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The U.S. Postal Service's Financial Condition: Overview and Issues for Congress

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Abstract

[Excerpt] This report provides an overview of the U.S. Postal Service's (USPS's) financial condition, recent legislation to alleviate the USPS's financial challenges, and possible issues for the 111th Congress.

Since 1971, the USPS has been a self-supporting government agency that covers its operating costs with revenues generated through the sales of postage and related products and services.

Recently, the USPS has experienced significant financial challenges. After running modest profits from FY2004 through FY2006, the USPS lost $5.3 billion in FY2007 and $2.8 billion in FY2008. In May 2009, the USPS warned that it might experience a cash shortage at the end of September 2009. Two months later, the Government Accountability Office added the USPS's financial condition "to the list of high-risk areas needing attention by the Congress and the executive branch."

On September 30, 2009, Congress enacted H.R. 2918, the Legislative Branch Appropriations Act [of] 2010. President Barack H. Obama signed the bill into law (P.L. 111-68) the next day. Section 164 of the law alleviated the USPS's cash shortage by reducing the USPS's statutorily required September 30, 2009, payment to the Postal Service Retiree Health Benefits Fund from $5.4 billion to $1.4 billion. (The USPS must repay the $4 billion deferred obligation after FY2016.)

While Congress alleviated the USPS's FY2009 cash shortage, it is unclear what the future holds for the USPS's finances. Even with this assistance, the USPS had an FY2009 operating loss of $3.8 billion. As the USPS's finances have deteriorated, its ability to absorb operating losses has been diminished. Between FY2005 and FY2009, the USPS's debt rose from $0 to $10.2 billion. (The agency's statutory debt limit is $15 billion.) The USPS has predicted operating deficits in FY2010, and its auditor has stated that there is "significant uncertainty" as to whether the USPS will have the cash required to make its FY2010 payment to its Retiree Health Benefits Fund.

A number of ideas for incremental reforms have been put forth that would improve the USPS's financial condition in the short-term so that it might continue as a self-funding government agency, all of which would require Congress to amend current postal law. The ideas include (1) increasing the USPS's revenues by altering postage rates and increasing its offering of nonpostal rates and services; and (2) reducing the USPS's expenses by a number of means, such as recalculating the USPS's retiree health care obligation and payments, closing postal facilities, and reducing mail delivery from six to five days.

This report will be updated to reflect significant developments.

Keywords

United States Postal Service, USPS, Congress, public policy, retirement, benefits, pensions

Comments

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The U.S. Postal Service's Financial Condition: Overview and Issues for Congress

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Summary

This report provides an overview of the U.S. Postal Service's (USPS's) financial condition, recent legislation to alleviate the USPS's financial challenges, and possible issues for the 111th Congress.

Since 1971, the USPS has been a self-supporting government agency that covers its operating costs with revenues generated through the sales of postage and related products and services.

Recently, the USPS has experienced significant financial challenges. After running modest profits from FY2004 through FY2006, the USPS lost $5.3 billion in FY2007 and $2.8 billion in FY2008. In May 2009, the USPS warned that it might experience a cash shortage at the end of September 2009. Two months later, the Government Accountability Office added the USPS's financial condition "to the list of high-risk areas needing attention by the Congress and the executive branch."

On September 30, 2009, Congress enacted H.R. 2918, the Legislative Branch Appropriations Act [of] 2010. President Barack H. Obama signed the bill into law (P.L. 111-68) the next day. Section 164 of the law alleviated the USPS's cash shortage by reducing the USPS's statutorily required September 30, 2009, payment to the Postal Service Retiree Health Benefits Fund from $5.4 billion to $1.4 billion. (The USPS must repay the $4 billion deferred obligation after FY2016.)

While Congress alleviated the USPS's FY2009 cash shortage, it is unclear what the future holds for the USPS's finances. Even with this assistance, the USPS had an FY2009 operating loss of $3.8 billion. As the USPS's finances have deteriorated, its ability to absorb operating losses has been diminished. Between FY2005 and FY2009, the USPS's debt rose from $0 to $10.2 billion. (The agency's statutory debt limit is $15 billion.) The USPS has predicted operating deficits in FY2010, and its auditor has stated that there is "significant uncertainty" as to whether the USPS will have the cash required to make its FY2010 payment to its Retiree Health Benefits Fund.

A number of ideas for incremental reforms have been put forth that would improve the USPS's financial condition in the short-term so that it might continue as a self-funding government agency, all of which would require Congress to amend current postal law. The ideas include (1) increasing the USPS's revenues by altering postage rates and increasing its offering of nonpostal rates and services; and (2) reducing the USPS's expenses by a number of means, such as recalculating the USPS's retiree health care obligation and payments, closing postal facilities, and reducing mail delivery from six to five days.

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Background

Since 1971, the U.S. Postal Service (USPS) has been a self-supporting, wholly governmental entity. Prior to that time, the federal government provided postal services via the U.S. Post Office Department (USPOD), a government agency that received annual appropriations from Congress. Members of Congress were involved in many aspects of the USPOD's operations, including the selection of managers (e.g., postmasters) and the pricing of postal services. In 1971, Congress enacted the Postal Reorganization Act (PRA; P.L. 91-375; 84 Stat. 725), which replaced USPOD with the USPS, an "independent establishment of the executive branch" (39 U.S.C. 201). The USPS is a marketized government agency that was designed to cover its operating costs with revenues generated through the sales of postage and related products and services.[1]

Although the USPS does receive an annual appropriation, the agency does not rely on appropriations. Its appropriation is about $100 million per year, about 0.13% of the USPS's $75 billion operating budget.[2] Congress provides this appropriation to compensate the USPS for the revenue it forgoes in providing, at congressional direction, free mailing privileges to blind persons and overseas voters.

The Postal Service Fund, which the USPS uses for most of its financial transactions, is off-budget, and therefore not subject to the congressional controls of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344; 88 Stat. 297; 2 U.S.C. 621).[3] However, the Postal Service Retiree Health Benefits Fund (PSRHBF), which was established by the Postal Accountability and Enhancement Act of 2006 (PAEA; P.L. 109-435, Sec. 803; 120 Stat. 3251), is on-budget. (The PSRHBF is addressed further below.)

The USPS can and does borrow money from the U.S. Treasury via the Federal Financing Bank. Federal statute limits the USPS's annual debt increases to $3 billion, and the USPS's total debt to $15 billion (39 U.S.C. 2005(a)).

The USPS's Financial Difficulties, FY2006-FY2009

Flattening Then Declining Revenues

After running modest profits from FY2004 through FY2006, the USPS lost $5.3 billion in FY2007, $2.8 billion in FY2008, and $3.8 billion in FY2009.[4] Were it not for congressional

[1] The term "marketized" refers to a government agency structured to provide goods and services in the manner of a private firm. On marketization as an alternative to privatization, see CRS Report RL33777, *Privatization and the Federal Government: An Introduction*, by Kevin R. Kosar, pp. 23-29.

[2] For further details on the USPS's appropriations, see CRS Report R40801, *Financial Services and General Government (FSGG): FY2010 Appropriations*, coordinated by Garrett Hatch, pp. 63-66.

[3] For further background on the USPS's budget status, see CRS Report RS20350, *Off-Budget Status of Federal Entities: Background and Current Proposals*, by Bill Heniff Jr.; and Office of Management and Budget, Budget of the U.S. Government Fiscal Year 2010: Appendix (Washington: GPO, 2009), pp. 1274-1276, at http://www.whitehouse.gov/omb/budget/fy2010/assets/appendix.pdf.

[4] U.S. Postal Service, "Form 10-K," November 16, 2009, p. 12, at http://www.usps.com/financials/_pdf/FY_2009_10K_Report_Final.pdf.

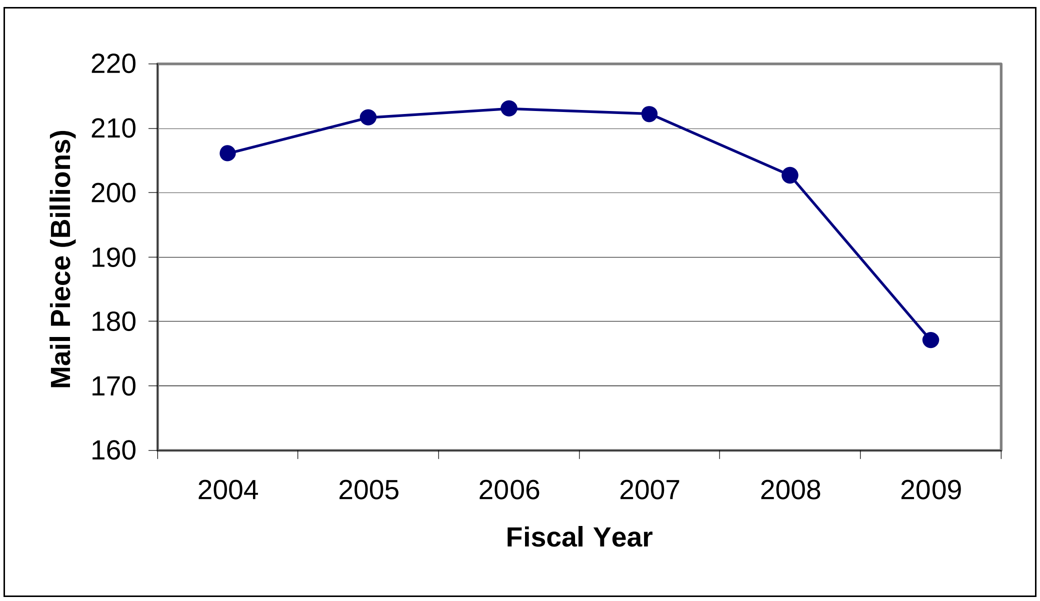
action to reduce a statutorily required payment to the PSRHBF, the USPS would have lost $7.8 billion in FY2009. (On the PSRHBF and congressional action thereon, see below.)

As the USPS's finances have deteriorated, its ability to absorb operating losses has been diminished. Between FY2005 and FY2009, the USPS's debt rose from $0 to $10.2 billion. (The agency's statutory debt limit is $15 billion (39 U.S.C. 2005(a)(2)(C)).)[5] In July 2009, the GAO added the USPS's financial condition "to the list of high-risk areas needing attention by the Congress and the executive branch."[6]

Many media headlines have characterized the USPS's recent deficits as the result of a drop in mail volume and attendant postage purchase revenue.[7] This is not entirely accurate. Mail volumes slid from 213.1 billion mail pieces in FY2006 to 212.2 billion in FY2007, and dropped to 202.7 billion in FY2008. Despite the drop in mail pieces, the USPS's revenues actually held steady during those years—$72.7 billion, $74.8 billion, and $74.9 billion—largely due to postage increases.

However, FY2009 did bring both a drop in mail sent and postage purchased. Mail volume fell 12.4%, from 202.7 billion to 177.1 billion mail pieces, and operating revenues declined 9.1%, from $74.9 billion to $68.1 billion (**Figure 1** and **Figure 2**).

Figure 1. The USPS's Mail Volume, FY2004-FY2009



Source: U.S. Postal Service, *Annual Reports 2004-2009*.

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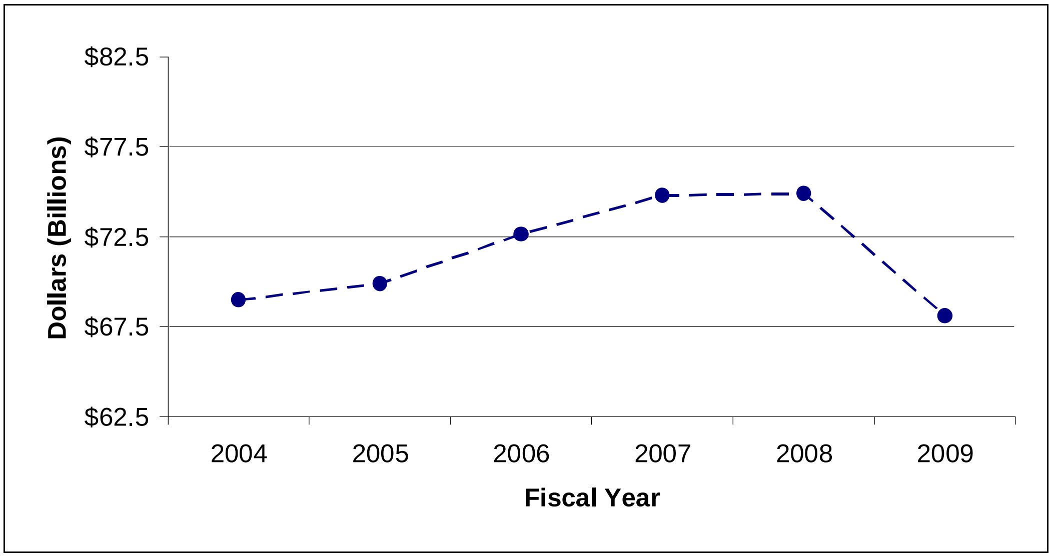
[5] Ibid., p. 27.

[6] Government Accountability Office, *Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability*, GAO-09-937SP (Washington: GAO, July 28, 2009), p. 1, at http://www.gao.gov/press/d09937sp.pdf.

[7] For example, see Associated Press, "Less Snail Mail, More Red Ink at the Post Office," *New York Times*, August 5, 2009, at http://www.nytimes.com/aponline/2009/08/05/us/politics/AP-US-Postal-Problems.html; and Ben Rooney, "Postal Service Blames Mail Decline for Loss," *CNNMoney.com*, August 5, 2009, at http://money.cnn.com/2009/08/05/news/companies/US_postal_service/.

Figure 2. The USPS's Operating Revenues, FY2004-FY2009



Source: U.S. Postal Service, *Annual Reports 2004-2009*.

All told, then, between FY2004 and FY2009, the USPS's mail volume and operating revenues declined 16% and 1.3% respectively.

Growing Expenses

During this same period, the USPS has significantly increased operating costs. A great deal of the rise in costs is attributable in part to the Postal Accountability and Enhancement Act (PAEA).[8] The PAEA established the PSRHBF and requires the USPS to prefund its future retirees' health benefits at a cost of approximately $5.6 billion per year (**Table 1**) for 10 years.[9] (Any remaining obligation is to be amortized over the subsequent 40-year period.) In doing this, the PAEA moved the USPS from funding its retirees' health care costs out-of-pocket annually to prefunding these obligations.[10] In 2004, the GAO stated that the USPS's unfunded retiree health benefits obligation was between $47 and $57 billion.[11] Using the Office of Personnel Management's (OPM's) valuation, the USPS reported that the unfunded obligation was $51.9 billion as of the end of

[8] On the PAEA, see CRS Report R40983, *The Postal Accountability and Enhancement Act: Overview and Issues for Congress*, by Kevin R. Kosar.

[9] P.L. 109-435, Sec. 803; 120 Stat. 3251-3252; 5 U.S.C Sec. 8909(d)(3)(A).

[10] Put roughly, formerly the USPS calculated the number of retirees annually and then paid its portion of the health premiums due. (USPS retirees also pay a portion.) The PAEA requires the USPS to do this and also to pay annually a portion of the present value of future retiree health benefits of current employees. In accountancy terms, the PAEA moved the USPS from "cash accounting" to "accrual accounting." On these two approaches and their use for accounting for post-retirement benefits, see Financial Accounting Standards Board, "Summary of Statement No. 106," December 1990, at http://www.fasb.org/st/summary/stsum106.shtml. See also David M. Walker, Comptroller General, U.S. General Accounting Office, "U.S. Postal Service: Accounting for Postretirement Benefits," GAO-02-916-R, September 12, 2002.

[11] U.S. General Accounting Office, "Need for Comprehensive Postal Reform," GAO-04-455R, February 6, 2004, p. 2, at http://www.gao.gov/new.items/d04455r.pdf.

FY2009.[12] (As noted later in this report, there is considerable disagreement as to the size of the USPS's unfunded obligation.)

Table 1. Postal Service Retiree Health Benefits Fund Payments Under PAEA

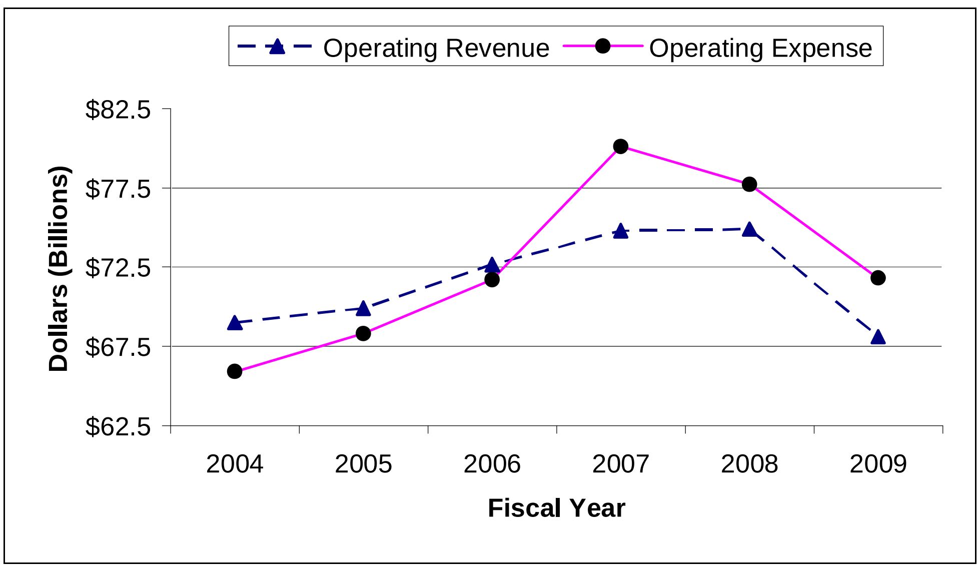
Fiscal Year	Payment (billions)
2007	$5.4
2008	$5.6
2009	$5.4[a]
2010	$5.5
2011	$5.5
2012	$5.6
2013	$5.6
2014	$5.7
2015	$5.7
2016	$5.8

Source: Postal Accountability and Enhancement Act (P.L. 109-435, Sec. 803; 120 Stat. 3251-3252; 5 U.S.C Sec. 8909(d)(3)(A).)

a. FY2009 payment amount of $5.4 billion was reduced to $1.4 billion with enactment of P.L. 111-68.

As **Figure 3** shows, the USPS's operating expenses spiked after the enactment of the PAEA.

Figure 3. The USPS's Operating Revenues and Expenses, FY2004-FY2009

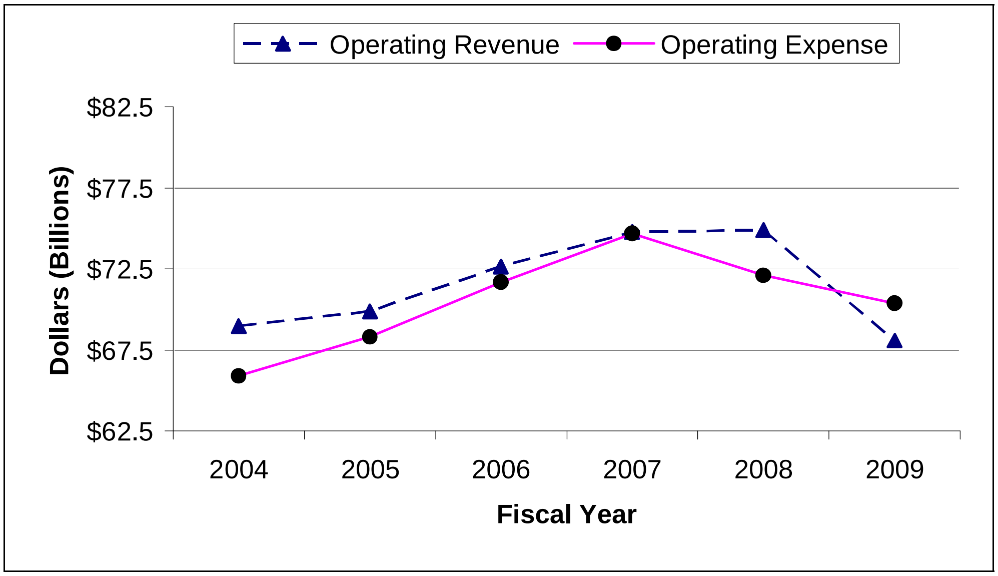


Source: U.S. Postal Service, *Annual Reports 2004-2009*.

[12] U.S. Postal Service, Annual Report 2009 (Washington: USPS, 2009), pp. 48-49, at http://www.usps.com/financials/_pdf/annual_report_2009.pdf.

The effects of the PAEA's mandatory payments to the Postal Service Health Benefits Fund on the USPS's profitability were considerable. This may be illustrated with a hypothetical—if the USPS did not have to pay into this fund each year, it would have experienced no operating losses until FY2009. **Figure 4** reproduces **Figure 3** with the annual PAEA payments subtracted from the annual operating expenses.

Figure 4. The USPS's Operating Income Without the Annual PAEA Payments to the Postal Service Health Benefits Fund, FY2004-FY2009



Source: U.S. Postal Service, *Annual Reports 2004-2009*; and Postal Accountability and Enhancement Act (P.L. 109-435, Sec. 803; 120 Stat. 3251-3252.)

Note: The USPS made its first scheduled retiree health benefits fund payment at the end of FY2007.

Congress Acts to Alleviate the USPS's Immediate Financial Distress

In August 2009, Postmaster General John Potter estimated that after borrowing $3 billion, the annual maximum permitted by law, the USPS might end FY2009 with a cash shortage of "up to $700 million."[13] By this he meant that the USPS would not have had enough cash to pay all its financial obligations as of September 30, 2009.

This did not, though, mean that the USPS would have shut down. Had this cash shortage occurred, the Postmaster General said the USPS would have used the cash it did have to pay its employees and continue its operations as long as it could. But, the USPS would not have made

[13] Statement of John Potter, Postmaster General, U.S. Postal Service, in U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *The U.S. Postal Service in Crisis*, hearing, 111th Congress, 1st sess., August 6, 2009, p. 3.

the full $5.4 billion payment to the Postal Service Retiree Health Benefits Fund that was due on September 30.[14]

Congress alleviated the USPS's cash shortage when it enacted H.R. 2918, the Legislative Branch Appropriations Act [of] 2010. President Barack Obama signed the bill into law the next day (P.L. 111-68). Section 164 of the law provided the USPS with an immediate reduction of $4 billion in operating expenses by reducing the USPS's FY2009 payment to the Postal Retiree Health Benefits Fund from $5.4 billion to $1.4 billion. The legislation does not relieve the USPS of this $4 billion obligation; rather, it defers USPS's payment. Come FY2017, the $4 billion will be added to whatever remaining outstanding health care obligation may exist, and amortized over a 40-year period.

Issues for Congress

While Congress alleviated the USPS's FY2009 cash shortage, it is unclear what the future holds for the USPS's finances.

In November 2009, the USPS stated that it was expecting operating losses in FY2010, and reported that its auditor had stated there is "significant uncertainty as to whether the United States Postal Service will have sufficient liquidity to make this payment on Sept. 30, 2010."[15] The USPS will release its FY2010, first quarter financial results (for the period of October 1, 2009, to December 31, 2009) in early February 2010.[16]

The USPS's financial challenges raise difficult questions: Did the USPS simply suffer from a "perfect storm" of high retiree health benefits payments and declining revenue? Or is the USPS, as currently constituted, incapable of responding to a shifting, and possibly declining, market for its products and services?[17]

Answering these questions goes beyond the scope of this report. Nevertheless, a number of ideas for incremental reforms have been put forth that would improve the USPS's financial condition in the short term so that it might continue as a self-funding, government agency.

[14] Failure to make the payment would have placed the USPS in violation of federal law, the ramifications of which are unclear. (The law is silent on this matter.) Gregg Carlstrom and Rebecca Neal, "What Happens if USPS Misses Trust Fund Payment? No One Knows," *Federal Times*, September 28, 2009, p. 5.

[15] U.S. Postal Service, "Postal Service Ends 2009 with $3.8 Billion Loss," press release, November 16, 2009, at http://www.usps.com/communications/newsroom/2009/pr09_098.htm.

[16] The PAEA requires the USPS to report quarterly results 40 days after the end of a quarter (120 Stat. 3214; 39 U.S.C. 3654(a)).

[17] Some observers have suggested that mail volumes will continue to decline because of the substitution of Internet- and World Wide Web-based communications. For example, see President's Commission on the U.S. Postal Service, *Embracing the Future: Making the Tough Choices to Preserve Universal Mail Service* (Washington: GPO, July 31, 2003), pp. 6-8. The USPS itself has cited this "electronic diversion" as one of the causes for the decline in mail volumes. U.S. Postal Service, "Postal Service Ends Third Quarter with $2.4 Billion Loss," press release, August 5, 2009, at http://www.usps.com/communications/newsroom/2009/pr09_066.htm.

Increasing Revenues

Altering Postage Rates

The PRC has found that the USPS carries some types of mail at postage rates that are below their costs.[18] Currently, federal law permits the USPS to increase postage annually at a rate no higher than the Consumer Price Index (39 U.S.C. 3622(d)(1)(A)). Congress may wish to further examine these apparent disparities and provide the USPS with additional pricing flexibilities that would enable it to recover more revenue.

Offering More Nonpostal Products and Services

Federal postal law limits the USPS to selling postage stamps, stamped paper, cards, envelopes, philatelic services, and ancillary items (39 U.S.C. 102(5); 39 U.S.C. 404(a)(4-5)). The USPS has said that it would like to increase its revenues by offering a broader range of nonpostal products and services, although it has not specified which ones.[19] Congress may wish to consider whether the USPS ought to enter into nonpostal business lines.

Reducing Costs

Reducing the USPS's PSRHBF Obligation and Payments

The USPS has to make seven more PAEA-mandated future retiree health benefits payments from FY2010 through FY2016. These remaining payments average more than $5.6 billion per year and amount to $39.4 billion. These payments will make up a significant portion (more than 7%) of the USPS's approximately $75 billion annual operating expenses.[20]

The U.S. Postal Service Office Inspector General (USPSOIG), Office of Personnel Management (OPM), and the PRC have disagreed on the size of the USPS's future retiree health benefits obligation. Therefore, they came to different conclusions as to the amount the USPS should pay to adequately fund this obligation.

The USPSOIG said that the USPS needs to have $90.2 billion in the PSRHBF by the end of FY2016 for it to be adequately funded. The USPSOIG argued that the current PAEA-mandated payment schedule was too aggressive, and that the USPS should pay $1.6 billion per year through 2016 to fund its obligations.[21]

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[18] Postal Regulatory Commission, *Annual Compliance Determination* (Washington: PRC, March 30, 2009), pp. 5-6, at http://www.prc.gov/Docs/62/62784/ACD Report_2008_FINAL.pdf. See also CRS Report R40162, *Postage Subsidies for Periodicals: History and Recent Developments*, by Kevin R. Kosar.

[19] On the PAEA's limitation on the USPS's ability to offer nonpostal products, see CRS Report R40983, *The Postal Accountability and Enhancement Act: Overview and Issues for Congress*, by Kevin R. Kosar, pp. 10-13.

[20] The USPS annual operating expenses have averaged $74.7 billion over the past five years including the full PAEA-mandated retiree health benefits payments.

[21] U.S. Postal Service Inspector General, *Final Management Advisory Report–Estimates of Postal Service Liability for Retiree Health Care Benefits* (Washington: USPSOIG, July 22, 2009), at http://www.uspsoig.gov/foia_files/ESS-MA-09-001R.pdf; and Statement of David C. Williams, Inspector General, U.S. Postal Service Office of Inspector General, in U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal (continued...)

OPM held that the USPS should have $147.9 billion in the fund by the end of FY2016. It argued that the USPS should put $5.5 billion in the fund per year, but it said that it had "no objections to legislative changes that provide for a solution in a manner that does not jeopardize the funding for [postal] employee and retiree benefits." [22]

The PRC reviewed both the USPSOIG's and OPM's assessments, and found merit in both approaches. The PRC suggested that the USPSOIG understated the USPS's liability because it underestimated the inflation rate for health care. The PRC argued that OPM significantly overstated the USPS's liability because it overestimated both the inflation rate for health care and the future USPS workforce size. The PRC estimated that the USPS needs to have $113.2 billion in its Retiree Health Benefits Fund by the close of FY2016. It said that the USPS could pay $3.4 billion per year to achieve this goal.[23] In light of this, Congress may wish to reassess the PAEA's payment schedule and the differing calculations of the USPS's obligation. It also may wish to consider reducing the USPS's annual payment by extending the payment schedule or by allowing the USPS to amortize more of the obligation after FY2016.

Reducing the USPS's Contributions Toward Employee Health Premiums and Life Insurance

In his initial FY2010 budget, President Barack Obama proposed requiring USPS employees to pay the same percentage towards their health premiums and life insurance as other federal workers.[24] (Currently, USPS employees pay 17% of their health care premium costs and 0% of their life insurance premiums, while other federal employees pay 27% and 67% respectively.)[25] The administration estimated this new policy would save the USPS $752 million in FY2010 and $9.5 billion in the period of FY2010 to FY2019. Reportedly, the proposal was dropped because of concerns that it would violate collective bargaining.[26]

(...continued)

Financial Management, Government Information, Federal Services, and International Security, *The U.S. Postal Service in Crisis*, p. 3.

[22] Statement of Nancy H. Kichak, Associate Director for Strategic Resources Policy, U.S. Office of Personnel Management, in U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *The U.S. Postal Service in Crisis*, p. 4.

[23] Postal Regulatory Commission, Postal Regulatory Commission Review of Retiree Health Benefit Fund Liability as Calculated by Office of Personnel Management and U.S. Postal Service Office of Inspector General (Washington: PRC, July 30, 2009), at http://www.prc.gov/Docs/63/63987/Retiree%20Health%20Fund%20Study_109.pdf; and Ruth Y. Goldway, Commissioner, Postal Regulatory Commission, "Statement of Ruth Y. Goldway," in U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, The U.S. Postal Service in Crisis, p. 4.

[24] Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2010: Summary Tables*, March 2009, Table S-6, p. 126, at http://www.whitehouse.gov/omb/assets/documents/S-6.pdf.

[25] Government Accountability Office, *Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability*, GAO-09-958 (Washington: GAO, August 6, 2009), p. 2, at http://www.gao.gov/new.items/d09958t.pdf.

[26] Darrell A. Hughes, "Obama Admin Halts Plans To Alter US Postal Workers' Benefits," *Wall Street Journal* (online), May 11, 2009, at http://online.wsj.com/article/BT-CO-20090511-719565.html.

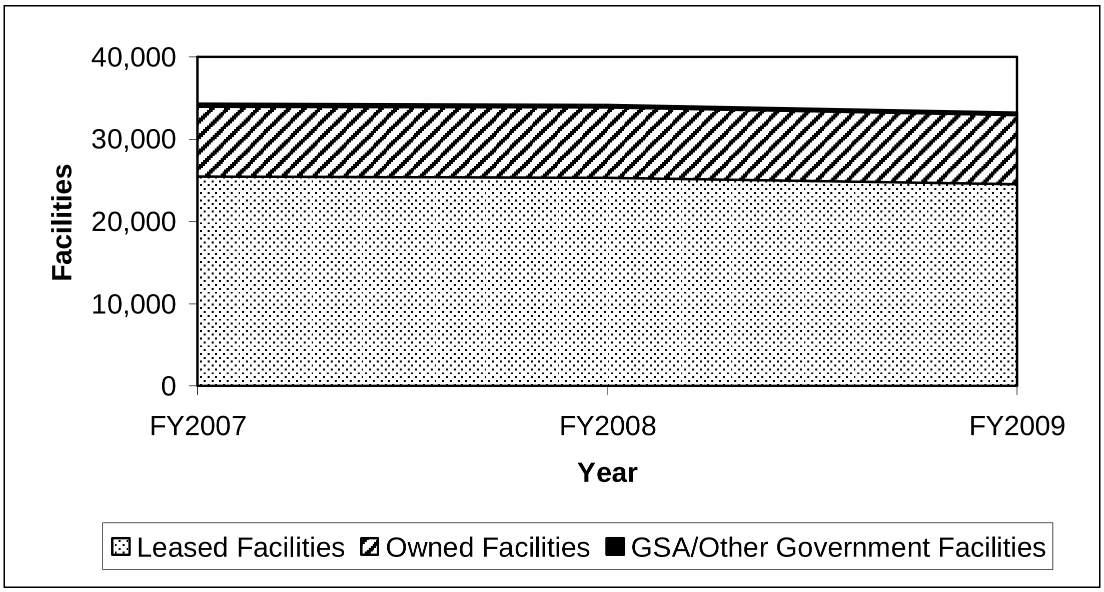
Reducing the USPS's Retail and Nonretail Facilities

GAO has testified repeatedly that the USPS has not reduced its number of retail postal facilities and mail processing plants sufficiently:

> Excess capacity has grown with unprecedented declines of mail volume, which are projected to continue through fiscal year 2010.... [A]s its mail volumes decline, [the] USPS does not have sufficient revenues to cover the growing costs of providing service to new residences and businesses while also maintaining its large network of retail and processing facilities.[27]

The PAEA was enacted in the first quarter of FY2007. The USPS has reduced its facility footprint[28] 3.1%, from 34,318 to 33,264 (**Figure 5**).

Figure 5. U.S. Postal Service Retail and Non-Retail Facilities, FY2007-FY2009



Source: U.S. Postal Service, "2008 Report on Form 10-K Statement," p. 10, and "2008 Report on 10-K Statement," p. 9.

Notes: The GSA/Other Government Facilities category refers to facilities owned by government agencies other than the USPS.

In FY2009, the USPS announced that it might close more than 3,100 of its retail facilities, but by early FY2010, that number had been reduced to 241.[29]

Congress may wish to consider providing the USPS with additional authority to reduce its facilities. Or, Congress may wish to consider legislation similar to that introduced by Senator Thomas Carper in 2003. S. 1285 (108th Congress) proposed establishing a Postal Network

[27] Government Accountability Office, *Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability*, pp. 3-4.

[28] Here, facility footprint refers to the number of USPS leased and owned facilities. The facility footprint does not include contract postal units and community post offices, which are owned and operated by private individuals.

[29] CRS Report R40719, *Post Office and Retail Postal Facility Closures: Overview and Issues for Congress*, by Kevin R. Kosar, p. 3.

Optimization Commission to reduce the number of postal facilities in a manner similar to that used to close military bases in the 1990s.

As a related matter, both houses of Congress also may wish to consider enacting rules to prevent congressional intervention in proposed mail facility closures.[30] Alternatively, Congress might enact a law to authorize appropriations to reimburse the USPS for cost-savings lost because of congressionally imposed delays in facilities closures.

Reducing Mail Delivery from Six to Five Days Per Week

GAO has suggested that Congress should consider permitting the USPS to reduce its delivery schedule from six to five days, a policy with which the USPS concurs.[31] To date, the estimates of possible savings from a reduction in delivery days range from $1.9 billion to $3.5 billion.[32] (No studies have argued the contrary—that moving to five-day delivery would increase costs.)

The USPS is conducting a study to determine the cost savings of a switch to five-day delivery, which it will release in early 2010. Congress may wish to examine it and the previously published studies on five-day mail delivery.

Increasing the USPS's Powers to Control Labor Costs

Critics have long argued that the USPS is required to be self-supporting but that federal law provides it with very few authorities to control its employment costs—which make up approximately 80% of its total operating costs.[33] For example, in 2003 the President's Commission on the United States Postal Service noted that "postal workers enjoy special status within the federal workforce. They are granted the right to negotiate wages, hours, and workplace conditions through collective bargaining."[34] By law, the USPS is required to "maintain compensation and benefits for all officers and employees on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector" (39 U.S.C. 1003(a)). The commission further argued that the current statutory process for resolving disputes

[30] For example, see S.Rept. 111-43, Financial Services and General Government Appropriations Bill, FY2010, p. 131. "The Committee is aware that the Quincy, Illinois AMP [Area Mail Processing plant] is among the facilities for which a possible realignment feasibility study has been announced. The Committee is concerned about the impact on the community and postal customers of eliminating jobs or transferring functions. The Committee directs the Postal Service to provide the Committee with a detailed explanation of the criteria used to select the Quincy AMP for a study no later than 30 days after enactment. The Committee further directs the Postal Service to not proceed with the Quincy AMP study or any other related actions to implement that study during fiscal year 2010."

[31] Statement of Phillip Herr, Director, Physical Infrastructure, Government Accountability Office, *U.S. Postal Service: Deteriorating Postal Finances Require Aggressive Actions to Reduce Costs*, p. 11; and Statement of John Potter, Postmaster General, U.S. Postal Service, in U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, *The U.S. Postal Service in Crisis*, p. 7.

[32] CRS Report R40626, *The U.S. Postal Service and Six-Day Delivery: Issues for Congress*, by Wendy R. Ginsberg.

[33] Government Accountability Office, *Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability*, p. 2.

[34] For example, see President's Commission on the United States Postal Service, *Embracing the Future: Making the Tough Choices to Preserve Universal Mail Service: Report of the President's Commission on the United States Postal Service* (Washington: GPO, July 31, 2003), p. 108, at http://www.ustreas.gov/offices/domestic-finance/usps/pdf/freport.pdf.

between management and labor frequently results in arbitrators being empowered to make binding decisions that favor employees (e.g., postal workers pay lower premiums for their health insurance, and are protected from layoffs.)[35]

Congress may wish to consider measures that would provide the USPS with increased means to control its long-term labor costs. The 2003 presidential commission on the USPS advocated this goal.[36] S. 1507, which was introduced during the first session of the 111th Congress, would amend 39 U.S.C. 1207(c) to require arbitrators in rendering collective bargaining decisions to "consider the financial condition of the Postal Service.''

Additionally, the USPS has relied upon attrition to reduce its workforce from 803,000 to 712,082 between FY2003 and FY2009.[37] According to GAO, 300,000 USPS employees will be eligible for retirement between 2009 and 2013.[38] The USPS offered early retirement incentives to "up to 30,000" of its employees in FY2009.[39] As of the end of FY2009, the USPS reported that 20,100 USPS employees had accepted it.[40] Congress may wish to assess the USPS's efforts to offer employees early retirement, and consider whether the USPS has sufficient authorities to further reduce its workforce.

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[35] For example, see *Collective Bargaining Agreement Between American Postal Workers Union, AFL-CIO and U.S. Postal Service*, November 21, 2006-November 20, 2010 (Washington: APWU, 2006), pp. 9-18, at http://www.apwu.org/dept/ind-rel/sc/APWU%20Contract%202006-2010.pdf.

[36] President's Commission on the United States Postal Service, *Embracing the Future*, pp. 138-140.

[37] U.S. Postal Service, *Annual Report 2009* (Washington: USPS, 2009), p. 81.

[38] Government Accountability Office, *U.S. Postal Service: Restructuring Urgently Needed to Achieve Financial Viability*, GAO-09-958T (Washington: GAO, August 6, 2009), p. 5.

[39] U.S. Postal Service, "Postal Service Continues Cost-Cutting Actions," press release, August 25, 2009, at http://www.usps.com/communications/newsroom/2009/pr09_073.htm.

[40] U.S. Postal Service, *Annual Report 2009*, p. 54.