when OPM projected an overfunding of \$13 billion (see figure 17 above).<sup>21</sup>

Funds set aside for postal pension funds included \$256 billion in assets at the end of FY 2023.

A longstanding issue is allocation of responsibility for funding CSRS benefits for postal retirees who worked for both USPS and the former U.S. Post Office Department.<sup>22</sup> Postal reform bills introduced in 2010 and 2011 would have shifted much of the funding responsibility from USPS to the federal government, but were not enacted.<sup>23</sup> In recent years, USPS has asked OPM to take administrative action to shift more responsibility to the federal government, but OPM has not done so. USPS estimated its proposal would save it \$2 billion to \$3 billion annually and up to \$34.6 billion over 10 years.<sup>24</sup> The savings would result from reducing USPS’s required payments for CSRS. The savings would increase USPS’s net income but are unlikely to boost USPS cash because USPS has been defaulting on its CSRS payments.

### Highlights: Postal Pension Benefits

- USPS participates in federal pension benefits programs including the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), as well as the federal Thrift Savings Plan (TSP).
- CSRS covers employees with service starting before 1987. FERS covers employees with service starting in 1987. In August 2023, about 7,000 active career postal employees were in CSRS, while about 517,000 were in FERS. Pre-career postal employees are ineligible for CSRS and FERS.
- CSRS provides lifetime pensions based on years of service and “high-3” average pay for the 3 years of service with the highest pay. CSRS employees may voluntarily contribute to TSP.
- FERS provides smaller lifetime pensions than CSRS but allows larger employee contributions to TSP and provides service credit toward Social Security benefits.
- USPS makes the employer’s share of the Social Security payroll tax on wages for employees in FERS. USPS also contributes to TSP accounts of postal employees in FERS.

<sup>21</sup> OPM updates its estimates of USPS pension assets and liabilities annually. In doing so, it updates key factors that affect funding needs, including projections for the rate of inflation, cost of living adjustments (COLA), salary increases, and interest rates. Based on these updates, OPM determines the payments USPS must make to fund postal pensions.

<sup>22</sup> USPS OIG, *Postal Retirement Funds in Perspective: Historical Evolution and Ongoing Challenges*, [RISC-WP-24-002](#) (Arlington, VA: Jan. 8, 2024), GAO, *U.S. Postal Service: Allocation of Responsibility for Pension Benefits between the Postal Service and the Federal Government*, [GAO-12-146](#) (Washington, D.C.: Oct. 13, 2011); OPM OIG, *A Study of the Risks and Consequences of the USPS OIG’s Proposals to Change USPS’s Funding of Retiree Benefits: Shifting Costs from USPS Ratepayers to Taxpayers* (Washington, D.C.: Feb. 28, 2011), pp. 27-34; The Segal Group, Inc., *Report to the Postal Regulatory Commission on Civil Service Retirement system Cost and Benefit Allocation Principles* (Washington, D.C.: June 29, 2010).

<sup>23</sup> [S. 3831](#) and [S. 4000](#), 111th Cong. (2010); [H.R. 1351](#), 112th Cong. (2011).

<sup>24</sup> USPS, *Delivering for America: Second-Year Progress Report* (Washington, D.C.: April 2023), p. 10.

## Investment of Funds for Postal Retiree Health and Pension Benefits

By law, all funds set aside for federal retiree benefits, including funds for postal retiree health and pension benefits, must be invested in U.S. Treasury securities. Outside investment, including in the stock market, could provide a substantial increase in earnings over the long term.<sup>25</sup> However, such diversification would subject the funds to risk of loss, while any gains may be too little and too late to avert a financial crisis for the postal retiree health benefits fund or USPS. Bills introduced in 2017 and 2019 would have required diversification of funds for postal retiree health benefits outside of Treasury securities but were not enacted.<sup>26</sup> The U.S. Treasury Department has consistently opposed proposals to invest federal benefit funds outside of Treasury securities.

## USPS Delivery Performance

Late mail delivery is a persistent issue, particularly in some geographic areas. USPS has set a long-term goal of delivering all types of mail “on time,” but nearly all types of mail fall short of this goal. Delivery performance varies depending on the type of mail, the time of year, and the geographic area. These disparities in performance are longstanding. In addition, mail theft is surging, including robberies against USPS carriers that typically go after master keys to large blue USPS collection boxes. USPS is taking action to mitigate mail theft, such as installing more secure collection boxes in some locations.<sup>27</sup>

Timely delivery of mail is central to USPS’s mission of providing universal postal service. [Section 101](#) of Title 39 sets forth the fundamental requirement that:

“The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.”

[Section 101](#) of Title 39 requires more specifically that:

- “In determining all policies for postal services, the Postal Service shall give the highest consideration to the requirement for the most expeditious collection, transportation, and delivery of important letter mail.”
- “In selecting modes of transportation, the Postal Service shall give highest consideration to the prompt, economical, consistent, and reliable delivery of all mail in a manner that increases operational efficiency and reduces complexity.”

USPS is [required by law](#) to establish “service standards” for market-dominant mail including First-Class Mail, Marketing Mail, Periodicals, and Package Services such as Media Mail, Library Mail, and Bound Printed Matter. USPS [regulations](#) define service standards for timely mail delivery. They specify the number of days that USPS has to deliver the mail for the delivery to be considered “on time.”

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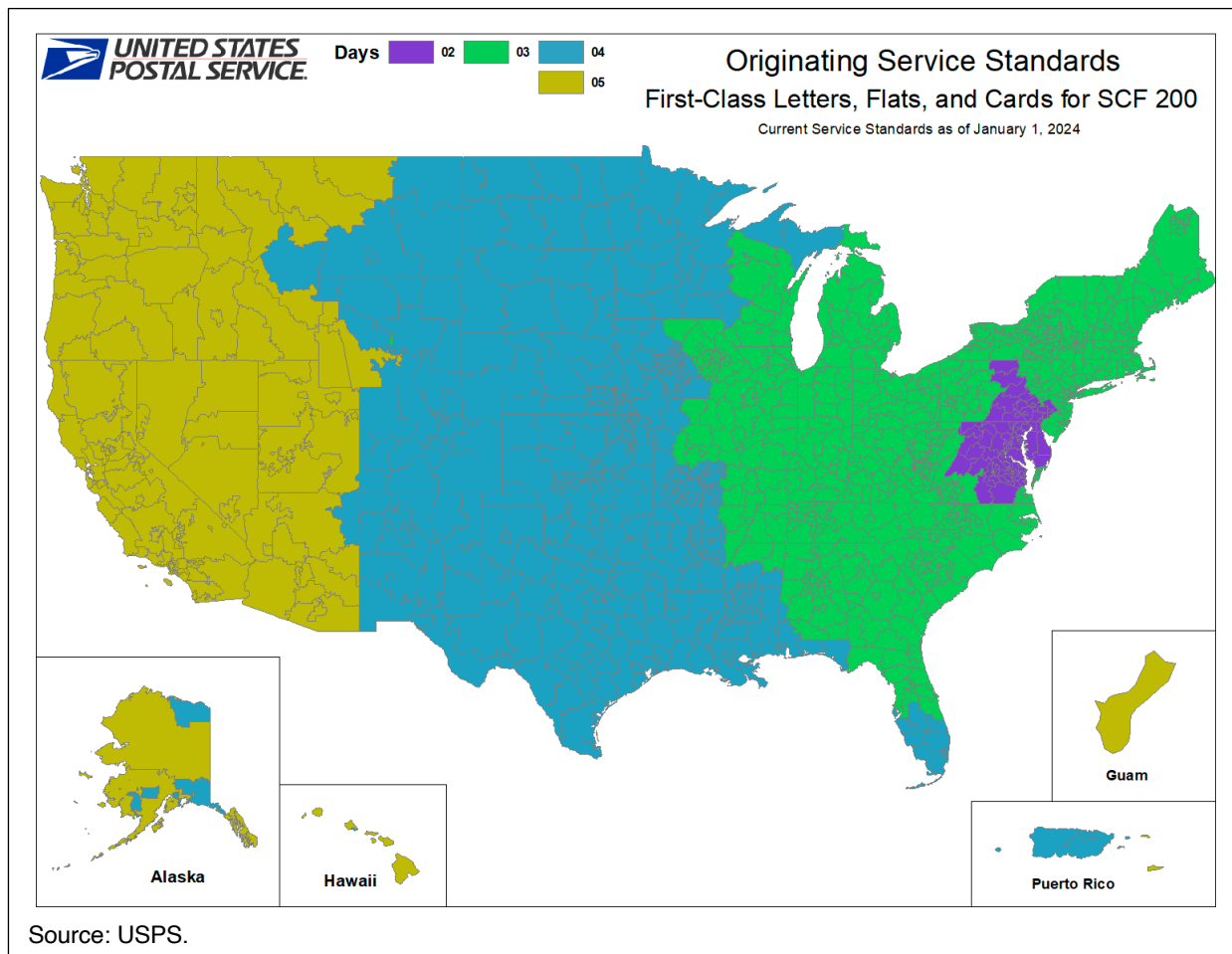
<sup>25</sup> USPS OIG, *Historical Analysis of USPS Retirement Returns*, [RISC-WP-23-005](#) (Arlington, VA: Apr. 26, 2023).

<sup>26</sup> [H.R. 760](#), 115th Cong., [H.R. 2553](#), 116th Cong.

<sup>27</sup> USPS OIG, [Semiannual Report to Congress: Fall 2023](#) (Arlington, VA: Oct. 30, 2023), pp. 16-17.

Service standards are based on the type of mail and distance traveled. For example, single-piece First-Class Mail letters and postcards sent locally has a 2-day service standard, meaning it must be delivered within two regular delivery days (which exclude Sundays and federal holidays) to be “on time.” This mail has a 5-day standard when sent cross-country, such as from Virginia to California.

**Figure 21: USPS Service Standards for Domestic First-Class Mail Sent from Washington, DC**



USPS has relaxed service standards several times in the past 12 years to give itself more time to deliver some types of market-dominant mail.<sup>28</sup> For example, USPS relaxed service standards for First-Class Mail in 2012, 2015 and 2021. The 2021 changes affected First-Class Mail and Periodicals sent longer distances, such as shifting cross-country First-Class Mail from a 3-day to a 5-day standard. USPS stated it made the 2021 changes to increase its delivery reliability, consistency, and efficiency.<sup>29</sup> USPS has subsequently changed its operations to move more mail by lower-cost surface transportation instead of by air.

<sup>28</sup> See USPS OIG, *A Primer on Service Standards*, [RISC-WP-021-008](#) (Arlington, VA: Sept. 2, 2021); CRS, *USPS Changes Postal Service Standards*, [IN11776](#) (Washington, D.C.: Oct. 14, 2021); GAO, *U.S. Postal Service: Actions Needed to Make Delivery Performance Information More Complete, Useful, and Transparent*, [GAO-15-756](#) (Washington, D.C.: Sept. 30, 2015), pp. 5-8.

<sup>29</sup> USPS, *Delivering for America: Service Standards Fact Sheet*.

Key reporting requirements for delivery performance include:

- USPS is [required](#) to report to PRC the annual targets it has set for timely delivery of each market-dominant product. Each target specifies the percent of mail to be delivered on time.
- USPS [must](#) report to PRC the results on timely delivery for each market-dominant product on an annual and quarterly basis.
- USPS is [required](#) to post on a public website called the [USPS Service Performance Dashboard](#) the results on timely delivery for each market-dominant product.

**Figure 22: Selected Information Sources on USPS Delivery Performance**

Source	Information on Delivery Performance
<a href="#">USPS FY 2023 Performance Report and FY 2024 Performance Plan</a> (p. 39)	National results for the past fiscal year for some types of First-Class Mail, all Marketing Mail and Periodicals combined, and all market-dominant mail.
<a href="#">USPS FY 2023 Annual Compliance Report</a> (pp. 51-53)	National results for the past fiscal year for each market-dominant product.
<a href="#">USPS website on Service Performance</a>	National, area, and district results for the most recent quarter for some types of First-Class Mail and for Marketing Mail, Periodicals, and Package Services.
<a href="#">USPS Service Performance Dashboard</a>	National, area, and district results for user-specified time periods (fiscal year, quarter, month, or week), type of market-dominant mail, and service standard. Users first enter a ZIP Code and type of mail/service standard to obtain the latest weekly results for the district where that ZIP Code is located.
<a href="#">USPS OIG website on USPS Service Performance</a>	National and district results for user-specified quarters, districts, type of mail (single piece First-Class Mail, presort First-Class Mail, Marketing Mail, Package Services), and service standard.
<a href="#">PRC Annual Compliance Determination Report</a>	PRC determination on whether each market-dominant product met its annual target for on-time delivery. PRC may direct USPS to take corrective action if a target is not met.
<a href="#">PRC Analysis of USPS’s Annual Performance Report and Performance Plan</a>	PRC evaluation of whether USPS met annual targets for on-time delivery of selected types of mail, which may include nonbinding recommendations to USPS.

Source: USPS, USPS OIG, PRC.

Note: Each of the above sources provides trend data along with the most recent results.

USPS has set a long-term goal of delivering 95 percent of all types of mail on time. However, most types of market-dominant mail fall short of this goal. One case in point is single-piece First-Class Mail letters and postcards. This is an iconic type of mail. It is how people conduct business, pay bills, and communicate with friends and family.

In FY 2023, national results for on-time delivery for single-piece First-Class Mail letters and postcards included:

- 91.1 percent for mail with a 2-day standard, down 0.6 percent from the previous year, and
- 84.1 percent of mail with 3-5-day standards, up 0.3 percent from the previous year.<sup>30</sup>

During the first quarter of FY 2024—which included the busy holiday season—USPS [reported](#) that operational disruptions within its network impacted timely delivery. The extent of late delivery varied depending on the week within the first quarter, the type of mail, and where it was sent and received. The table below provides examples from the week of December 16-22, 2023.

**Figure 23: USPS Delivery Performance in Selected Areas: December 16-22, 2023**

Type of Mail/USPS District	% Delivered On Time			% One Day Late
	Dec. 16-22, 2023	Same Period in 2022	Change	Dec. 16-22, 2023
<b>All First-Class Mail</b>				
Nation	83.15	88.61	-5.46	93.20
Sent to Virginia	68.82	90.70	-21.88	85.80
Sent from Virginia	68.42	88.33	-19.91	84.13
<b>Single-piece First-Class Mail Letters and Postcards</b>				
Nation	73.62	73.79	-0.17	89.73
Sent to Virginia	48.83	74.42	-25.59	75.68
Sent from Virginia	47.34	74.41	-27.07	72.74
Between Virginia and California 1*	44.08	96.48	-52.40	73.93
Between Virginia and Washington state	37.36	24.71	12.65	58.95
Between Virginia and Kansas/Missouri	36.65	65.36	-28.71	56.30
Between Washington state and Maine/ New Hampshire/Vermont	29.26	26.78	2.48	76.41
Between Washington state and Florida 3*	18.56	16.28	2.28	55.08

Source: USPS service performance dashboard, <https://spm.usps.com/#/main>, accessed January 4, 2024.

\* The California 1 district includes locations such as San Francisco, San Jose, and the northwestern part of the state. The Florida 3 district includes locations such as West Palm Beach, Fort Lauderdale, Miami, and the southernmost part of the state.

<sup>30</sup> USPS, [FY 2023 Annual Compliance Report](#) (Washington, D.C.: Dec. 29, 2023), p. 53.

## Key Postal Stakeholders

Key postal stakeholders include postal labor unions and management associations, the mailing industry, private delivery competitors, USPS contractors and suppliers, the federal government, local communities, and the public. See the Appendix for a listing of selected stakeholders.

- *Postal labor organizations:* Postal labor unions and management associations are influential organizations that represent USPS employees. Postal labor unions bargain collectively for compensation and work rules, while postal management associations seek to improve their members' compensation and working conditions through the consultation process.
- *Mailing industry:* The industry includes: employees of USPS; businesses and organizations that send items through USPS and that rely on the mail to maintain contact with their customers; preparers of the mail, including printers and businesses that send and/or receive mail on behalf of another party; and, vendors and suppliers of the hardware, software, and labor related to mail, such as companies who help mailers improve the accuracy of their mailing lists.
- *Private delivery competitors:* UPS, FedEx, DHL, and Amazon compete with USPS on a nationwide basis but also are among USPS's biggest customers, entering many packages at USPS facilities near the destination of the mail. USPS competitors also include regional and local delivery companies.
- *USPS contractors and suppliers:* USPS relies on [many contractors and suppliers](#) for mail transportation, technology, and other supplies and services. USPS contracts with private companies for most long-distance transportation of mail. USPS also contracts with private companies for retail services, such as contract postal units located within existing businesses that provide USPS retail products and services at regular USPS prices. In some cases, USPS contracts with companies or individuals to deliver and collect mail in lieu of USPS carriers.
- *The government:* The federal government owns USPS. OPM administers benefits such as health insurance and pensions to postal employees and retirees. The U.S. Treasury Department handles USPS banking and borrowing. Federal, state, and local governments rely on USPS for secure communications with citizens, voting by mail, and the Census.
- *Local communities:* Local elected officials and community residents often view USPS as playing an essential role in their communities. As a general rule, they oppose USPS efforts to close post offices and other postal facilities, in part because of the perceived impact on access to postal services, jobs, and community identity.
- *General public:* [U.S. households](#) received 81 percent of mail volume in FY 2022. They sent only two percent of volume. Household mail use generally increases with income, education, and age. About half of U.S. households visited a post office at least once a month in FY 2022.



## Appendix: Selected Sources of Postal Information

### Laws, Regulations, and Related Statutes

- [Title 39, U.S. Code](#) – Postal law
- [Title 39, Code of Federal Regulations](#) – Postal regulations
- [Title 18, U.S. Code](#) – Criminal law (e.g., mail theft)
- [Title 5, U.S. Code](#) – Government law (e.g., postal health and pension benefits)

### U.S. Postal Service (USPS)

- [Election Mail](#) – Information on election mail, advice for voters, and resources for election officials
- [FAQ](#) – Quick answers, tips, and troubleshooting instructions; tracking, missing, late or damaged mail and packages; trending topics; file a claim, request a refund, and contact USPS
- [Financials](#) – USPS reports (e.g., Annual Report to Congress, annual and quarterly financial reports)
- [Glossary](#) – Defines many postal terms
- [Government Services](#) – Election mail, political mail, passport services, and federal government mail
- [History](#) – Postal history, photo galleries, postage rates, and historical statistics
- [Leadership](#) – USPS Board of Governors and Executive Leadership team with organizational chart
- [Newsroom](#) – News releases, statements, testimony, speeches, local news, alerts to service disruptions, and media contacts
- [Postal Inspection Service](#) – Reporting a mail-related crime, victim help resources, tips and crime prevention information, and Inspection Service reports
- [Service Performance](#) – Targets and results for types of market-dominant mail and services
- [USPS Vision and Ten-Year Plan](#) – 2021 Delivering for America plan, progress reports, related materials

### Postal Regulatory Commission (PRC)

- [Consumer Assistance](#) – Rate and service inquiries, appealing a post office closure, and filing a complaint
- [Daily Listings](#) – Filings organized by date
- [Newsroom](#) – PRC news releases, speeches, papers, testimony, and submissions to Congress
- [PRC reports](#) – e.g., Annual Report to Congress, Annual Compliance Determination Report, Analysis of USPS's Annual Performance Report and Performance Plan, and Financial Analysis of USPS's Financial Results and 10-K Statement

**U.S. Postal Service Office of Inspector General (USPS OIG)** – Reports, USPS service performance results, and other documents

[U.S. Government Accountability Office \(GAO\)](#) – For reports on USPS, use [search](#).

[Congressional Research Service \(CRS\)](#) – For reports on USPS, use [search](#).

### Major Postal Labor Unions

- [American Postal Workers Union](#) (APWU)
- [National Association of Letter Carriers](#) (NALC)
- [National Rural Letters Carriers' Association](#) (NRLCA)
- [National Postal Mail Handlers Union](#) (NPMHU)

### Postal Management Associations

- [National Association of Postal Supervisors](#) (NAPS)
- [United Postmasters and Managers of America](#) (UPMA)

### Selected Mailing Industry Groups

- [Alliance of Nonprofit Mailers](#) (ANM)
- [American Catalog Mailers Association](#) (ACMA)
- [ANA Nonprofit Federation](#), formerly the DMA Nonprofit Federation
- [Association for Postal Commerce](#) (PostCom)
- [Association of United States Postal Lessors](#) (AUSPL)
- [Coalition for a 21st Century Postal Service](#) (C21)
- [Envelope Manufacturers Association](#) (EMA)
- [Greeting Card Association](#) (GCA)
- [International Mailers' Advisory Group](#) (IMAG)
- [National Association of Presort Mailers](#) (NAPM)
- [National Newspaper Association](#) (NNA)
- [National Postal Policy Council](#) (NPPC)
- [National Star Route Mail Contractors Association](#) (NSRMCA)
- [News Media Alliance](#) (NMA)
- [Package Coalition](#)
- [Package Shippers Association](#) (PSA), formerly the Parcel Shippers Association