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## **Postal Service Faces Financial Shortfall Unless Congress Addresses Mandates**

WASHINGTON — The postmaster general told a Senate subcommittee today that despite significant cost cutting and revenue generation, the Postal Service finds itself in dire financial straits. Statutorily mandated payments due to the government at the end of September will not be paid, he said, unless Congress acts to refund overpayments of pension funding or ease the mandate to prefund retiree health benefits.

Testifying before the Federal Financial Management Subcommittee of the Senate Committee on Homeland Security and Governmental Affairs, Postmaster General Patrick R. Donahoe said that the financial condition of the Postal Service is such that in the absence of comprehensive legislation, there are required federal payments that are now in jeopardy. "As things stand, we do not have the cash to make a \$5.5 billion prepayment for future retiree health benefits due Sept. 30," he said.

He also alerted subcommittee members that the cash shortfall could extend to operational expenses. "Despite our significant role in the American economy and our aggressive cost cutting and revenue generating efforts, I regret to say we are in a serious financial predicament today," he said.

For three years, the Postal Service has been asking the Congress to alter the payment schedule of a mandate in a 2006 law that, unlike any other federal agency, requires the Postal Service to prefund retiree health benefits in amounts approximating \$5.5 billion. In addition, the Postal Service has asked to gain access to \$50 to \$75 billion in overpayments it has made to the Civil Service Retirement System (CSRS) and a \$6.9 billion it has overpaid to the Federal Employees Retirement System (FERS).

Since inception in 2006, the Postal Service has paid some \$20.9 billion into the Retiree Health Benefit Trust Fund. Under current law, the Postal Service is scheduled to continue to make \$5.5 to \$5.8 billion in payments up to and including 2016.

With the right legislation, however, Donahoe told the subcommittee, the Postal Service can return to profitability and if given flexibility, "the Postal Service can continue to serve the American public very effectively and continue to sustain and propel American commerce."

The subcommittee chairman, Sen. Tom Carper (D-DE), introduced legislation today that addresses the financial issues confronting the Postal Service and, among other things, allows a transition to a five-day delivery schedule, a move that could effect an annual saving of \$3.1 billion.

In asking for urgent consideration of legislative action, Donahoe said that although the agency's financial condition is dire, the Postal Service is nonetheless a strong and a vital part of the economy but the continued burden of the retiree health benefit prefunding "continues to have a negative impact on our business."

The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations.

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A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 150 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With 32,000 retail locations and the most frequently visited website in the federal government, *usps.com*, the Postal Service has annual revenue of more than \$67 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U.S. Postal Service would rank 29th in the 2010 Fortune 500. *Black Enterprise* and *Hispanic Business* magazines ranked the Postal Service as a leader in workforce diversity. The Postal Service has been named the Most Trusted Government Agency six consecutive years and the sixth Most Trusted Business in the nation by the Ponemon Institute.