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The U.S. Postal Service's Financial Condition: A Primer

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Summary

Since 1971, the U.S. Postal Service (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.

The USPS is experiencing significant financial challenges. After running modest profits from FY2003 through FY2006, the USPS lost \$45.6 billion between FY2007 and FY2013. Since FY2011, the USPS has defaulted on \$22.4 billion in payments to its Retiree Health Benefits Fund (RHBF). The agency reached its \$15 billion borrowing limit in FY2012 and has not reduced total debt since that time. In October 2012, the USPS bolstered its liquidity by withdrawing all of the cash from its competitive products fund. This fund has not been replenished.

While the revenues for the USPS increased in FY2014, expenses have also risen. Compared with FY2013, expenses for FY2014 were \$1.1 billion higher while revenues have increased by \$500 million.

The USPS's recent financial difficulties are partially the product of reduced demand. The agency has experienced a 36.3% drop in mail volume during the past 10 years. Additionally, during the past decade the "mail mix" has shifted. A growing portion of the mail is advertising mail, which yields low profits. Concurrently, the annual volume of first-class letters, which are highly profitable, has been dropping steadily, at least in part due to mailers shifting to electronic communications. As a result, the Postal Service's revenues in FY2014 were lower than they were in FY2005. Additionally, the Postal Service's liquidity has decreased and its debt has increased since FY2006, partially as a result of the statutorily mandated payments to the RHBF that were made between FY2007 and FY2010. The USPS has not had sufficient liquidity to make the payments since FY2011.

This report discusses these issues in more detail, and includes financial results through the end of FY2014. This report will be updated in the event of any significant developments.

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Background

Independent Establishment of the Executive Branch

Since 1971, the U.S. Postal Service (USPS) has been a self-supporting, wholly governmental entity.¹ Prior to that time, the federal government provided postal services via the U.S. Post Office Department (USPOD), a federal 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).

Non-Reliant on Appropriations

The PRA designed the USPS to be a marketized government agency, which is an agency that would cover its operating costs with revenues generated through the sales of postage and related products and services.² Although the USPS does receive an annual appropriation, the agency does not rely on appropriations. Its appropriation is approximately \$90 million per year, about 0.1% of the USPS's \$65 billion operating revenue.³ 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.

Treasury Accounts

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).⁴

¹ The USPS often is mischaracterized as a quasi governmental or private entity. It is neither. The USPS is a government agency that was created by Congress to achieve various public purposes. Federal law defines what products and services the Postal Service may offer. Additionally, the USPS's employees are federal employees who participate in the Civil Service Retirement System, the Federal Employees Retirement System, and the Federal Employees Health Benefits Program. On quasi governmental entities, which have both governmental and private-sector attributes, see CRS Report RL30533, *The Quasi Government: Hybrid Organizations with Both Government and Private Sector Legal Characteristics*, by (name redacted). The author of that report has left CRS. Questions about its content may be directed to (name redacted), Specialist in American National Government.

² The term “marketized” refers to a government agency structured to provide goods and services in the manner of a private firm.

³ For further details on the USPS's appropriations, see CRS Report R43352, *Financial Services and General Government (FSGG): FY2014 Appropriations*, coordinated by (name redacted).

⁴ For further background on the USPS's budget status, see CRS Report RS20350, *Off-Budget Status of Federal Entities: Background and Current Proposals*, by (name redacted); and Office of Management and Budget, *Budget of the U.S. Government Fiscal Year 2015: Appendix* (Washington: GPO, 2014), pp.101-107, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/oia.pdf>.

The USPS also has two other accounts: the Postal Service Retiree Health Benefits Fund (RHBF), which is on-budget, and the Competitive Products Fund (CPF), which is off-budget. These accounts were established by the Postal Accountability and Enhancement Act of 2006 (PAEA).⁵ The RHBF is an account into which the USPS must deposit annual prepayments towards current employees' future retirement benefits.⁶ The CPF was established to hold the revenues derived from the sale of competitive products and services and any returns earned on the investment of these funds in U.S. Treasury securities.⁷

Borrowing Authority

Unlike private companies, the USPS does not have the authority to borrow money from private lenders. Rather, the USPS may borrow money from the U.S. Treasury's Federal Financing Bank. Federal statute limits the USPS's debt increases to \$3 billion per year, and the USPS's total debt to \$15 billion.⁸

The USPS's Financial Condition

A variety of approaches may be used to consider the financial condition of a firm.⁹ Here, the USPS's financial condition is examined by the metrics of profitability, revenues, expenses, and debt and liquidity.

The USPS issues both quarterly (10-Qs) and annual financial statements (10-Ks and annual reports). The data below were drawn exclusively from these USPS sources.¹⁰ The financial figures have not been adjusted to reflect inflation.¹¹

⁵ P.L. 109-435; 120 Stat. 3198. The accounts are at 5 U.S.C. §8909(a) and 39 U.S.C. §2011(a)(2), respectively.

⁶ The PAEA requires the USPS to make annual RHBF payments of between \$5.4 billion and \$5.8 billion from FY2007 to FY2016. The payments are due on September 30 of each year. The USPS may not withdraw funds from the RHBF during this 10-year period. Between FY2007 and FY2016, the USPS also must make annual outlays to cover a portion of the healthcare premium costs of current retirees. After FY2016, the USPS will pay current retiree health benefit costs from the RHBF, and will maintain the fund by making annual payments into it. For further details, see U.S. Postal Service, "2013 Report on Form 10-K," November 15, 2013, pp. 36-39, at <http://about.usps.com/who-we-are/financials/10k-reports/fy2013.pdf>.

⁷ Further details on the CPF may be found in 39 C.F.R. 3060 at <http://www.gpo.gov/fdsys/pkg/CFR-2011-title39-vol11/pdf/CFR-2011-title39-vol1-part3060.pdf>.

⁸ 39 U.S.C. §2005(a).

⁹ The Government Accountability Office, for example, has assessed the USPS's financial condition on the metrics of revenues, expenses, profitability and liabilities. See Government Accountability Office, *U.S. Postal Service: Urgent Action Needed to Achieve Financial Sustainability*, GAO-13-562T, April 13, 2013, at <http://www.gao.gov/assets/660/653841.pdf>.

¹⁰ The USPS's financial reports and statements may be found at <http://about.usps.com/who-we-are/financials/>.

¹¹ According to the Bureau of Labor Statistics' "inflation calculator," the Consumer Price Index showed a 23% increase between 2004 and 2013, a period nearly coincident to FY2004 to FY2013. See http://www.bls.gov/data/inflation_calculator.htm.

Profitability

Profitability here is defined as *operating revenues* less *operating expenses*.¹² *Operating revenues* (hereinafter, *revenues*) include funds received by the USPS for the provision of products and services.¹³ *Operating expenses* (hereinafter, *expenses*) include all costs incurred by the USPS in the provision of products and services.¹⁴

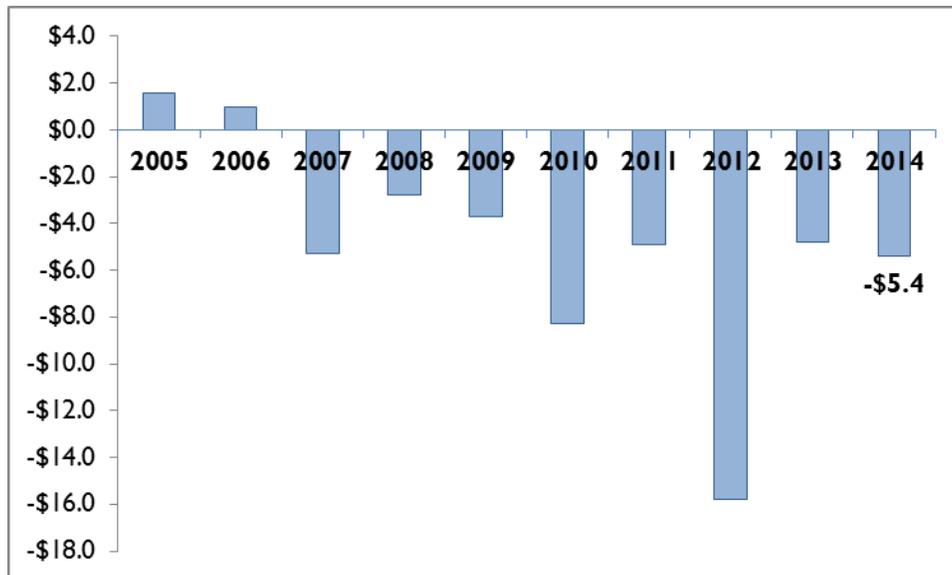
FY2014 Profitability

The USPS booked \$5.4 billion in operational losses during FY2014. These losses were driven by a \$5.7 billion charge for the RHBF.¹⁵

Ten-Year Profitability Trend

Between FY2005 and FY2014, the USPS had two profitable years followed by eight unprofitable years (**Figure 1**). The USPS's deficits during those eight years amount to \$51.0 billion.

Figure 1. USPS Profitability, FY2005-FY2014
(billions of dollars)



Source: CRS graphic based upon U.S. Postal Service “Annual Reports” and “Form 10-Ks.”

Note: Values are not adjusted for inflation.

¹² The USPS reports annual profitability as either “income from operations” or “loss from operations.” This report uses “profitability” as a proxy for these two terms, but otherwise employs the USPS’s definitions of financial terms (e.g., profitability, operating expense, debt).

¹³ Operating revenues exclude any revenues the USPS derives from investment income or interest earned on deposits.

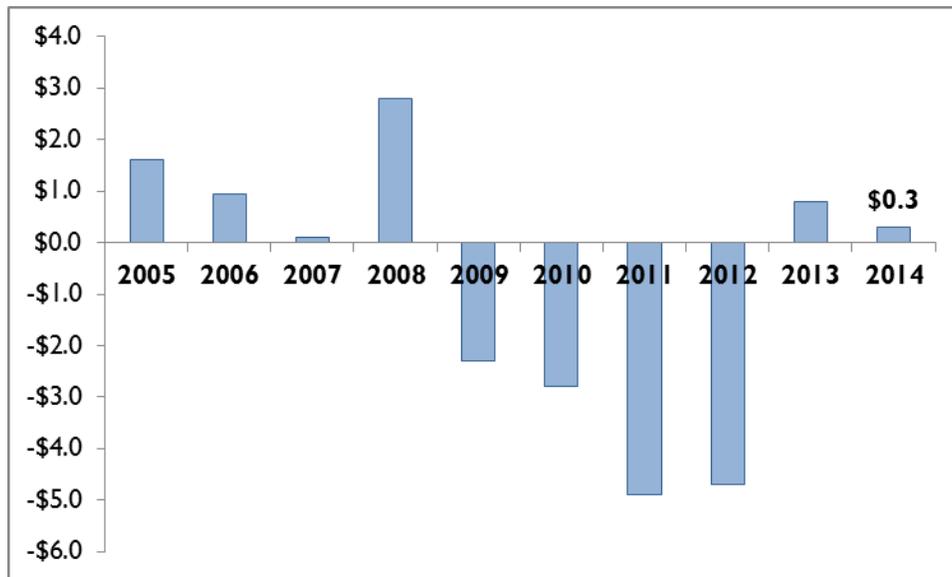
¹⁴ Operating expenses exclude interest owed by the USPS on funds borrowed.

¹⁵ The USPS was legally obligated to pay \$5.7 billion into the RHBF in FY2014. The USPS records the prorated portion of the total amount in each quarterly financial statement. U.S. Postal Service, “Quarter III, 2014 Report on Form 10-Q,” August 11, 2014, pp. 2 and 12.

The USPS's losses began in FY2007, the same year the USPS began making payments into the RHBF.¹⁶ Between FY2006 and FY2007, the USPS's revenue rose \$2.1 billion, from \$72.7 billion to \$74.8 billion. The agency's expenses increased \$8.4 billion during this same period, from \$71.7 billion to \$80.1 billion. Of the \$8.4 billion expense increase, nearly all of it resulted from the PAEA's RHBF funding requirements. In FY2007, the USPS had a \$5.4 billion outlay to the RHBF, and an almost \$3 billion one-time charge for transferring funds from a USPS escrow fund to the RHBF per P.L. 109-435.

While RHBF payments have affected the USPS's profitability, the USPS would have run deficits from FY2009 through FY2012 even if the agency did not have to make RHBF payments (**Figure 2**). If RHBF payments are excluded, the USPS would have run modest surpluses of \$800 million in FY2013 and \$300 million in FY2014.¹⁷ The non-RHBF deficits since FY2009 total \$13.6 billion, an amount nearly equal to the USPS's total borrowing authority. As **Figure 3** and **Figure 4** below illustrate, these cumulative deficits were produced by a sharp drop in revenues that was only partially recovered in FY2013 and FY2014. (Expenses did not fall equivalently.)

Figure 2. USPS Profitability Without the Annual RHBF Payments, FY2005–FY2014
(billions of dollars)



Source: CRS graphic and calculation based upon U.S. Postal Service “Annual Reports” and “Form 10-Ks.”

Note: Values are not adjusted for inflation.

¹⁶ See U.S. Postal Service, “Annual Report, FY2007,” 2007, pp. 25-26, at <https://about.usps.com/who-we-are/financials/annual-reports/fy2007.pdf>.

¹⁷ USPS profitability in FY2013 benefited from a one-time adjustment for an accounting estimate related to the breakage rate for Forever Stamps. The profitability for each year is also impacted by adjustment for workers’ compensation expenses. More information on these adjustments can be found on the U.S. Postal Service “2013 Report on Form 10-K,” p. 21, at <http://about.usps.com/who-we-are/financials/10k-reports/fy2013.pdf>.

Revenues

Pursuant to federal statute, the USPS earns revenues through the provision of postal products and services.¹⁸ The PAEA separated USPS products and services into two categories—“market-dominant” (or monopoly) and “competitive.”¹⁹ Market-dominant products include those products and services that the USPS need not compete with the private sector to provide (e.g., first-class letters). Competitive products and services are those for which a competitive market exists (e.g., overnight parcel delivery).²⁰

The USPS may annually raise the rates of products in the market-dominant class by no more than the Consumer Price Index for All Urban Consumers (CPI-U). The USPS has greater freedom to price competitive products.²¹ In January 2014, the USPS raised rates by 1.7% on market-dominant products and services, and an average of 2.4% for competitive products.²² In addition, the Postal Regulatory Commission approved a 4.3% temporary surcharge on market-dominant products for a limited amount of time.²³ This increase is currently being litigated in federal court following an appeal by the USPS, which believes the increase should not be limited for a specific amount of time. As a result, any rate increases for 2015 are being delayed until a decision is reached.²⁴

Of the USPS's \$67.8 billion in revenues in FY2014, more than \$47 billion (69%) came from the sale of first-class mail, standard mail, and periodicals, which are classified as market-dominant products and services.²⁵

FY2014 Revenues

USPS's revenues totaled \$67.8 billion for FY2014. This amount is slightly higher (\$500 million) than the USPS's revenues for FY2013 (\$67.3 billion).²⁶

Ten-Year Revenue Trend

Between FY2005 and FY2008, the USPS's revenue grew in each consecutive year to a high of \$74.9 billion. A rapid decrease in mail volume began shortly after the US economy had officially entered a deep recession, leading to four consecutive years of revenue decline between FY2009

¹⁸ 39 U.S.C. §404.

¹⁹ 39 U.S.C. §3621-2634.

²⁰ FedEx and UPS are among the private firms that compete with the USPS to provide overnight parcel delivery.

²¹ 39 U.S.C. §3622(c)(2) and 39 U.S.C. §3633 set a floor for competitive products prices by requiring that they be priced at not less than an amount calibrated to generate revenue sufficient to cover the USPS's costs to provide them.

²² U.S. Postal Service, “Quarter II, 2014 Report on Form 10-Q,” May 9, 2014, p. 17, at <http://about.usps.com/who-we-are/financials/financial-conditions-results-reports/fy2014-q2.pdf>.

²³ As stated in the 10-K report for FY2014, “the PRC decision authorizing the 4.3% exigent surcharge dictates that this surcharge shall remain in effect only until an additional \$3.2 billion of incremental operating revenue above what the Postal Service would have otherwise recovered through a PCI-U increase alone is collected.” U.S. Postal Service, “2014 Report on Form 10-K,” p. 15.

²⁴ No decision had been reached by the Court of Appeals for the DC Circuit as of December 17, 2014.

²⁵ U.S. Postal Service, “2014 Report on Form 10-K,” p. 16.

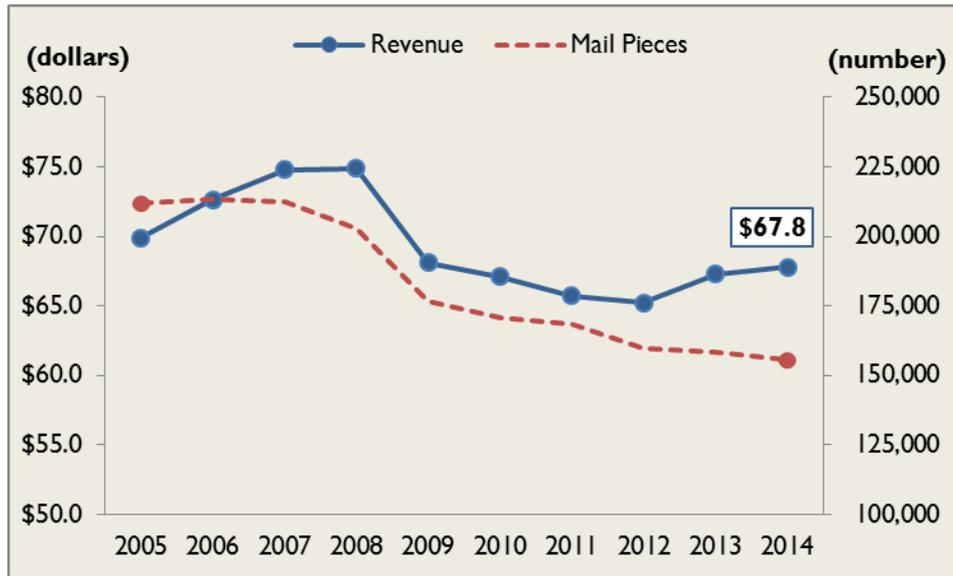
²⁶ U.S. Postal Service, “2014 Report on Form 10-K,” p. 13.

and FY2012.²⁷ Revenue then increased again in FY2013 and FY2014 (**Figure 3**). The USPS's FY2014 operating revenue of \$67.8 billion is \$2.1 billion, or 3.0%, lower than its FY2005 revenues (\$69.9 billion).

The USPS's revenues are derived almost entirely from postage paid for the delivery of mail. Hence, when mail volumes rise, the USPS's revenues tend to rise. Between FY2003 and FY2006, mail volume increased from 202.2 billion to 213.1 billion mail pieces. Since then, mail volume has dropped sharply—to 155.4 billion pieces in FY2014. Mail volume was 23.2% lower in FY2014 than in FY2003, and 27.1% below its FY2006 peak.²⁸

Additionally, during the past decade the “mail mix” has shifted. An increasing portion of the mail handled by the USPS is advertising mail, which yields low profits.²⁹ Concurrently, the annual volume of first-class mail, which is highly profitable, has been dropping steadily, at least in part because mailers are shifting to electronic communications (e.g., online bill remittances and payment).³⁰

Figure 3. USPS Revenues, FY2004-FY2013
(billions of dollars)



Source: CRS graphic based upon U.S. Postal Service “Annual Reports” and “Form 10-Ks.”

Note: Values are not adjusted for inflation.

²⁷ CRS Report R40198, *The 2007-2009 Recession: Similarities to and Differences from the Past*, by (name redacted). The USPS's mail volume peaked in FY2006 at 213.1 billion mail pieces, and was nearly as high in FY2007. In the first two quarters of FY2008 (October through December and January through March), mail volume was higher than in the same quarters in FY2007. It was not until the third quarter of FY2008 (April through June) that the USPS reported a decline in mail volume relative to the same quarter in the previous year. By the end of FY2008, mail volume had dropped from 212.2 to 202.7 billion mail pieces. Thus, chronologically it was the case that the U.S. economy entered a recession in December 2007, and mail volume began falling approximately four to six months later.

²⁸ In FY2006, mail volume peaked at 213.1 billion mail pieces. The following year, mail volume was 212.2 billion (.4% lower).

²⁹ For further details, see Postal Regulatory Commission, “Annual Compliance Determination, FY2012,” pp. 80-81 and 105-106.

³⁰ U.S. Postal Service, “Annual Report FY2003,” p. 1, and U.S. Postal Service, “2012 Report on Form 10-K,” p. 27.

Expenses

FY2014 Expenses

The USPS's expenses totaled \$73.2 billion for FY2014. This amount is \$1.1 billion, or 1.5%, higher than the USPS's expenses for FY2013 (\$72.1 billion).³¹

Were the RHBF expenses removed from consideration, the USPS's FY2014 expenses would have been \$950 million, or 1.3%, higher than FY2013 expenses (**Table 1**). Despite this increase, USPS expenses (including the RHBF accrual) fell in the fourth quarter of FY2014 and were more than \$300 million below the fourth quarter of FY2013.

Table 1. USPS Operating Expenses Minus RHBF Payments, FY2013 and FY2014
(billions of dollars)

	FY2013	FY2014
Quarter 1	\$18.9	\$18.3
Quarter 2	\$18.2	\$18.6
Quarter 3	\$16.9	\$18.4
Quarter 4	\$18.2	\$17.9
Total	\$72.1	\$73.2
(Less RHBF expense)	(\$5.6)	(\$5.7)
Total	\$66.5	\$67.5

Source: U.S. Postal Service, Quarter III, FY2013 and FY2014 "Reports on Form 10-Q."

Note: Values are not adjusted for inflation.

Ten-Year Operating Expense Trend

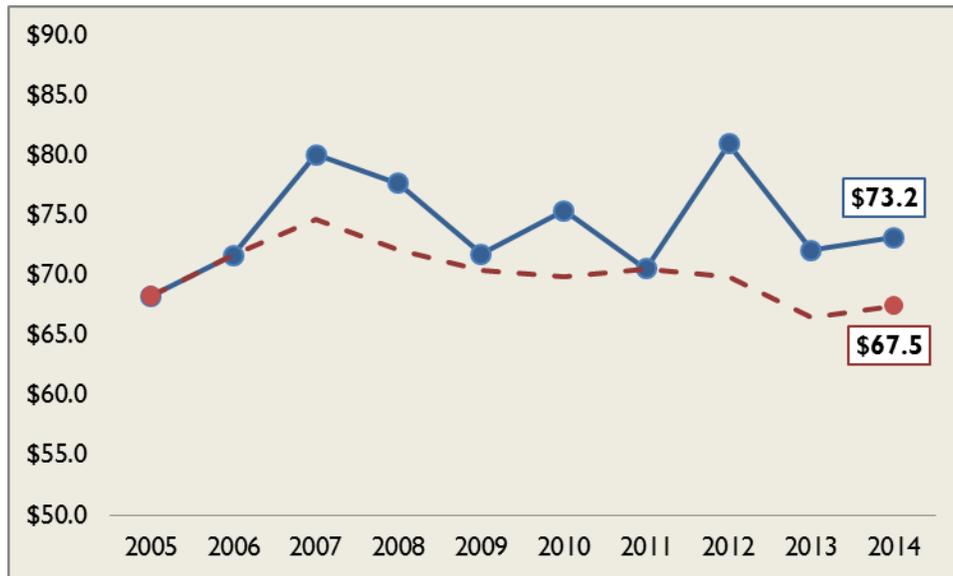
The USPS's operating expenses have increased from \$68.3 billion to \$73.2 billion (9.4%) in the past 10 years.

Were the RHBF portion of the expenses removed, the USPS's annual expenses have decreased over the decade. **Figure 4** shows that in the years prior to PAEA's establishment of the RHBF in 2007, expenses grew from \$68.3 billion to \$71.7 billion. Much of this increase was attributable to rising costs for compensation and benefits.³² After the enactment of the PAEA, the USPS's expenses (minus the RHBF, as indicated by the dotted line) declined from \$74.7 billion in FY2007 to \$67.5 billion in FY2014, a reduction of 9.6%.

³¹ U.S. Postal Service, "2014 Report on Form 10-K," p. 13.

³² U.S. Postal Service, "Annual Report, FY2004," p. 24, at <http://about.usps.com/who-we-are/financials/annual-reports/fy2004.pdf> and U.S. Postal Service, "Annual Report, FY2006," p. 27, at <http://about.usps.com/who-we-are/financials/annual-reports/fy2006.pdf>.

Figure 4. USPS Expenses, FY2004-FY2014
(billions of dollars)



Source: CRS graphic based upon U.S. Postal Service “Annual Reports” and “Form 10-Ks.”

Note: Values are not adjusted for inflation. The solid line above represents total USPS expenses, including the RHBf requirements. The dotted line represents USPS expenses with the RHBf removed.

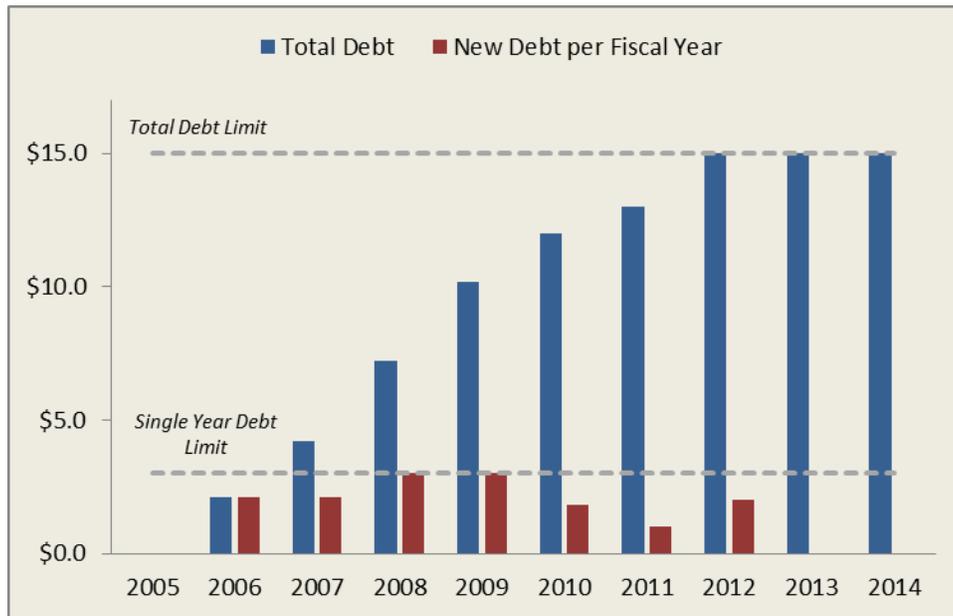
Debt and Liquidity

The USPS reached its \$15 billion debt cap in late FY2012 and continues to have no remaining borrowing authority through the end of FY2014.³³ The USPS was debt-free in FY2005, then began increasing debt from FY2006 until the limit was reached in FY2012 (**Figure 5**). Factors contributing to the USPS’s growing debt include falling annual revenues from FY2008 through FY2012 and the agency’s \$17.9 billion in payments into the RHBf.³⁴ **Figure 3** above shows the USPS’s revenues were \$7.1 billion higher in FY2007 and FY2008 than in FY2014.

³³ U.S. Postal Service, “2014 Report on Form 10-K,” p. 10; and U.S. Postal Service, “2012 Report on Form 10-K,” pp. 52-53.

³⁴ The USPS made the following payments in the RHBf: \$5.4 billion (FY2007), \$5.6 billion (FY2008), \$1.4 billion (FY2009), and \$5.5 billion (FY2010). The agency has not paid into the RHBf since FY2010. U.S. Postal Service, “2013 Report On Form 10-K,” pp. 38-39.

Figure 5. USPS Debt, FY2005-FY2014
(billions of dollars)



Source: CRS graphic based upon U.S. Postal Service “Annual Reports” and “Form 10-Ks.”

Note: Values are not adjusted for inflation.

Postal Service Fund balance: At the end of FY2014, the USPS had \$4.9 billion in cash, which only provides enough cash to maintain operations for less than four weeks at current operating costs. This is an increase over the \$2.3 billion in cash available at the end of FY2013.³⁵ The USPS has stated that the increased cash balance is “largely attributable to the temporary exigent price increase on Market-Dominant services implemented in January of 2014.”³⁶ In addition, the agency’s limited liquidity and lack of borrowing authority is constraining the USPS’s ability to make capital and operational upgrades (e.g., replace its aging fleet of delivery vehicles) and would be insufficient in the event of another downturn to the U.S. economy.

Competitive Products Fund balance: The entire balance of the CPF was transferred to the Postal Service Fund to address liquidity concerns at the conclusion of FY2012. Since that time, the U.S. Treasury’s “Monthly Statement of the Public Debt” has not included an entry for the CPF.³⁷ This is indicative of the CPF not having a current balance. The status of the CPF was the subject of a 2013 Commission Information Request (CIR) from the Postal Regulatory Commission.³⁸

³⁵ U.S. Postal Service, “2014 Report on Form 10-K,” p. 34.

³⁶ U.S. Postal Service, “2014 Report on Form 10-K,” p. 51.

³⁷ U.S. Treasury, “Monthly Statement of the Public Debt,” November 2014, p. 12, at <http://www.treasurydirect.gov/govt/reports/pd/mspd/2014/opdm112014.pdf>.

³⁸ Postal Regulatory Commission, *Commission Information Request No. 1*, PI2013-1, Washington, DC, July 19, 2013, http://www.prc.gov/Docs/87/87374/CIR_No_1.pdf. More information on the request and the USPS response can be found at <http://www.prc.gov/prc-pages/dockets-search/default.aspx>.

Retiree Health Benefits Fund balance: The RHBF had \$48.8 billion as of November 2014.³⁹ As currently calculated, the USPS's total RHBF obligation is approximately \$97.7 billion.⁴⁰ Federal law prohibits the USPS from drawing any funds from the RHBF before FY2017.⁴¹ The USPS's lack of borrowing authority has contributed to its self-reported "lack of liquidity."⁴² The USPS did not make its FY2011, FY2012, FY2013, or FY2014 RHBF benefit payments, leaving it \$22.4 billion in default. The agency reports it does not anticipate having sufficient liquidity to make the remaining payments for FY2015 and FY2016.⁴³

The USPS is scheduled to report its year-end FY2015 financial results in November 2015.⁴⁴

Observations

Congress designed the USPS to be financially self-supporting. The agency's ability to remain financially self-sustaining over the long term is questionable. In FY2013, the USPS's revenues began to rise after falling for four consecutive years (**Figure 3**). However, expenses have not fallen quickly enough to allow the Postal Service to meet its statutory prefunding commitments to the RHBF and place the agency on a more sustainable financial course (**Figure 5**). Despite the revenue growth in FY2013 and FY2014, the USPS's annual revenue remained lower than its revenue 10 years earlier. Additionally, the revenue trend depicted in **Figure 3** may indicate a long-term weakening of the demand for the USPS's current products and services.⁴⁵

The weak cash position of the USPS has led the agency to take a number of actions to address their financial position. These include changes to both operations and personnel.

In 2013, the Postal Service implemented a realignment of its operations to further reduce costs and strengthen its finances. These operational realignments included reductions in the number of mail processing operations, realignment of retail office hours to match demand, reductions in the number of delivery routes and consolidations of delivery offices. In June 2014, the Postal Service announced that a second phase of mail processing realignments would begin in January 2015, culminating in a consolidation impacting up to 82 more processing operations. Additionally, the Postal Service continues to leverage employee attrition, Voluntary Early Retirement (VER) and utilization of non-career employees to the maximum extent permitted by its labor contracts. In July 2014, the Postal Service offered a VER to approximately 3,000 postmasters who were impacted by reductions in retail hours at certain postal facilities which was accepted by 1,380 postmasters.⁴⁶

³⁹ U.S. Treasury, "Monthly Statement of the Public Debt," November 2014, p. 12, at <http://www.treasurydirect.gov/govt/reports/pd/mspd/2014/opdm072014.pdf>.

⁴⁰ U.S. Postal Service, "2014 Report on Form 10-K," p. 61.

⁴¹ Pursuant to 5 U.S.C. §8906(g)(2)(A), the USPS shall use the RHBF to pay the healthcare costs of current employees starting in FY2017.

⁴² U.S. Postal Service, "Quarter III, 2014 Report on Form 10-Q," p. 7. Liquidity refers to the quantity of cash and assets easily convertible to cash. Any firm, governmental or private, with low liquidity risks cash shortfalls that can disable it from meeting its obligations, e.g., paying its employees, creditors, etc.

⁴³ U.S. Postal Service, "2014 Report on Form 10-K," p. 60.

⁴⁴ 39 U.S.C. §3654(a)(1) requires the USPS to file its quarterly financial reports within 40 days of the end of each quarter, and its annual report within 60 days of the end of a fiscal year. The fiscal year concludes on September 30.

⁴⁵ Postal Regulatory Commission, "Annual Compliance Determination, FY2012," pp. 29-30.

⁴⁶ U.S. Postal Service, "2014 Report on Form 10-K," p. 51.

Despite these organizational actions and the increase in revenue for the USPS in FY2013, the Postal Service projects that legislative change will be necessary to improve liquidity moving forward. With no further borrowing authority the USPS could find itself with insufficient funds to continue operations, leading to a need for payment prioritization and the continued deferral of capital and infrastructure expenditures.

It goes beyond the scope of this report to assess which operational or policy changes could improve the USPS's financial condition sufficiently to enable it to continue as a self-funding government agency. The above financial data, however, suggest that for any reforms to be successful they would need to

- contend with the USPS's short-term liquidity problem;
- be of sufficient magnitude to make appreciable changes to the USPS's annual operating revenue (currently \$67 billion) or operating costs (currently \$70+ billion);
- enable the USPS to sufficiently fund its retiree health benefits;
- help the USPS reduce its debt (currently \$15 billion); and
- place the USPS on a long-term trajectory where the agency's revenues could be expected to meet or exceed expenses.

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Acknowledgments

This report was originally written by (name redacted), who has left CRS. Readers with questions about this report's subject matter may contact Dan Richardson.

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