Financial History of the U.S. Postal Service

WHITE PAPER

Report Number 25-094-R26 | October 7, 2025

Table of Contents

Transmittal Letter

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

October 7, 2025

MEMORANDUM FOR: Luke Grossmann
Chief Financial Officer and Executive Vice President

Kelly Thresher

FROM: Kelly Thresher
Deputy Assistant Inspector General
for Finance, Pricing, and Human Capital Management

SUBJECT: White Paper – Financial History of the U.S. Postal Service
(Report Number 25-094-R26)

This report presents the results of our review of the Financial History of the U.S. Postal Service.

We appreciate the cooperation and courtesy provided by your staff. If you have any questions or need additional information, please contact Christa Owens, Director, Finance and Pricing, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Executive Summary

Over the last two decades, historical events, legislative enactments, and operational performance have shaped the U.S. Postal Service's financial results. Throughout the 1990s, the Postal Service's profitability fluctuated, and the early 2000s saw more net losses than net incomes. Fiscal year (FY) 2006 was the last year the Postal Service recorded a profit, as First-Class Mail, its most profitable product, declined with the emergence and normalization of email and electronic bill payment options.

In December 2006, Congress passed the Postal Accountability and Enhancement Act (PAEA), which was intended to reshape the financial and operational landscape of the Postal Service. The legislation required the Postal Service to prefund its retiree health obligations through 10 annual payments of more than $5 billion each. The law also limited the Postal Service's ability to raise prices on certain products.

Soon after the passage of PAEA, the Great Recession and the continued diversion to electronic communication suppressed mail growth. As the Postal Service made prefunding payments between FYs 2007 and 2010, it borrowed from the U.S. Treasury to maintain sufficient liquidity, taking debt from $2.1 billion in FY 2006 to $15 billion by the end of FY 2012. To conserve cash for operations, the Postal Service defaulted on its remaining prefunding payments, postponed infrastructure maintenance, and froze capital spending — prioritizing payments to employees and suppliers. Following FY 2012, the Postal Service had modest revenue gains, and although expenses continued to accelerate, cash levels grew steadily through the accumulation of debt and unpaid retirement benefits.

In 2020, the COVID-19 pandemic disrupted the Postal Service's operations, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress provided $10 billion in funding to the Postal Service for pandemic-related operating expenses. Later that year, the Postal Regulatory Commission (PRC) also authorized additional pricing flexibility for certain Postal Service products. The next year, the Postal Service published its Delivering for America plan, calling for increased investment in capital projects and reform for retirement obligations, among other organizational initiatives. In FY 2022, Congress passed the Postal Service Reform Act, which in part addressed partial retirement obligations reform, eliminating $57 billion in unpaid retiree healthcare liabilities from the Postal Service's balance sheet.

The Postal Service mitigated 18 years of recorded net losses by maximizing its debt limit, suspending some retiree payments, postponing infrastructure maintenance, and freezing capital spending. In addition, funding provided by the Coronavirus Aid, Relief, and Economic Security Act and postage price increases allowed the Postal Service some flexibility to manage liquidity.

Background

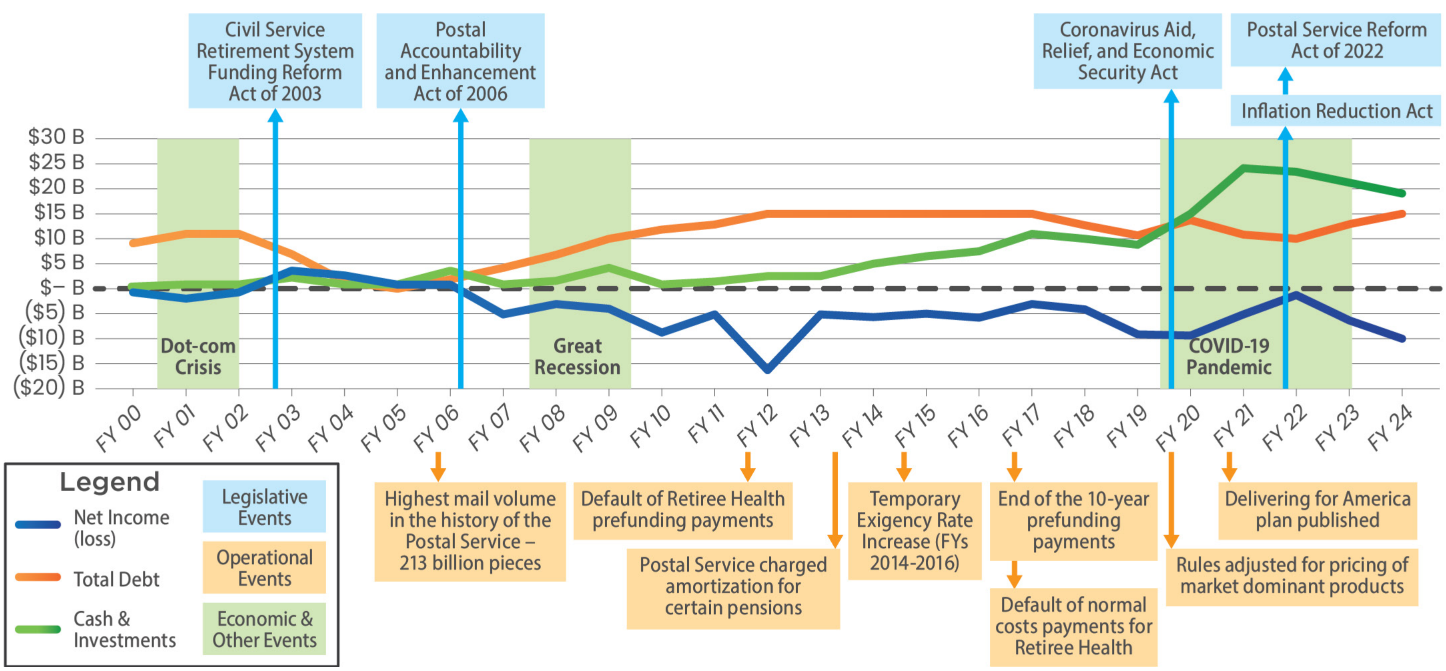
The Postal Reorganization Act of 1970 entrusted the U.S. Postal Service with an "obligation to provide postal services to bind the Nation together" and a mission to provide trusted and affordable universal service to the American public. Congress established the Postal Service as an independent agency to give it the management flexibility of private enterprise while maintaining government ownership and the civil service status of postal employees. Different from other federal entities, the Postal Service is structured to be self-funded and relies almost entirely on the cash generated from the sale of products and services, interest income, and borrowing from the Federal Financing Bank[1] to continue operations and fund employee retirement obligations.

As one of the largest employers in the United States, the Postal Service has a workforce of over 533,000 career employees and 106,000 pre-career employees, as of the end of fiscal year (FY) 2024. Along with compensation, career employees are eligible for benefits, including healthcare, defined contribution retirement plans (Thrift Savings Plan), and defined benefit retirement plans (pension plans).

We examined the historical events, legislative enactments, and operational performance that have shaped the Postal Service's financial results over the last two and a half decades, as seen in Figure 1. We will review these events separated into the following periods:

- Evolving Economic Landscape and Digital Disruption, 2000-2006;
- The Postal Accountability and Enhancement Act (PAEA), the Great Recession, and Mail Volume Declines, 2007-2010;
- Unmet Retirement Obligations and Accumulating Losses, 2011-2019; and
- The Impact of COVID-19 and the Delivering for America plan, 2020-2024.

Figure 1. Major Economic, Legislative, and Operational Changes Impacting Postal Service Financials



Source: OIG review of legislative, operational, and economic events from FYs 2000 to 2024.[2]

1 The Postal Service is authorized to raise cash through the issuance of debt obligations with the U.S. Treasury (Treasury). The Federal Financing Bank (FFB) is a government corporation under the general supervision and direction of the Treasury that provides financing to help federal agencies manage their borrowing and lending programs and ensures that all federal government borrowing is conducted through the Treasury. The Postal Service is limited to annual net increases in debt of $3 billion, calculated as of the end of each fiscal year, and total debt of $15 billion.

2 Net loss for FY 2022 was calculated to exclude the one-time non-cash benefit provided in the PSRA legislation.

Evolving Economic Landscape and Digital Disruption 2000–2006

Evolving Economic Landscape

Throughout the 1990s, the Postal Service's profitability fluctuated, experiencing losses in the first half of the decade and consistent profitability in the second. In 2001,[3] the United States experienced the "Dot-com" economic crisis, and the Postal Service recorded net losses in FYs 2000 and 2001. Coupled with the aftermath of the September 11, 2001, terrorist attack and the anthrax-by-mail contamination, advertising mail revenue declined, and expenses outpaced revenue growth.

At the same time, the Postal Service gained the attention of the U.S. Government Accountability Office (GAO), which placed the Postal Service on its list of High-Risk programs.[4] GAO noted that the Postal Service was carrying $11 billion in debt to the Treasury and paying retiree healthcare costs under a "pay-as-you-go" method — which would amount to a $45 billion obligation, if recorded to its financial statements in the same way its pension obligations were. It also noted the accounting used to compute one of the Postal Service's pension funds, the Civil Service Retirement System (CSRS),[5] was inaccurate. GAO requested the Office of Personnel Management (OPM), which administers and manages the CSRS, conduct a comprehensive review. In 2002, OPM's analysis found that due to favorable rates of return on the Civil Service Retirement and Disability Fund, future payments that the Postal Service was required to make toward its CSRS obligations would result in overfunding.

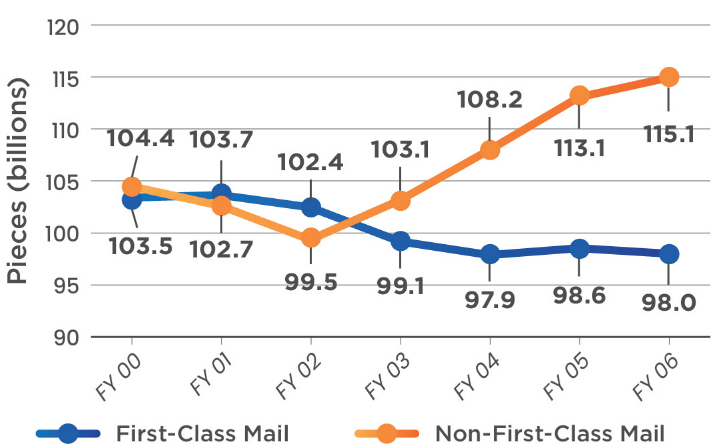
In response to these events, legislation[6] was passed in 2003. The legislation reduced the Postal Service's CSRS contributions to prevent potential overfunding and used those savings, first, to reduce the Postal Service's $11.1 billion in outstanding debt and, second, to maintain postal rates. The Postal Service was debt-free by the end of FY 2005. Starting in FY 2006, part of the legislation required the CSRS savings to be held in escrow. There was a balance of roughly $3 billion in escrow at the end of the first year. The Postal Service also took out $2.1 billion in new debt in FY 2006.

Digital Disruption

These events corresponded with a profound societal shift in how people communicated. Largely driven by the emergence and accessibility of email and online bill payment options, the diversion of physical mail to electronic alternatives gradually led to a decline in First-Class Mail, a key product that the Postal Service depended on to finance its network.

However, mail volume[7] as a whole continued to grow for several years. Notably, in FY 2005, mail volume reached 211 billion pieces, leading to revenue of $69.9 billion. This upward trajectory continued into FY 2006, as mail volume climbed to 213 billion pieces, the highest in the Postal Service's history, leading to revenue of $72.7 billion. The First-Class Mail decline, as seen in Figure 2, provides an early indication of the financial constraints that would follow the Postal Service going forward.

Figure 2. Mail Volume From FY 2000 to FY 2006



Source: OIG analysis of USPS annual Revenue, Pieces, and Weight reports.

3 Calendar year unless denoted by fiscal year.
4 GAO, *Major Management Challenges and Program Risks* (GAO-03-118) identified the Postal Service as "high risk" because of major challenges associated with its economy, efficiency, or effectiveness.
5 CSRS, along with Federal Employees Retirement System (FERS), are two defined benefit funds whose contributions fund the Civil Service Retirement and Disability Fund, a trust fund that makes retirement and disability payments to employees covered under either retirement system.
6 Postal Civil Service Retirement System Funding Reform Act of 2003.
7 Before December 2006 and the enactment of PAEA, mail volume was not divided into market dominant and competitive products. Mail volume is considered all volume unless specified as First-Class Mail, market dominant, competitive or other product class.

While revenue was growing between FYs 2000 and 2006, the Postal Service reported fluctuating profitability — recording net losses from FYs 2000 through 2002 and net incomes from FYs 2003 to 2006. A deeper analysis revealed that in four of the six years, expenses grew at a faster rate than revenues, even during profitable years, as seen in Table 1.

Total operating expenses rose from $63.0 billion to $71.7 billion, a 13.8 percent increase between FYs 2000 and 2006. Employee compensation and benefits[8] was a primary driver, caused by cost-of-living adjustments (COLA)[9] and contractual pay increases. The employer portion for employee pensions grew substantially, predominantly due to OPM increasing the contribution percentage for FERS participants.[10] Similarly, health benefit expenses for retirees also steadily climbed due to an increasing number of overall retirees and a declining amount of premium costs allocable to the Post Office Department.[11] Lastly, transportation expenses increased, particularly in FYs 2005 and 2006, due to higher fuel prices.

Table 1. Revenue and Expenses Year-Over-Year (YoY) Change

	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Revenue Change YoY	2.0%	1.0%	3.1%	0.7%	1.3%	3.9%
Expense Change YoY	4.2%	-0.6%	-2.0%	3.0%	3.7%	5.0%

Source: OIG analysis of Postal Service Annual Reports.

In the later part of this period, net income began to decline due to First-Class Mail volume decline, coupled with expenses rising more rapidly than revenues. At the end of FY 2006, the Postal Service recorded the following financial metrics, as seen in Table 2.

Table 2. Financial Metrics From FY 2000 to FY 2006[12]

($ billions)	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Total Revenue	$64.5	$65.8	$66.5	$68.5	$69.0	$69.9	$72.7
Total Expenses	$64.7	$67.5	$67.1	$64.7	$65.9	$68.5	$71.8
Net Income (Loss)	$(0.2)	$(1.7)	$(0.7)	$3.9	$3.1	$1.4	$0.9
Net Capital (Deficiency)	$(0.6)	$(2.3)	$(3.0)	$0.9	$3.9	$5.4	$6.3
Debt	$9.3	$11.3	$11.1	$7.3	$1.8	$-	$2.1
Cash & Short-term Investments	$0.7	$1.0	$1.2	$0.9	$2.3	$0.9	$3.9

Legend	Metric Improved from Prior Year	Metric Worsened from Prior Year

Source: OIG analysis of the Postal Service Annual Reports.

8 This includes employee compensation, and payments for the Postal Service's portion of current employee healthcare premiums, FERS normal cost, Social Security, and the Thrift Savings Plan.
9 An increase in income or benefits, often tied to the rate of inflation. The Postal Service uses the Consumer Price Index for Urban Wage Earners and Clerical Workers to calculate its COLA increases.
10 In FY 2005, OPM increased the contribution percentage for FERS from 10.7 percent to 11.2 percent.
11 The U.S. Treasury is responsible for paying retiree healthcare premium costs attributable to the years retirees worked prior to July 1, 1971, when the Post Office Department was reorganized as the Postal Service.
12 Net Income (Loss) is a measure of the Postal Service's performance over the last fiscal year by subtracting expenses from revenue. Net Capital (Deficiency) is a measure of assets compared to liabilities and can illustrate whether an enterprise owes more than it owns. Debt is the amount the Postal Service has borrowed from the Treasury. Cash and Investments is the amount of cash or short-term Treasury bills that can be readily converted to cash.

> "Various stakeholders believed that the Postal Reorganization Act of 1970 did not provide a viable business model any longer, paving the way for the PAEA, which was signed into law on December 20, 2006."

Though cash and debt showed some improvement from FY 2000, this was largely the result of the 2003 legislation redirecting the savings on the Postal Service's CSRS contributions toward debt repayment, reducing debt from a high of $11.3 billion. After paying down the debt, those funds were held by the Postal Service in an escrow fund, rather than being paid to OPM, inflating cash to $3.9 billion. Outside of the benefits received from the 2003 legislation, the broader economic conditions, coupled with an inflexible postal rate-setting process,[13] led to Postal Service legislative reform, which had been under consideration since the 1990s, gaining steam.

The Postal Accountability and Enhancement Act, the Great Recession, and Mail Volume Declines 2007-2010

The Postal Accountability and Enhancement Act

Various stakeholders believed that the Postal Reorganization Act of 1970 did not provide a viable business model any longer,[14] paving the way for the PAEA, which was signed into law on December 20, 2006. PAEA fundamentally reshaped the financial and operational landscape of the Postal Service. The landmark legislation introduced significant changes, such as the establishment of the Postal Service Retiree Health Benefits Fund (PSRHBF)[15] and new regulations for postal rates.

The legislation sought to provide assurance that the Postal Service retiree health insurance obligations would be fully funded and ensure liabilities would not burden taxpayers should the Postal Service eventually cease operations. PAEA shifted the approximately $3 billion in CSRS savings that the Postal Service held in escrow to the PSRHBF.[16] The Postal Service was required to make 10 additional annual payments of more than $5 billion each, known as prefunding, to further fund the PSRHBF. The Postal Service was required to make these prefunding payments while also continuing to pay retiree healthcare premiums.[17] After 10 years, retiree healthcare premiums would then be paid from the PSRHBF. This requirement placed the Postal Service at a competitive disadvantage, given that this is not a standard practice among other public and private sector organizations. Between FYs 2007 and 2010, the Postal Service paid about $20.9 billion to prefund the PSRHBF.[18]

A second major change brought by PAEA was dividing Postal Service products into market dominant[19] and competitive[20] classes, and then instituting a rate determination system that limited the Postal Service for 10 years to raising prices on its market dominant products by no more than the increase in the Consumer Price Index for All Urban Consumers (CPI-U).[21] The new rate-setting system's goals aimed to increase transparency of the rate-making process and ensure adequate revenues to maintain financial stability. At the time, the Postal Service's Board of Governors expressed

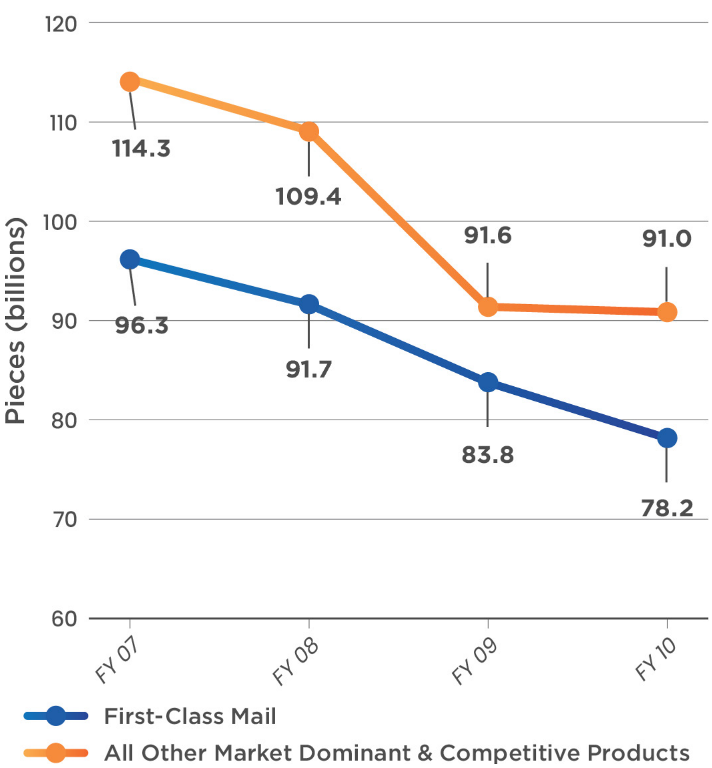
13 The existing process required the Postal Service to request rate increases from the Postal Rate Commission. This began a process where interested parties submitted testimony. The Postal Rate Commission held hearings, gathered witness input, and issued a recommendation for the Board of Governor's approval or rejection.
14 *CRS Report for Congress*, dated January 3, 2007.
15 A fund held to pay health insurance for Postal Service retirees and their eligible family members. This fund is administered by OPM.
16 PAEA also mandated the transfer of the then surplus of $17.1 billion from the Civil Service Retirement and Disability Fund to the PSRHBF, essentially transferring the funds from one OPM administered and managed trust fund to another, but not affecting the Postal Service's financial statements.
17 From 2007 to 2016, the Postal Service was responsible for paying the Postal Service retirees' health insurance premiums as well as prefunding payments. In 2017, the PSRHBF began paying the USPS's share of retiree health insurance premiums, and the Postal Service was responsible for normal cost payments, which are the employer's portion of future retiree retirement benefits based on an employee's current year of service.
18 This includes the $3 billion transferred from escrow from the CSRS savings.
19 The Postal Regulatory Commission (PRC) determines the classification of market dominant and competitive products and maintains a list at 39 CFR 3040.102. In FY 2024, market dominant products include First-Class Mail, Periodicals, Marketing Mail, media mail and library mail, special services and some types of international mail.
20 Competitive products generally refer to packages. In FY 2024, its products included USPS Ground Advantage, Priority Mail, Priority Mail Express, Parcel Select, and Parcel Return Service.
21 A measure of the average change over time in the prices paid by urban consumers for a basket of consumer goods and services. It's a key indicator of inflation in the United States.

concerns that the CPI-U rate cap would limit the Postal Service's capacity to manage its infrastructure and growing labor costs. The CPI-U rate cap did constrain the Postal Service's ability to implement rate adjustments to lessen the effects of future revenue loss. This limitation placed additional pressure on the Postal Service's financial position as the United States entered the Great Recession.

The Great Recession and Mail Volume Decline

The National Bureau of Economic Research dates the Great Recession from December 2007 until June 2009. The Postal Service experienced a substantial drop in mail volume between FYs 2007 and 2010, dropping from 211 billion pieces to 169 billion pieces, a 19.7 percent decrease as seen in Figure 3. First-Class Mail volume also dramatically fell, as cost-conscious businesses shifted their advertising to less expensive means, such as Marketing Mail or other channels, including electronic platforms.

Figure 3. Mail Volume From FY 2007 to FY 2010



Source: OIG analysis of USPS annual Revenue, Pieces, and Weight reports.

In FY 2010, the Postal Service stated in its annual financial report that, "even when employment, consumer spending, and capital investment recover [following the Great Recession], the growing use of the internet and other electronic means of communication will continue to suppress First-Class Mail growth," suggesting the shift online would have long-term effects.

> "To mitigate this decline and respond to the shift by U.S. consumers to increased online shopping, the Postal Service actively pursued attaining additional package volume."

As shown in Figure 4, total revenue decreased by about $7.7 billion from FY 2007 to FY 2010, as volume fell and market dominant products were subject to the PAEA price cap. However, the Postal Service still needed to deliver mail six days a week across the country regardless of mail volume. To mitigate this decline and respond to the shift by U.S. consumers to increased online shopping, the Postal Service actively pursued attaining additional package volume. This was achieved through a strategic focus on growing the e-commerce market by offering day-specific delivery, improved tracking, and other benefits. The competitive revenue showed a 9.7 percent increase during this period, and the Postal Service grew its parcel market share by 2.8 percent.[22]

22 PRC report on *Institutional Cost Contribution Requirement for Competitive Products*, dated January 3, 2019.

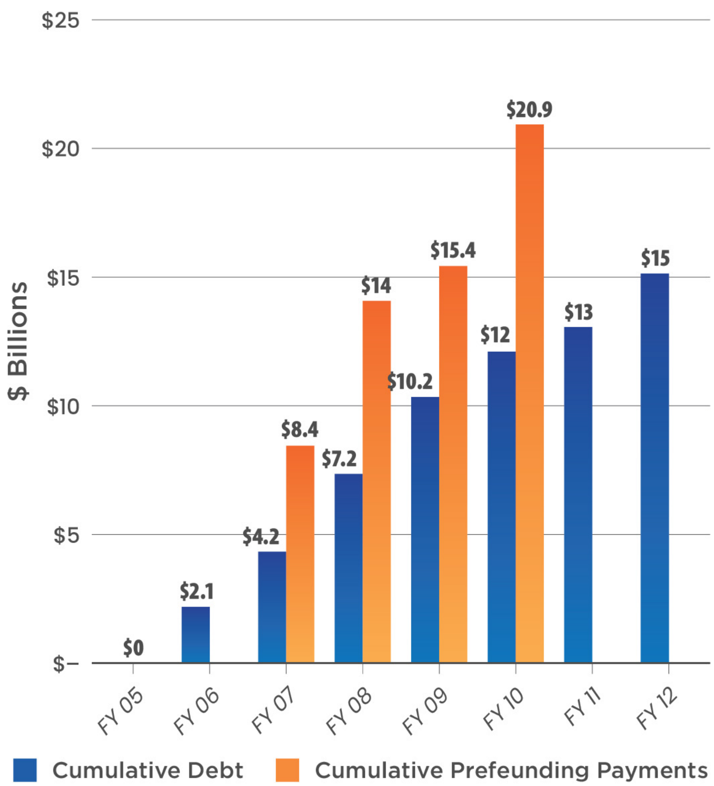
Figure 4. Revenue From FY 2007 to FY 2010

Source: OIG analysis of USPS annual Revenue, Pieces, and Weight reports.

Also, from FYs 2007 to 2010, the Postal Service reported a 5.8 percent decrease in operating expenses from $80.1 billion to $75.4 billion. Employee compensation and benefits expenses fell by 2.9 percent, mainly attributable to a reduction in workhours.[23] Transportation costs decreased by 9.6 percent, driven by volatile fuel prices, a decrease in mail volume, and a shift from more costly air transportation to surface. However, not all expenses exhibited a decline; costs for retiree healthcare premiums increased roughly 30.2 percent over this period due to several factors related to the number of retirees and survivors, their selected plans, and associated premium costs. Compounding this, the Postal Service was also now required to make PSRHBF prefunding payments.

From FY 2007 to FY 2010, the Postal Service made prefunding payments, but it also borrowed from the U.S. Treasury to maintain sufficient liquidity. Before the enactment of PAEA, the Postal Service held $2.1 billion in debt, and by FY 2012, it reached $15 billion — the maximum debt limit allowed — as seen in Figure 5.

Figure 5. Postal Service Debt Between FY 2005 Through FY 2012 Compared to Cumulative Prefunding Payments Made



Source: U.S. Postal Service Annual Reports and Form 10-Ks.

As seen in Table 3, this period's declining mail volume negatively impacted revenue, and the decrease in expenses was not proportional, leading to consistent net losses. Cash remained around $1 billion, and debt was used to backfill the cash outflow as the Postal Service was making annual prefunding payments. In FY 2009, cash was higher, ending the year at $4.1 billion because Congress provided the Postal Service with a $4 billion prefunding payment reduction after it requested to reschedule its payments to avert a potential cash shortfall.

23 The Postal Service re-categorized its Compensation and Benefits expense line within its Statement of Operations during this period to make Workers' Compensation expense its own line item on the Statement of Operations. However, the OIG included FY 2010's Worker's Compensation expense in that year's Compensation and Benefits line for comparability.

Table 3. Financial Metrics From FY 2007 to FY 2010

($ billions)	FY 07	FY 08	FY 09	FY 10
Total Revenue	$74.8	$74.9	$68.1	$67.1
Total Expenses	$79.9	$77.7	$71.9	$75.6
Net Income (Loss)	$(5.1)	$(2.8)	$(3.8)	$(8.5)
Net Capital (Deficiency)	$1.1	$(1.7)	$(5.4)	$(13.9)
Debt	$4.2	$7.2	$10.2	$12.0
Cash & Short-term Investments	$0.9	$1.4	$4.1	$1.2

Legend	Metric Improved from Prior Year	Metric Worsened from Prior Year

Source: OIG analysis of the Postal Service's Annual Reports and Form 10-Ks.

Unmet Retirement Obligations and Accumulating Losses 2011-2019

Unmet Retirement Obligations Allowed USPS to Preserve Cash

In FY 2012,[24] the Postal Service started defaulting on its required prefunding payments to the PSRHBF mandated by PAEA. In addition, in FY 2014, OPM adjusted the assumptions used to calculate the FERS obligations, which changed the FERS funding status in the Civil Service Retirement and Disability Fund from a surplus to a deficit. To address this deficit, OPM calculated an amortization schedule to pay down the unfunded liability[25] that resulted from the deficit. Three years later, at the conclusion of the first 10 years of PAEA, amortization schedules would be required for all three retirement obligations, FERS, CSRS, and retiree health benefits. Furthermore, in FY 2017 the Postal Service no longer had to pay healthcare premiums for retirees because the PSRHBF assumed the payments. However, the Postal Service was still required to pay healthcare normal costs[26] to the PSRHBF in lieu of the healthcare premiums. The retiree health normal cost was on a per-participant basis and computed to increase annually by a variable medical inflation rate.

> "To preserve cash to run its operations, the Postal Service defaulted on other required payments."

In FY 2012, the Postal Service stated in its financial report that it needed to prioritize payments to employees and suppliers. To preserve cash to run its operations, the Postal Service defaulted on other required payments, as seen in Table 4.

24 The Continuing Appropriations Act of 2012 deferred the PSRHBF prefunding payment of $5.5 billion from FY 2011 to FY 2012.
25 Based on the value of the retirement fund, an unfunded liability exists when it is estimated that more will be needed than what is currently held in the fund. The amortization schedule seeks to reduce the future liability.
26 Retiree healthcare normal costs are the costs of future healthcare benefits earned by employees during their active working years of service. Retiree healthcare premiums are periodic payments made by the employer to maintain retiree health insurance coverage.

Table 4. FY 2007 to FY 2019 Retirement Expenses Paid and Defaulted

Fund	Expense	Amount Paid (in billions)	Amount Defaulted (in billions)
OPM for Current Annuitants	Retiree Healthcare Premiums	$ 25.1	$ -
Postal Service Retiree Health Benefits Fund (PSRHBF)	Prefunding (started in FY 2007)	20.9	33.9
	Normal Cost (started in FY 2017)	-	10.7
	Unfunded liability amortization (started in FY 2017)	-	2.6
	Total PSRHBF	**$ 46.0**	**$ 47.2**
Civil Service Retirement and Disability Fund	FERS unfunded amortization (started in FY 2014)	-	3.4
	FERS Normal Cost[27]	40.5	-
	CSRS unfunded amortization (started in FY 2017)	-	4.8
	Total CSRDF	**$ 40.5**	**$ 8.2**
Total		**$ 86.5**	**$ 55.4**

Source: U.S. Postal Service Form 10-Ks.

Accumulating Losses

From FYs 2011 to 2019, mail volume dropped from 168.3 to 142.6 billion pieces, a 15.3 percent decrease, continuing the downward trend that began in FY 2007. To address mail volume declines and revenue losses caused by the Great Recession, the Postal Service asked the Postal Regulatory Commission (PRC) to approve a temporary price increase — called an exigent surcharge — on market dominant products and services. The surcharge was in effect between January 2014 and April 2016.[28] The exigent surcharge added additional revenue of about $4.6 billion. Although the surcharge lessened the Postal Service's financial woes temporarily, its expiration had an adverse impact on subsequent revenue and liquidity.

Revenue increased from $65.7 billion in FY 2011 to $71.2 billion in FY 2019, an 8.3 percent increase. However, operating expenses rose from $70.6 billion to $79.9 billion, a 13.1 percent increase. Employee compensation and benefits increased from $48.3 billion to $53.7 billion[29] as the growth in the more labor-intensive shipping of packages led to an increase in workhours. Additionally, salary escalations and COLAs further contributed to rising costs. Transportation costs increased from $6.4 billion to $8.2 billion, driven by fuel price fluctuations, increased package volume, and higher supplier costs, which were exacerbated by a shortage of long-haul drivers.

To conserve cash, the Postal Service also decreased funding for research and development, postponed infrastructure maintenance, and instituted a capital spending freeze.[30] However, it was largely the Postal Service's decision to default on its retiree healthcare and retirement amortization expenses that led to its improved cash position, as seen in Figure 6.

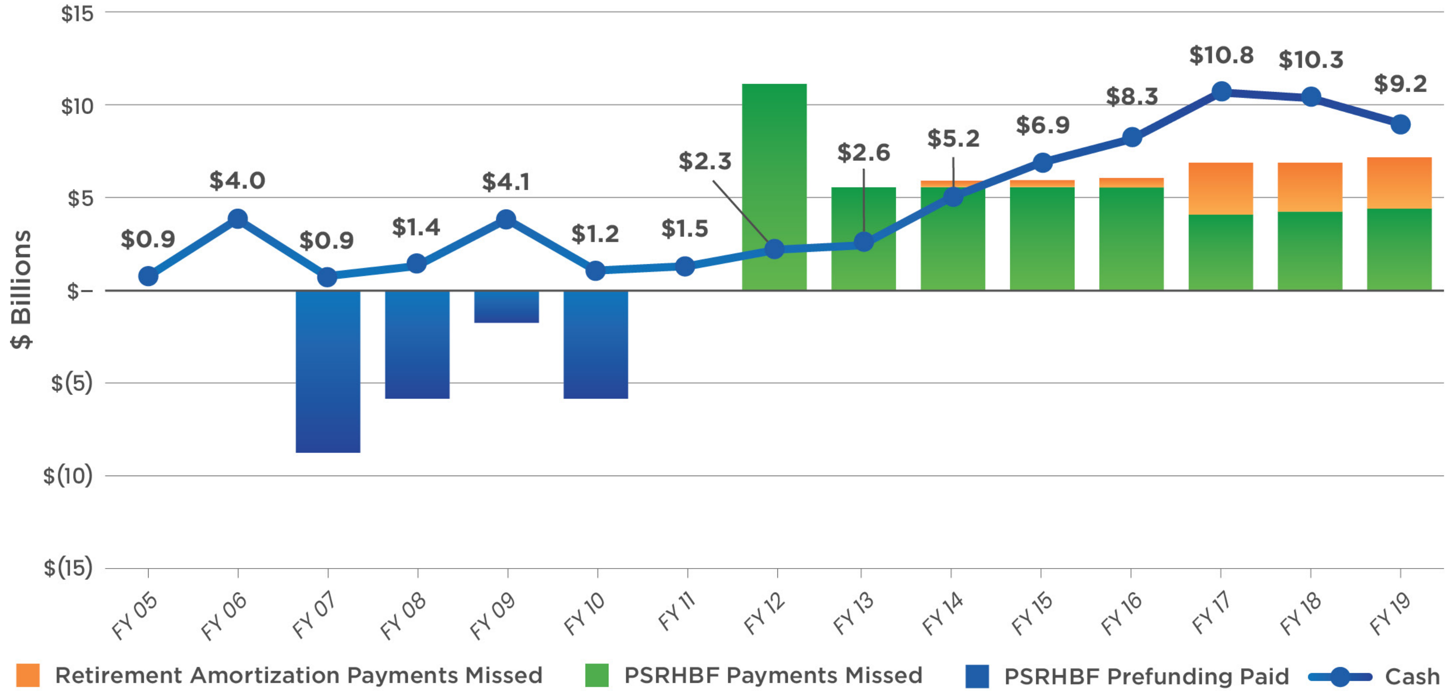
27 The Postal Service makes required bi-weekly payments for the employer portion of current employees' FERS retirement, also known as the FERS normal cost, which are contributions based on a percentage of active employees' basic pay.

28 The exigency rate increase was voted by the Postal Service Board of Governors in 2014 above the annual increases associated with changes of the CPI. The PRC approved the CPI price change of 1.7 percent and a temporary exigent increase of 4.3 percent as a surcharge, determining the surcharge based on its own analysis of mail volume lost during the Great Recession.

29 The Postal Service re-categorized its Compensation and Benefits expense line within its Statement of Operations during this period to make Retirement Benefits expense its own line item on the Statement of Operations. However, the OIG included FY 2019's Retirement Benefits expense in that year's Compensation and Benefits line for comparability.

30 A capital spending freeze was imposed until FY 2015 following the Great Recession, limiting capital spending to projects that were necessary for safety and health, to maintain operations, or provide future savings.

Figure 6. Cash Balance Compared to Paid and Unpaid PSRHBF and Retirement Plans



Source: OIG analysis of the Postal Service Form 10-Ks.

This period was largely marked by the Postal Service's efforts to conserve cash. While revenue exhibited modest increases because of the exigent surcharge, expenses climbed at a more accelerated rate over the same timeframe. Large expenses for retirement and retiree healthcare, which totaled $55.4 billion between FYs 2011 and 2019, were recorded to the Postal Service financial statements, as they were due to OPM, leading to net losses. However, not making these retiree payments enabled the Postal Service to grow its cash steadily from FY 2011 through FY 2017 and reduce its outstanding debt in FYs 2018 and 2019. From FY 2011 to FY 2019, the Postal Service recorded the following financial metrics shown in Table 5.

Table 5. Financial Metrics From FY 2011 to FY 2019

($ billions)	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
Total Revenue	$65.7	$65.2	$67.3	$67.8	$68.9	$71.5	$69.6	$70.7	$71.2
Total Expenses	$70.8	$81.1	$72.3	$73.3	$74.0	$77.1	$72.4	$74.6	$80.0
Net Income (Loss)	$(5.1)	$(15.9)	$(5.0)	$(5.5)	$(5.1)	$(5.6)	$(2.7)	$(3.9)	$(8.8)
Net Capital (Deficiency)	$(18.9)	$(34.8)	$(39.8)	$(45.3)	$(50.4)	$(56.0)	$(58.7)	$(62.6)	$(71.5)
Debt	$13.0	$15.0	$15.0	$15.0	$15.0	$15.0	$15.0	$13.2	$11.0
Cash & Short-term Investments	$1.5	$2.3	$2.6	$5.1	$6.9	$8.3	$10.8	$10.3	$9.1

Legend	Metric Improved from Prior Year	Metric Worsened from Prior Year

Source: OIG analysis of the Postal Service Annual Reports and Form 10-Ks.

The Impact of COVID-19 and the Delivering for America Plan 2020-2024

The Impact of COVID-19

The COVID-19 pandemic began disrupting economic activity in March of 2020. The Postal Service was not immune from the effects as businesses closed, workers became ill, and the economy slowed. In response, Congress and the president signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which authorized up to $10 billion in additional borrowing for the Postal Service from Treasury, should the Postal Service determine that it would be unable to fund operating expenses due to the pandemic.

As market dominant revenue decreased, competitive revenue increased propelled by a growth in package volume. The COVID-19 pandemic led to a surge in e-commerce, and package volume went from 6.2 billion pieces before COVID-19 in FY 2019, to 7.6 billion pieces in FY 2021, a 22.6 percent increase.

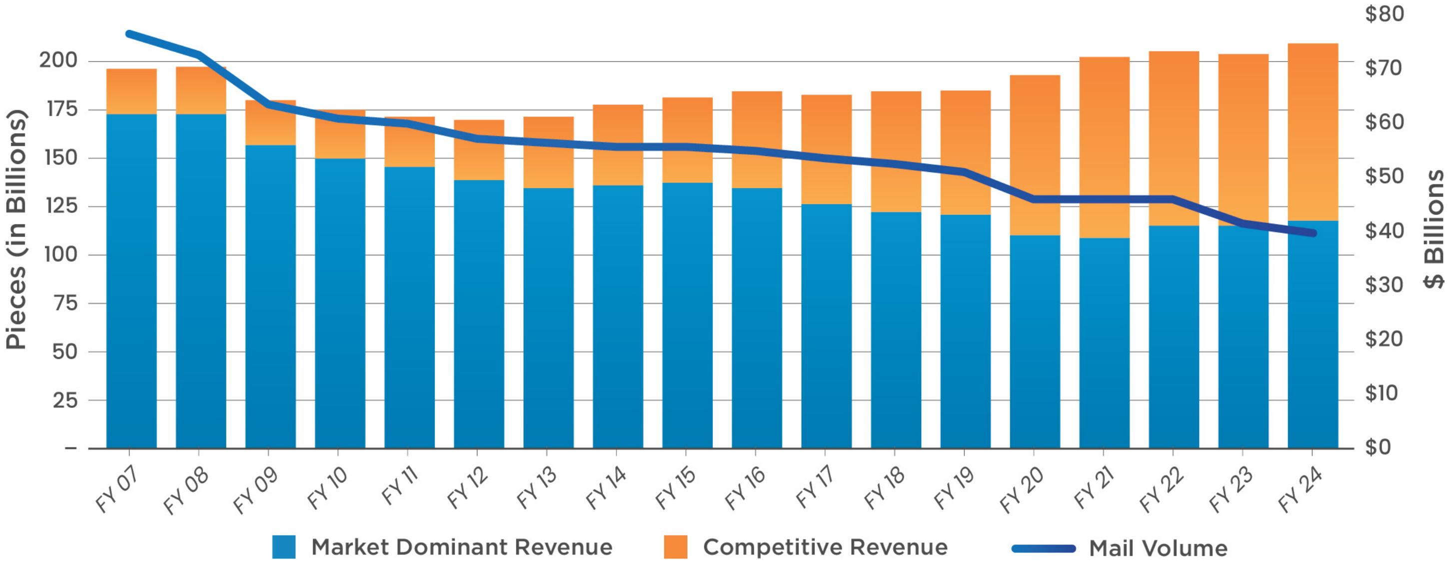
In November 2020, the PRC provided some additional pricing flexibility for the Postal Service's price cap. Specifically, in August 2021, the PRC passed rules that allowed the Postal Service to raise rates for market dominant products over CPI-U increases. From FY 2019 to FY 2021, total revenue increased from $71.2 billion to $77.0 billion, roughly 8.3 percent.

In FY 2021, Congress amended the CARES Act, which allowed the Postal Service to receive a one-time, $10 billion appropriation, rather than increasing the Postal Service's borrowing authority up to $10 billion. The appropriation was recorded as a capital contribution in 2021, increasing Postal Service's cash and covering pandemic-related operating expenses. This, along with a second $3 billion appropriation from the Inflation Reduction Act to buy zero-emission delivery vehicles and related infrastructure, were unique events as the Postal Service usually only receives very small annual appropriations from Congress to reimburse it for items such as the cost of free mail delivery for the blind and overseas voters.

From FY 2020 to FY 2021, employee compensation and benefits rose from $48.7 billion to $50.1 billion, a 2.8 percent increase. The increase was fueled by volume-related increases in workhours and overtime, contractual wage adjustments, workplace inefficiencies, and new leave categories that resulted from the COVID-19 pandemic. Transportation expenses climbed from $8.8 billion to $9.7 billion, an increase of 9.5 percent, and made up 11.8 percent of the operating expenses, driven by an unprecedented increase in shipping and package volume. Also, travel restrictions forced operational changes, such as more expensive chartered air transportation.

The share of revenue from competitive mail steadily increased in comparison to market dominant mail through FY 2024, as shown in Figure 7. The Postal Service considered the increase in e-commerce and package delivery experienced during COVID-19 a surge, however it will likely remain popular with customers, sustaining some elevated package demand into the future. The Postal Service emphasized the importance of packages in generating revenue to fund future infrastructure and operations.

Figure 7. Mail Volume Reductions Compared to Revenue From FY 2007 Through FY 2024



Source: OIG analysis of USPS annual Revenue, Pieces, and Weight reports.[31]

Delivering for America

In March 2021, the Postal Service published the Delivering for America plan,[32] which called for — among other things — revenue generation (including price increases), legislative reforms to retirement costs, planned capital investment of $40 billion,[33] and efficiency initiatives to cut costs and modernize.

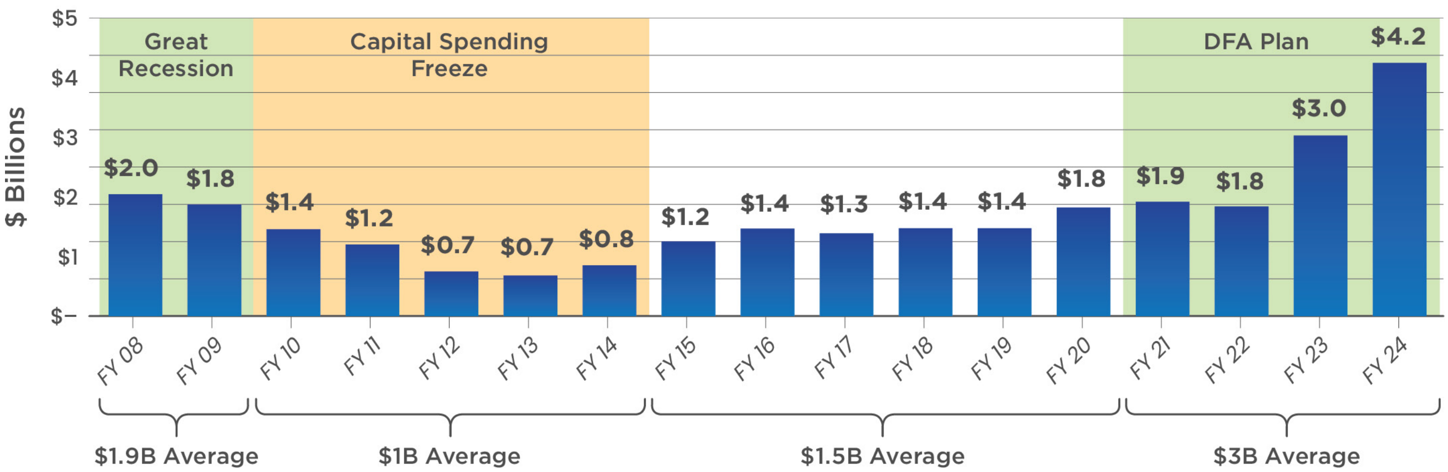
Specifically, the plan called for eliminating the prefunding of retiree health benefits requirement, integrating Medicare, and correcting the allocation of CSRS benefits as a legislative and administrative reform. In April 2022, Congress passed the Postal Service Reform Act, canceling $57 billion in missed payments to the PSRHBF that the Postal Service recorded between FYs 2011 and 2021. The Postal Service recorded a one-time, non-cash gain of $57 billion to its net income in FY 2022 and adjusted its net deficiency from $75.7 billion in FY 2021 to $16.6 billion in FY 2022. Eliminating the prefunding requirement temporarily alleviated the Postal Service's financial burden, but did not change the fact that once the PSRHBF runs out of funds, the Postal Service is responsible for funding its share of the healthcare premium costs for its retirees as the costs are incurred.

The Postal Service also began expending funds to complete the $40 billion in capital investments outlined in the plan to modernize its aging facilities, equipment, and transportation fleet. From FY 2021 through FY 2024, the Postal Service spent $10.9 billion in capital expenditures, which decreased its liquidity from $24.3 billion to $19.5 billion.[34] As seen in Figure 8, these capital expenditures represent a significant increase from prior years, in some cases doubling the amounts spent.

> "In April 2022, Congress passed the Postal Service Reform Act, canceling $57 billion in missed payments to the PSRHBF that the Postal Service recorded between FYs 2011 and 2021."

31 Starting in FY 2007, revenue is graphed by market dominant and competitive mail products, excluding services and other revenue. Market dominant products include First-Class Mail, Marketing Mail, and Periodicals. Competitive products primarily include package delivery categories such as USPS Ground Advantage, and Priority Mail.
32 An update to the Delivering for America plan was released in 2024, *Delivering for America | 2.0 Fulfilling the Promise*.
33 Investments planned to occur between 2021 through 2030.
34 Our calculation for liquidity includes cash and Treasury bills with a maturity under two years. In FY 2022, the Postal Service was authorized by Treasury to invest in securities with maturities up to two years; this is why cash, rather than liquidity, is only discussed in prior report periods.

Figure 8. Capital Investments Between FY 2008 and FY 2024



Source: OIG analysis of the Postal Service Annual Reports and Form 10-Ks.

The Postal Service was successful in certain cost-cutting initiatives. It decreased transportation costs from $10.2 billion in FY 2022 to $8.8 billion in FY 2024. However, the Postal Service was not immune when the United States experienced a period with high levels of inflation after the pandemic, specifically impacting employees' compensation and benefits, which contain COLAs. The post-pandemic rise in inflation increased the Postal Service's compensation and benefits expense from $48.7 billion in FY 2020 to $54.1 billion in FY 2024, which is paid biweekly to its employees and OPM. Overall, Postal Service operating costs increased from $82.2 billion in FY 2020 to $89.5 billion in FY 2024.

Over this period, competitive products and rate increases kept growing revenue; however, expenses grew as well, primarily from the impact of inflation on compensation and benefits. The Postal Service ended FY 2024 with a $9.5 billion net loss, its largest since FY 2012. Additionally, those net losses led to its net deficiency rising, and it has borrowed its maximum allowable amount of debt. It also prioritized retaining its cash and short-term investments, which totaled $19.5 billion in FY 2024. This cash balance is more than it ever had, except for the three years following the CARES Act appropriation, as seen in Table 6.

Table 6. Financial Metrics From FY 2020 to FY 2024[35]

($ billions)	FY 20	FY 21	FY 22	FY 23	FY 24
Total Revenue	$73.1	$77.0	$78.6	$78.4	$79.5
Total Expenses	$82.3	$82.0	$79.5	$84.9	$89.1
Net Income (Loss)	$(9.2)	$(4.9)	$(0.9)	$(6.5)	$(9.5)
Net Capital (Deficiency)	$(80.7)	$(75.7)	$(16.6)	$(23.1)	$(32.6)
Debt	$14.0	$11.0	$10.0	$13.0	$15.0
Cash & Short-term Investments	$14.7	$24.3	$23.6	$21.6	$19.5

Legend	Metric Improved from Prior Year	Metric Worsened from Prior Year

Source: OIG analysis of the Postal Service Form 10-Ks.

35 The net loss amount for FY 2022 excludes the one-time adjustment of $57 billion authorized by the Postal Service Reform Act.

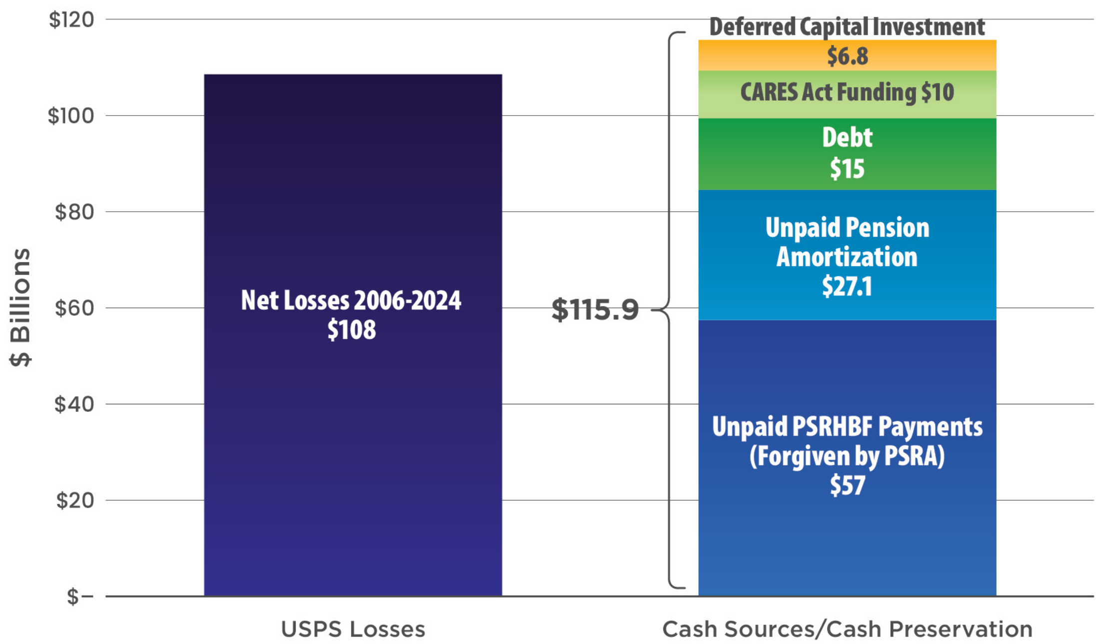
Conclusion

Before PAEA's passage, the Postal Service began facing increasing financial challenges with the decline in First-Class Mail volume and expenses rising more rapidly than revenues, which led to net losses. However, the passage of PAEA in December of 2006 fundamentally altered the Postal Service's financial results by limiting revenue growth and adjusting retiree healthcare costs. Following 2006, the Postal Service recorded net losses each year.

Despite these financial challenges, the Postal Service has continued to remain in business. As seen in Figure 9, it has mitigated its recorded net losses by making decisions to conserve cash by not paying certain required retirement payments, incurring debt, reducing capital spending, and receiving some congressional relief.

Figure 9. Postal Service Losses[36] Compared to Sources of Cash[37] From FY 2006 Through FY 2024

Source: OIG analysis of Postal Service Form 10-Ks.



In addition, since FY 2006, the profitability of the Postal Service's products has changed. First-Class Mail — historically the most profitable product — has experienced a significant decline in volume and is not expected to return to levels previously seen in the early part of the 20th century. Although the Postal Service has grown revenue, primarily due to package growth and price increases, expenses continue to outpace revenues.

The Postal Service ended FY 2024 with $19.5 billion in cash, but ultimately, future retirement obligations will need to be funded. Once the PSRHBF is exhausted, the Postal Service will return to a pay-as-you-go methodology and be responsible for paying retiree healthcare when the amounts are due, and the Civil Service Retirement and Disability Fund unfunded obligations will continue to grow. Despite significant changes and challenges, the Postal Service needs to achieve financial sustainability to continue its mission of providing critical service to the American public.

> "The Postal Service ended FY 2024 with $19.5 billion in cash, but ultimately, future retirement obligations will need to be funded."

36 Net losses are calculated excluding one-time non-cash benefit due to the PSRA legislation.
37 Deferred Capital Investment is the difference between the average capital investment spent (2.3B) from FYs 2005 to 2009 and the capital investment spent each year of capital spending freeze from FYs 2010 to 2014.

Postal Service Response

Management provided comments to the report that can be reviewed in Appendix B, as well as additional documentation for OIG consideration. In summary, management stated until the passage of PAEA in 2006, the Postal Service operated under a breakeven pricing model while working to satisfy the Postal Reorganization Act of 1970 dual mandate of providing adequate, reliable, and efficient postal services across the nation in a financially self-sufficient manner. The PAEA changed that model with the CPI-U price cap, which constrained the Postal Service's ability to respond to shifting market conditions — including the precipitous decline in mail volumes due to the Great Recession. Management stated the PRC recognized the deficiencies in this pricing model in 2017 and took some actions to partially address the inflexibility that prevented the Postal Service from mitigating the issues discussed in this paper.

Management further stated that the Postal Service has been pursuing a comprehensive and balanced set of strategies to reverse the projected financial losses, while also making the necessary investments to ensure that it can continue providing universal postal services to the American people. While significant successes have been achieved to date, the Postal Service's financial position remains untenable, and must be given the leeway to continue to implement the self-help measures outlined in the Delivering for America plan. Management stated stakeholder support is needed for certain legislative, administrative, and regulatory reforms that will put the Postal Service on more stable financial footing.

OIG Evaluation

In the report, we sought to examine and summarize, using a balanced, independent viewpoint, the historical events, legislative enactments, and operational performance that have shaped the Postal Service's financial results over the last two and a half decades. This paper includes many examples of the constraints that the Postal Service has faced in that timeframe, including the prefunding mandate, the CPI-U price cap, and the changing economic environment during the first twenty-five years of the 21st century. Also, the OIG reviewed the additional documentation provided by the Postal Service and took it into consideration before finalizing this paper.

Appendix A: Additional Information

Objective, Scope and Methodology

Our objective was to examine the historical events, legislative enactments, and operational performance that have shaped the Postal Service's financial results. Our scope period covered from FY 2000 to FY 2024. To achieve our objective, we completed the following:

- Researched historical events, including the digital disruption, the "Dot-com" crisis, the Great Recession of 2008, and the COVID-19 Pandemic.
- Researched legislative enactments such as the Postal Civil Service Retirement System Funding Reform Act of 2003, The Postal Accountability and Enhancement Act of 2006, the Coronavirus Aid, Relief, and Economic Security Act, the Inflation Reduction Act, and the Postal Service Reform Act of 2022.
- Researched operational performance events including the Delivering for America plan and managerial decisions related to retirement health obligations, price increases, debt acquisition and capital spending freezes.
- Analyzed the financial impact of all the events using the Postal Service annual reports and Form 10-Ks.

We conducted this review from May 2025 through October 2025 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation.* We discussed our observations and conclusions with management on September 4, 2025, and included its comments where appropriate.

We assessed the reliability of financial data by tracing amounts used in our analyses, graphs, tables, and other figures to the Postal Service's audited financial statements and notes. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Coverage

Title	Report Number	Final Report Date
State of the U.S. Postal Service's Financial Condition	23-167-R24	June 21, 2024
The Postal Service in the 21st Century: A Recent History	RISC-WP-23-003	January 11, 2023

Appendix B: Management's Comments

LUKE THOMAS GROSSMANN
CHIEF FINANCIAL OFFICER
EXECUTIVE VICE PRESIDENT

UNITED STATES
POSTAL SERVICE

September 23, 2025

LAURA LOZON
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Financial History of the U.S. Postal Service (Project Number 25-094-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, Financial History of the U.S. Postal Service.

The Postal Reorganization Act of 1970 established the Postal Service as "an independent establishment of the executive branch" with the dual mandate to provide adequate, reliable, and efficient postal services across the Nation in a financially self-sufficient manner. Until the passage of the Postal Accountability Enhancement Act (PAEA) of 2006, the Postal Service operated under a breakeven pricing model while working to satisfy that dual mandate. This paper could have benefited from a more nuanced discussion regarding the differences between the pre-PAEA breakeven pricing model and the post-PAEA price cap model, which would provide more context to this historical discussion. For example, the white paper conflates fluctuating profitability attributable to the breakeven pricing model as a sign of future financial deterioration. The Postal Service questions the accuracy and utility of this analysis, given the significant differences in our pricing model pre- and post-PAEA. The year-by-year fluctuations were in part the necessary byproduct of the way our breakeven model worked: we used a future test year as a projection and charged prices that covered that year. But the breakeven model was designed to do just that – break even – we were neither profitable nor unprofitable overall.

The PAEA changed that model with the CPI-U price cap, which severely constrained the Postal Service's ability to respond to shifting market conditions, including the precipitous decline in mail volumes due to the Great Recession that occurred soon after the PAEA was enacted, and exacerbated the impact of those volume declines. The deficiencies in that pricing model were further exacerbated by the actions of the Postal Regulatory Commission (PRC), which read the safety valve enacted by Congress (the exigency provision) extremely narrowly. The PRC ultimately recognized the deficiencies inherent in this pricing model in 2017 and took an additional four years to address, albeit insufficiently, the inflexibility that prevented the Postal Service from mitigating the issues discussed in this paper.

Since the enactment of the Delivering for America Plan, the Postal Service has been pursuing a comprehensive and balanced set of strategies to reverse the Postal Service's projected financial losses, while also making the necessary investments to ensure that we can continue providing universal postal services to the American people. As part of the Plan, we are undertaking numerous self-help initiatives to reduce costs, increase operational precision and efficiency, and improve our service reliability. We are also offering new products and services to our customers to meet their evolving needs in the marketplace, and to grow revenue. While significant successes have been achieved to date, our financial position remains untenable, and we must be given the leeway to continue to implement the self-help measures we have outlined in the Plan. We also need broad stakeholder support for certain legislative, administrative, and regulatory reforms that will put us on more stable financial footing.

475 L'ENFANT PLAZA SW, [redacted]
WASHINGTON, DC 20260-5000
[redacted]
www.usps.com

Attached you will find our comments that were not addressed in the final draft of this paper.

Luke T. Grossmann

Attachment

cc: audittracking@uspsoig.gov
CARMManager@usps.gov

This document contains sensitive information that has been redacted for public release. These redactions were coordinated with USPS and agreed to by the OIG.

Contact us via our Hotline and FOIA forms. Follow us on social networks. Stay informed.

1735 North Lynn Street, Arlington, VA 22209-2020
(703) 248-2100

For media inquiries, please email press@uspsoig.gov
or call (703) 248-2100