UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO 39 U.S.C. §3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

The following are definitions of some of the terms or acronyms that may be used throughout this report:

Term or Acronym	Definition
Annual Report	Annual Report on Form 10-K
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
APWU	American Postal Workers Union, AFL-CIO
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Board	Board of Governors of the United States Postal Service
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CODM	Chief Operating Decision Maker
COFA	Compacts of Free Association
COLA(s)	Cost-of-living adjustment(s)
COVID-19	Coronavirus
CPI-U	Consumer Price Index for All Urban Consumers
CSRS	Civil Service Retirement System
DOL	U.S. Department of Labor
DPMG	Deputy Postmaster General
Exchange Act	*Securities and Exchange Act of 1934*, enacted as Public Law 73-291
FAS	Freely Associated States
FASB	Financial Accounting Standards Board
FECA	Federal Employees' Compensation Act
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
GAAP	Generally accepted accounting principles in the U.S.
HHS	U.S. Department of Health and Human Services
House	U.S. House of Representatives
IRA	*Inflation Reduction Act of 2022*, enacted as Public Law 117-169
NALC	National Association of Letter Carriers, AFL-CIO
NPMHU	National Postal Mail Handlers Union, AFL-CIO
NRLCA	National Rural Letter Carriers Association
OIG	U.S. Postal Service Office of Inspector General
OPM	U.S. Office of Personnel Management
OWCP	Office of Workers' Compensation Programs
PAEA	*Postal Accountability and Enhancement Act*, enacted as Public Law 109-435
PMG	Postmaster General
PRA	*Postal Reorganization Act*, enacted as Public Law 91-375
PRC	Postal Regulatory Commission
President	U.S. President

Term or Acronym	Definition
PSHB	Postal Service Health Benefits
PSRA	*Postal Service Reform Act of 2022*, enacted as Public Law 117-108
PSRHBF	Postal Service Retiree Health Benefits Fund
RFA	*Revenue Forgone Reform Act*, enacted as Public Law 103-123
SEC	U.S. Securities and Exchange Commission
Senate	U.S. Senate
TSP	Thrift Savings Plan
U.S.	United States
U.S.C.	U.S. Code
USPS	U.S. Postal Service
VP	Vice President

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Revenue:				
Operating revenue	$ 19,712	$ 19,302	$ 41,326	$ 40,801
Other revenue	3	51	6	108
Total revenue	**19,715**	**19,353**	**41,332**	**40,909**
Operating expenses:				
Compensation and benefits	13,296	12,937	27,331	26,979
Retirement benefits	2,602	2,471	5,183	4,927
Workers' compensation	162	1,075	1,765	1,426
Transportation	2,145	2,430	4,669	5,442
Other operating expenses	3,080	3,057	6,142	5,890
Total operating expenses	**21,285**	**21,970**	**45,090**	**44,664**
Loss from operations	**(1,570)**	**(2,617)**	**(3,758)**	**(3,755)**
Interest and investment income	235	227	484	433
Interest expense	(133)	(90)	(266)	(186)
Net loss	**$ (1,468)**	**$ (2,480)**	**$ (3,540)**	**$ (3,508)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2024	September 30, 2023
	(unaudited)	
Current Assets:		
Cash and cash equivalents	$ 5,886	$ 8,055
Restricted cash	2,067	1,544
Short-term investments	9,414	8,790
Receivables, net (less allowances of $163 and $141)	1,398	1,427
Supplies, advances, and prepayments	328	281
Total current assets	**19,093**	**20,097**
Restricted cash, noncurrent	2,593	35
Restricted investments, noncurrent	959	3,198
Property and equipment, net	17,552	16,254
Operating lease right-of-use assets	4,985	5,072
Other assets	646	633
Total assets	**$ 45,828**	**$ 45,289**
Current Liabilities:		
Compensation and benefits	$ 2,360	$ 1,942
Retirement benefits	25,492	22,736
Workers' compensation	1,553	1,418
Payables and accrued expenses	2,617	2,740
Deferred revenue-prepaid postage	2,391	2,367
Operating lease liabilities	1,145	1,193
Customer deposit accounts	1,170	1,200
Other current liabilities	1,701	1,950
Short-term debt	1,000	1,000
Total current liabilities	**39,429**	**36,546**
Workers' compensation, noncurrent	12,751	12,538
Operating lease liabilities, noncurrent	3,980	4,013
Employees' accumulated leave, noncurrent	2,304	2,471
Other noncurrent liabilities	866	833
Long-term debt	13,150	12,000
Total liabilities	**72,480**	**68,401**
Net Deficiency:		
Capital contributions of the U.S. government	16,132	16,132
Deficit since 1971 reorganization	(42,784)	(39,244)
Total net deficiency	**(26,652)**	**(23,112)**
Total liabilities and net deficiency	**$ 45,828**	**$ 45,289**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2023

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2022	**$ 16,132**	**$ (32,766)**	**$ (16,634)**
Net loss	—	(1,028)	(1,028)
Balance, December 31, 2022	**$ 16,132**	**$ (33,794)**	**$ (17,662)**
Net loss	—	(2,480)	(2,480)
Balance, March 31, 2023	**$ 16,132**	**$ (36,274)**	**$ (20,142)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2024

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2023	**$ 16,132**	**$ (39,244)**	**$ (23,112)**
Net loss	—	(2,072)	(2,072)
Balance, December 31, 2023	**$ 16,132**	**$ (41,316)**	**$ (25,184)**
Net loss	—	(1,468)	(1,468)
Balance, March 31, 2024	**$ 16,132**	**$ (42,784)**	**$ (26,652)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
(in millions)	**2024**	**2023**
Cash flows from operating activities:		
Net loss	$ (3,540)	$ (3,508)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	940	868
Other, net	76	(130)
Decrease in operating lease right-of-use assets	87	184
Increase in noncurrent workers' compensation	213	30
Decrease in noncurrent operating lease liabilities	(33)	(106)
Decrease in other noncurrent liabilities	(139)	(222)
Changes in current assets and liabilities:		
Receivables, net	29	(22)
Other current assets	(47)	(31)
Retirement benefits	2,756	2,504
Payables, accrued expenses, and other	174	(1,156)
Operating lease liabilities	(48)	(74)
Deferred revenue-prepaid postage and other deferred revenue	(10)	(39)
Net cash provided by (used in) operating activities	**458**	**(1,702)**
Cash flows from investing activities:		
Purchases of property and equipment	(2,236)	(1,266)
Proceeds from sales of property and equipment	4	185
Purchases of short-term investments	(9,300)	(5,000)
Purchases of restricted investments	(464)	—
Redemption of short-term investments	8,637	5,000
Redemption of restricted investments	2,677	—
Net cash used in investing activities	**(682)**	**(1,081)**
Cash flows from financing activities:		
Proceeds from borrowings	1,150	416
Payments on finance lease obligations	(14)	(14)
Net cash provided by financing activities	**1,136**	**402**
Net increase (decrease) in cash, cash equivalents & restricted cash	912	(2,381)
Cash, cash equivalents & restricted cash - beginning of period	9,634	23,618
Cash, cash equivalents & restricted cash - end of period	**$ 10,546**	**$ 21,237**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 274	$ 175

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of the United States Postal Service (the “Postal Service,” “USPS,” “we,” “our,” and “us”) have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the SEC Regulation S-X. These financial statements should be read in conjunction with our financial statements for the year ended September 30, 2023, included in our Annual Report filed with the PRC on November 14, 2023, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2024 and 2023.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position of the Postal Service as of March 31, 2024, the results of operations for the three and six months ended March 31, 2024 and 2023, the changes in net deficiency for the three and six months ended March 31, 2024 and 2023, and the cash flows for the six months ended March 31, 2024 and 2023. Operating results for the three and six months ended March 31, 2024 are not necessarily indicative of the results that may be expected for all of 2024. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued ASU 2023-07 *Improvements to Reportable Segment Disclosures*, which has since been codified in ASC 280*, Segment Reporting.* While the ASU does not change how an entity identifies a reportable segment, it does require that all entities, including those that consist of a single reportable segment, shall disclose all of the required elements of the standard for each period an income statement is presented (i.e., both annual and interim periods). The ASU amendments are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 will become effective for our 2025 fiscal year (beginning October 1, 2024) and the quarters therein for our 2026 fiscal year (beginning October 1, 2025), with early adoption permitted. We are currently evaluating the impact of adopting this standard on our financial statements and disclosures.

In March 2024, the SEC adopted final rules requiring public entities to provide certain climate-related disclosures, including estimates of greenhouse gas emissions, in their registration statements and annual reports. As part of the disclosures, entities will be required to quantify effects of severe weather events and other natural conditions in notes to their audited financial statements. On April 4, 2024, the SEC paused the implementation of the final rules pending judicial review. Assuming the implementation timelines for the rules remain the same, the rules will begin to phase-in for our fiscal year 2026. We are currently evaluating the impact of the new rules on our financial statements and disclosures.

NOTE 3 - LIQUIDITY

The following table presents our cash, cash equivalents, and restricted cash included in our accompanying unaudited *Statements of Cash Flows* as of March 31, 2024 and March 31, 2023:

(in millions)	March 31, 2024	March 31, 2023
Cash and cash equivalents	$ 5,886	$ 16,400
Restricted cash, current	2,067	1,064
Restricted cash, noncurrent	2,593	3,773
Total cash, cash equivalents, and restricted cash	**$ 10,546**	**$ 21,237**

Liquidity Management
We manage our liquidity through cash and cash equivalents, short-term investments, and borrowing capacity which is limited by statute to total debt of $15.0 billion and annual net increases of $3.0 billion calculated as of the end of each fiscal year.

The following table presents the components of our unrestricted liquidity as of March 31, 2024 and September 30, 2023:

(in millions)	March 31, 2024	September 30, 2023
Cash and cash equivalents	$ 5,886	$ 8,055
Short-term investments	9,414	8,790
Borrowing capacity*	850	2,000
Total liquidity	**$ 16,150**	**$ 18,845**

* Borrowing capacity represents our statutory limit on total debt of $15.0 billion less the $14.2 billion and $13.0 billion of all debt outstanding as of March 31, 2024 and September 30, 2023, respectively. We are also limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year.

Cash and Cash Equivalents
We generate our cash almost entirely from the sale of postal products and services. We hold our *Cash and cash equivalents* with the Federal Reserve Bank of New York and invest our excess cash, when available and not immediately necessary for operations, in highly liquid, short-term investments issued by the U.S. Treasury. See *Note 6 - Investments* for additional information on our investments.

Debt and Borrowing Capacity
We are authorized by the PRA to raise cash through the issuance of debt obligations. The PRA requires us to notify the Secretary of the Treasury of our intent to issue debt and to allow the U.S. Treasury the first option to purchase such obligations. We coordinate with the FFB, a government-owned corporation under the general supervision of the Secretary of the Treasury, on these notifications.

Under the terms of our note purchase agreement, we issued the following debt obligations during 2024:

($ in millions)

Issuance Date	Maturity Date	Balance	Rate
February 5, 2024*	February 9, 2037	$ 500	4.338 %
March 27, 2024*	March 29, 2038	$ 650	4.462 %

* Included in *Long-term debt* in the accompanying unaudited *Balance Sheets* as of March 31, 2024.

On April 30, 2024, we repaid the $1.0 billion short-term fixed-rate note and on the same date borrowed $1.0 billion on a long-term fixed-rate note at 4.756% that matures on April 26, 2034.

Liquidity Concerns
We continue to face systemic imbalances that make our current operating model unsustainable. As communicated in the *Delivering for America* plan, we are implementing strategic operational reforms to meet the changing needs of our business and residential customers. While significant progress has been made, the success of the plan still requires successful implementation of numerous management initiatives. Furthermore, legislative change will be required to address retiree pension benefit funding rules determining how OPM apportions the costs for the CSRS benefits for employees and retirees that worked for both the Postal Service and the Post Office Department, or alternatively the Postal Service will need to identify and pursue more drastic additional cost cutting and revenue initiatives to achieve equivalent results to those reflected in the plan related to CSRS benefit reform.

Shortfalls or delays in implementation of the plan will place additional pressure on our liquidity and financial results. As a result of these concerns, we may not have sufficient liquidity to meet all of our existing legal obligations when due while also repaying our maturing debt and making the critical infrastructure investments that have been deferred in recent years, and that are necessary to fulfill our primary mission.

Business Model Challenges and Constraints
We are constrained by laws and regulations which restrict revenue sources, mandate certain expenses, and have significantly affected our ability to cover all legally imposed costs. Many employee and retiree benefit costs are mandated by law and cannot be altered without additional legislative change, and some of these costs have historically increased at a higher rate than inflation. Such expenses include amortization payments to provide full funding of retiree pension benefits that must be funded through the sale of postal products and services and that are therefore unlike those imposed on most other federal entities who receive appropriations for such charges. As a result, we have experienced many years of net losses, and our liabilities greatly exceed our assets.

Mail volumes, representing *First-Class Mail* and *Marketing Mail*, have declined 47% between 2007 and 2023. Despite these declines, mail services still accounted for more than half of our operating revenue in 2023. While we have received some additional pricing flexibility from the PRC in recent years, mail services are subject to an inflation-based price cap system that limits our ability to offset declining volumes or generate increased revenue.

However, our costs are not similarly constrained or capped and we continue to be constrained by law, or by contract, from reducing many of our costs or from pursuing many alternate sources of revenue. A large portion of our cost structure cannot be altered expeditiously due to our universal service mission. Many employee costs, such as compensation and employee health benefit premiums, are subject to contractual arrangements. Other employee costs such as workers' compensation costs and retiree pension benefit amortization costs are mandated by law. The allocation of retiree pension benefit amortization costs related to CSRS employees who worked for both the Post Office Department and the Postal Service cannot be altered without legislative change. See *Note 9 - Retirement Plans*, *Note 10 - Health Benefits Plans,* and *Note 11 - Workers' Compensation* for further information on statutorily mandated costs.

Further, the number of delivery points continues to grow with an increase of 1.7 million in 2023, which drives up delivery costs. When combined with lower mail volume, this has resulted in a drop in the average number of pieces delivered per delivery point per day from 5.5 pieces in 2007 to 2.6 pieces in 2023, a decline of 53%.

Past Due Obligations
In order to preserve liquidity and ensure that our ability to fulfill our primary mission is not placed at undue risk, we have not made certain annual amortization payments to OPM for CSRS and FERS. In 2023 and 2022, we were unable to make the CSRS payments of $3.0 billion and $2.3 billion and the full payments of $2.1 billion and $1.6 billion towards our FERS obligations, respectively. However, we did remit partial payments of $600 million and $500 million towards our FERS obligation for 2023 and 2022, respectively.

The following table presents the total retirement pension benefit expense accrued but unpaid by us as of September 30, 2023 and the fiscal years in which the accruals were recorded:

(in millions)	**2023**	**2022**	**2021**	**2012 to 2020**	**Total**
CSRS unfunded retirement benefits amortization	$ 3,015	$ 2,284	$ 1,858	$ 6,615	$ 13,772
FERS unfunded retirement benefits amortization	1,541	1,126	1,401	4,773	8,841
Total expense accrued but unpaid	**$ 4,556**	**$ 3,410**	**$ 3,259**	**$ 11,388**	**$ 22,613**

As of the date of this report, we have not incurred any penalties or negative financial consequences as a result of not making these payments.

Mitigating Circumstances
We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending what we believed was essential to maintain our existing facilities and service levels, to ensure employee health and safety, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles, and processing equipment in order to remain operationally viable. Aggressive management of the business

operations that will enable us to increase revenue and reduce costs and legislative reform related to how OPM apportions the cost of the CSRS benefits for our employees and retirees who also worked for the Post Office Department will all be necessary to restore us to financial health. In the event legislative change concerning CSRS benefits is not implemented, the Postal Service will need to identify and pursue more drastic additional cost cutting and revenue initiatives to achieve equivalent results to those reflected in the plan related to CSRS benefit reform.

With annual total revenue of over $78 billion in 2023, a financially sound Postal Service continues to be vital to the U.S. economy and commerce. The U.S. economy benefits greatly from the Postal Service and many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, as well as the delivery of vital mail and packages like medicine, essential consumer staples, benefit checks, and important information. In the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations.

In the event that circumstances leave us with insufficient liquidity, we would likely be required to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, employees, and suppliers ahead of some payments to fund retirement pension benefits, as has been done in the past.

NOTE 4 - REVENUE RECOGNITION

The PAEA classifies the services we offer as either Market-Dominant or Competitive products; however, the term "services" is used in this report for consistency with other descriptions of services we offer. We generate the majority of our revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over several days.

Disaggregation of Revenue

The following table summarizes our disaggregated operating revenue for the three and six months ended March 31, 2024 and 2023 by service category:

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(in millions)	**2024**	**2023[1]**	**2024**	**2023[1]**
Operating Revenue:				
First-Class Mail[2]	$ 6,590	$ 6,310	$ 13,318	$ 12,867
Marketing Mail[3]	3,653	3,579	7,781	7,942
Shipping and Packages[4]	7,711	7,622	16,790	16,462
International	366	400	802	861
Periodicals	221	226	460	465
Other[5]	1,171	1,165	2,175	2,204
Total operating revenue	**$ 19,712**	**$ 19,302**	**$ 41,326**	**$ 40,801**

[1] Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category and have no effect on total operating revenue for the period. These reclassifications are required by our regulatory requirements and are included in this document for consistency amongst publicly available information.

[2] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial.*

[3] Excludes *Marketing Mail Parcels*.

[4] Includes *Priority Mail, USPS Ground Advantage, USPS Retail Ground, Parcel Select Mail, Parcel Return Service Mail, Marketing Mail Parcels, Package Service Mail, First-Class Package Service - Retail, First-Class Package Service - Commercial* and *Priority Mail Express. USPS Retail Ground, Parcel Select Ground* (a component of *Parcel Select Mail*), *First-Class Package Service - Retail*, and *First-Class Package Service - Commercial* were retired in July 2023 and replaced by *USPS Ground Advantage.*

[5] Includes *PO Box* and Caller services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other services. Also includes revenue other than postage associated with COVID-19 test distribution.

Contract Liabilities

The following table presents the balances of our contract liabilities, including *Deferred revenue-prepaid postage,* prepaid *PO Box* and Caller Service fees, as of March 31, 2024 and September 30, 2023:

(in millions)	March 31, 2024	September 30, 2023
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,453	$ 1,427
Mail-in-transit	492	555
Metered postage	272	296
Other	174	89
Total deferred revenue-prepaid postage	**2,391**	**2,367**
Prepaid PO Box and Caller Service fees*	618	623
Total deferred revenue	**$ 3,009**	**$ 2,990**

[1] Included within *Other current liabilities* in the accompanying unaudited *Balance Sheets.*

The following table provides details of revenue recognized during the six months ended March 31, 2024 that was reported in our contract liabilities for deferred revenue as of September 30, 2023:

(in millions)	Six Months Ended March 31, 2024
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 770
Mail-in-transit	555
Metered postage	296
Other	50
Prepaid PO Box and Caller Service fees	506

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, we have significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

In September 2022, we received a capital contribution from the U.S. government of $3.0 billion under the IRA. Of this amount, $1.29 billion is available for the procurement of zero-emission vehicles. Additionally, $1.71 billion is available for the purchase, design, and installation of the requisite infrastructure to support zero-emission delivery vehicles at facilities that we own or lease from non-federal entities. These amounts remain available for use through September 30, 2031 and may earn interest restricted for the same purpose. As of March 31, 2024, we held $683 million in *Restricted cash*, $1.5 billion in *Restricted cash, noncurrent*, and $855 million in *Restricted investments, noncurrent* associated with this funding.

In January 2022, we signed an inter-agency agreement with HHS to distribute COVID-19 test kits to American households upon their requests. The current agreement provides that we will receive payment for postage and be fully reimbursed for our direct costs. We have received advanced payments pursuant to this agreement. Any unused funding will be returned to HHS following the completion of the contract. If the postage and reimbursable costs should exceed the amount already received, HHS will provide additional funding. The agreement has been extended to allow for additional services, if needed, on behalf of HHS.

In March 2024, the *Consolidated Appropriations Act, 2024*, was enacted as Public Law 118-42. The act included the COFA which extended international agreements between the U.S. government and three countries to govern the mail service relationships between us and the Republic of the Marshall Islands, Federated States of Micronesia, and Republic of Palau, collectively known as the FAS. We have been appropriated $31.7 million for each of the fiscal years 2024 through 2043, out of any funds in the U.S. Treasury not otherwise appropriated, to be used in covering the costs of transporting this mail.

The following table presents related-party assets and liabilities as of March 31, 2024 and September 30, 2023:

(in millions)	March 31, 2024	September 30, 2023
Related-party assets:		
Carrying amount of revenue forgone installment receivable[1]	$ 547	$ 539
Related-party liabilities:		
Short-term debt	$ 1,000	$ 1,000
Other current liabilities[2]	27,434	24,578
Long-term debt	13,150	12,000
Other noncurrent liabilities[3]	12,776	12,550

[1] Included within *Other assets* in the accompanying unaudited *Balance Sheets*. See further discussion of the fair value measurement of this receivable in *Note 13 - Fair Value Measurement.*

[2] Includes the CSRS and FERS obligations due to OPM and current workers' compensation obligations due to DOL, as well as payables to other agencies and the remaining funding associated with the COVID-19 test kit distribution. See further discussion in *Note 9 - Retirement Plans* and *Note 11 - Workers' Compensation*.

[3] Includes noncurrent workers' compensation obligations due to DOL. See further discussion in *Note 11 - Workers' Compensation*.

The revenue forgone installment receivable represents the receivable associated with the RFA. The RFA authorized $1.2 billion to be paid to us in 42 annual installment payments of $29 million each year from 1994 through 2035 as reimbursement for below-cost postage offered to certain categories of mailers between 1991 and 1998. Although the RFA authorized the reimbursement, Congress must appropriate the $29 million to us within the annual federal budget for us to receive funding. As of September 30, 2023, the past due installments unpaid by Congress was $308 million.

We continue to include the total past due installments in each annual appropriations request to Congress. Although we have not consistently received the installment payments, the amounts are established by the RFA and, in any year, Congress could appropriate the full amount, including past-due installments. We believe that the amount remains fully collectible and therefore no reserve is necessary for the uncollected amounts due to the full faith and credit of the U.S. government. For additional information on the revenue forgone installment receivable, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 16 - Revenue Forgone* in the 2023 Annual Report.

We also hold our *Cash and cash equivalents* and restricted cash with the Federal Reserve Bank of New York. See *Note 3 - Liquidity and Note 6 - Investments* for additional information.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2024	2023	2024	2023
Related-party operating revenue[1]	$ 427	$ 368	$ 923	$ 789
Related-party operating expenses[2]	4,256	4,013	8,486	8,023
Related-party interest income[3]	235	227	484	433
Related-party interest expense[4]	138	91	276	170

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*. Amounts reported for the three and six months ended March 31, 2024 and 2023 include revenue from HHS associated with the COVID-19 test distribution.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*. Amounts reported include CSRS and FERS related retirement benefits expense and workers' compensation expense.

[3] Represents interest imputed on the revenue forgone installment receivable, as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - INVESTMENTS

We invest our restricted cash and excess cash, when available and not immediately necessary for operations, in investments issued by the U.S. Treasury. As we have both the intent and ability to hold these securities to maturity, we have classified all of our investments as held-to-maturity.

Our highly liquid investments with initial maturities of three months or less are included in *Cash and cash equivalents* or *Restricted cash* in the accompanying unaudited *Balance Sheets*. These amounts are not presented in the table below as their carrying values approximate fair value due to their short-term nature.

As of March 31, 2024, we had invested excess cash not immediately necessary for operations of $9.4 billion and restricted cash of $1.0 billion in Treasury bills of various maturities ranging between five-months and one-year, none of which had matured as of the date of this report.

These held-to-maturity investments, which are recorded at amortized cost basis, are presented in the table below. Any unrealized losses are temporary due to changes in market interest rates. The cost basis of these securities will be recovered on redemption.

(in millions)	Fair value level	Amortized cost basis	Unrealized gains	Unrealized losses	Fair value
U.S. government securities	Level 1	$ 10,373	$ —	$ (1)	$ 10,372

These investments are included in *Short-term investments* and *Restricted investments, noncurrent* in the accompanying unaudited *Balance Sheets. Restricted investments, noncurrent* include investments purchased with excess restricted cash, when available and not immediately necessary for operations, and have limited use due to the nature of the restrictions on the underlying funding, as described in *Note 3 - Liquidity*.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying unaudited *Balance Sheets* are recorded at cost, which is calculated by including the interest on borrowings used to finance construction of major capital additions less allowances for depreciation and amortization. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

For the three months ended March 31, 2024 and 2023, depreciation and amortization expense was $477 million and $443 million, respectively. For the six months ended March 31, 2024 and 2023, depreciation and amortization expense was $940 million and $868 million, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

As of March 31, 2024, we had active contracts with each of our major collective bargaining units. The agreement expiration dates for those collective bargaining units are as follows:

Collective Bargaining Unit	Agreement Expiration Date
NALC	May 20, 2023*
NRLCA	May 20, 2024
APWU	September 20, 2024
NPMHU	September 20, 2025

* Agreement with the NALC expired on May 20, 2023, and the parties are engaged in continuing negotiations.

Contingent Liabilities

Our contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on our properties; and issues arising from our contracts, personal claims and traffic accidents. Each quarter, we evaluate each claim to determine our potential liability. If we determine that an unfavorable outcome from a new claim is both probable and reasonably estimable, we record a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

From time to time, we are involved in other litigation incidental to the conduct of our business, none of which is expected to be material to our financial condition or operations. For additional information see *Part I, Item 3. Legal Proceedings* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in the 2023 Annual Report.

Provision for Losses

We have made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions as of March 31, 2024 and September 30, 2023:

(in millions)	March 31, 2024	September 30, 2023
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 235	$ 227
Noncurrent portion[2]	179	151
Total contingent liabilities	**$ 414**	**$ 378**

[1] Included within *Payables and accrued expenses* in the accompanying unaudited *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheets*.

Reasonably Possible Contingencies

We do not accrue for contingencies which we deem reasonably possible of an unfavorable outcome. These ranged in amount from $225 million to $1.2 billion at March 31, 2024 and $300 million to $1.2 billion at September 30, 2023.

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which are administered by OPM. Associated costs include the FERS normal costs, which are contributions based on a percentage of active employees' basic pay, and the CSRS and FERS amortization costs to fund the remaining unfunded liabilities. These costs are recorded in *Retirement benefits* in the accompanying unaudited *Statement of Operations*.

Employees who participate in FERS are eligible to receive matching retirement contributions to the TSP, a defined contribution plan. Employees who participate in FERS and certain employees who participate in CSRS are also eligible to receive Social Security benefits upon retirement. We contribute at standard Social Security tax rates for these employees. These TSP and Social Security costs are recorded in *Compensation and benefits* in the accompanying unaudited *Statement of Operations*.

Based on preliminary information provided by OPM, we estimate our annual payments due September 30, 2024 will be $3.2 billion and $2.3 billion for the CSRS amortization and FERS amortization, respectively. We expect to receive the invoice from OPM for the actual amounts due September 30, 2024 during the fourth quarter of 2024, and this invoice may differ from the estimated projections and calculations due to further changes in experience and/or actuarial assumptions as of the calculation date.

The following table presents the retirement benefits expense for the three and six months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2024	2023	2024	2023
FERS normal costs	$ 1,227	$ 1,221	$ 2,433	$ 2,427
CSRS unfunded retirement benefits amortization[1]	800	775	1,600	1,550
FERS unfunded retirement benefits amortization[2]	575	475	1,150	950
Total retirement benefits	**$ 2,602**	**$ 2,471**	**$ 5,183**	**$ 4,927**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on the OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on the OPM invoices.

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 12 - Retirement Plans* in the 2023 Annual Report.

NOTE 10 - HEALTH BENEFITS PLANS

The FEHB Program covers nearly all career employees and also covers pre-career employees and retirees who meet certain eligibility requirements. OPM administers the FEHB Program and allocates the cost of funding the program to participating U.S. government employers. Separate from the FEHB Program, we offer our own healthcare plan to certain pre-career employees who are ineligible for the FEHB Program.

The PSRA, which was enacted in April 2022, established the PSHB Program within the FEHB Program. Beginning in January 2025, our employees and annuitants eligible under the FEHB Program will be covered under the PSHB Program. Coverage and cost-sharing under the PSHB Program will be equivalent to that under the FEHB Program to the greatest extent practicable.

Active Employees

Our employee health benefits expense, which includes the employer portion of Medicare taxes, is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our employee health benefits expense was $1.4 billion for both the three months ended March 31, 2024 and 2023, respectively. Our employee health benefits expense was $2.8 billion and $2.6 billion for the six months ended March 31, 2024 and 2023, respectively. This expense is included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Despite us being a significant contributor of Medicare taxes, not all of our annuitants enroll in Medicare upon retirement. Beginning in January 2025, the PSRA requires the enrollment of annuitants covered by the PSHB Program in Medicare, with certain limited exceptions.

The PSRHBF will continue to pay annuitant premiums for our annuitants until the fund is exhausted. Once exhausted, we will be required to contribute to the PSRHBF based on a pay-as-you-go method, similar to most other federal agencies.

Beginning in 2026, we will also be required to make annual top-up payments to the PSRHBF, based on the difference between annuitant premiums and net claims costs, but only in the event premium payments exceed the claims costs.

We will not incur retiree health benefit costs until either OPM's annual calculation results in a top-up payment, expected to occur in 2026, or the PSRHBF is exhausted and we are required to make contributions to OPM for annuitant premiums.

NOTE 11 - WORKERS' COMPENSATION

Our employees who are injured on the job are covered by the FECA, administered by the DOL's OWCP, which makes most decisions regarding injured workers' eligibility for benefits. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees. We also pay the DOL an administrative fee for its services.

Workers' Compensation Liability

We record a liability for workers' compensation obligations for employees who have been injured on the job and are eligible for benefits or for their qualified survivors. We use an estimation model that utilizes generally accepted actuarial valuation techniques based on past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in interest (discount) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the liability each quarter, we first estimate the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries, and the expected trend in future costs. We then calculate the amount that would need to be invested at current interest (discount) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

In setting the discount rates, we use the current yield, as of the measurement date, on U.S. Treasury securities that are matched to the expected duration of both the medical and compensation payments. Expected inflation in compensation claim obligations is estimated using the consensus inflation forecast from the Federal Reserve Bank of Philadelphia Survey of Professional Forecasters. Expected inflation for future medical claim obligations is estimated using the average rate of medical cost increases experienced by our workers' compensation claimants over the past five years.

This liability calculation is highly sensitive to changes in interest (discount) rates. For example, a 1% increase in the discount rate would decrease the March 31, 2024 liability and related expense by $1.3 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2024 liability and related expense by $1.6 billion.

The following table details the applicable interest (discount) and inflation rates for compensation and medical claims, which are used to estimate the workers' compensation liability as of March 31, 2024 and September 30, 2023:

	March 31, 2024	September 30, 2023
Compensation claims liability:		
Interest (discount) rate	4.33%	4.75%
Long-term wage inflation rate	2.80%	2.80%
Medical claims liability:		
Interest (discount) rate	4.34%	4.75%
Medical inflation rate	3.10%	3.10%

As of March 31, 2024 and September 30, 2023, our total liability for workers' compensation was $14.3 billion and $14.0 billion, respectively. As of March 31, 2024 and September 30, 2023, the current portion of the liability was $1.6 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was $12.7 billion and $12.6 billion, respectively, as reflected in the accompanying unaudited *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, actuarial valuation of new cases, and revaluation of existing cases are components of total workers' compensation expense recorded in the accompanying unaudited *Statements of Operations*. In addition, we pay an administrative fee to the DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Impact of discount rate changes	$ (414)	$ 529	$ 567	$ 407
Actuarial revaluation of existing cases	240	241	554	443
Cost of new cases	312	282	596	530
Administrative fee	24	23	48	46
Total workers' compensation expense	**$ 162**	**$ 1,075**	**$ 1,765**	**$ 1,426**

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 14 - Workers' Compensation* in the 2023 Annual Report.

NOTE 12 - LEASES

We hold lessee positions in real property leases as well as in leases embedded in service contracts involving rights to use transportation equipment and facilities.

Lease costs for operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Operating lease cost	$ 343	$ 340	$ 682	$ 679
Variable lease cost	134	151	284	292
Short-term lease cost	42	54	81	112
Total lease cost	**$ 519**	**$ 545**	**$ 1,047**	**$ 1,083**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for operating leases for the six months ended March 31, 2024 and 2023:

	Six Months Ended March 31,	
($ in millions)	**2024**	**2023**
Operating cash flows from operating leases	$ 672	$ 670
Right-of-use assets obtained in exchange for operating lease liabilities	$ 121	$ 112
Weighted-average remaining lease term - operating leases	5.83 years	5.51 years
Weighted-average discount rate - operating leases	2.60 %	1.84 %

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 15 - Leases* in the 2023 Annual Report.

NOTE 13 - FAIR VALUE MEASUREMENT

The carrying amounts of certain current assets and liabilities, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are disclosed at fair value using inputs of the fair value hierarchy model. This model prioritizes observable and unobservable inputs, which are used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

		March 31, 2024		September 30, 2023	
(in millions)	**Fair value level**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Revenue forgone installment receivable[1]	Level 2	$ 547	$ 457	$ 539	$ 431
Long-term debt[2]	Level 3	$ 13,150	$ 12,738	$ 12,000	$ 11,324

[1] The carrying amount is included within *Other assets* in the accompanying unaudited *Balance Sheets*. See *Note 5 - Related Parties* for additional information.

[2] The fair value amount reflects the premium or discount associated with prepayment of all debt based on prevailing interest rates plus any prepayment penalties, as applicable.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources, and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our," and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report for the year ended September 30, 2023, filed with the PRC on November 14, 2023. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2024 are presented in accordance with accounting principles generally accepted in the U.S. These results are not necessarily indicative of the results to be expected for the year ending September 30, 2024 and should be read in conjunction with our 2023 Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2024 and 2023.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project," or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. See *Part I, Item 1A. Risk Factors* in our 2023 Annual Report for additional discussion on the risks and uncertainties that the Postal Service may face. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

OVERVIEW

As an independent establishment of the Executive Branch of the U.S. government, we have a unique mission to:

- Serve the American people and, through the universal service mission, bind our nation together by maintaining and operating our unique, vital, and resilient infrastructure;
- Provide trusted, safe, and secure communications and services between the U.S. government and the American people, businesses and their customers, and the American people with each other; and
- Serve all areas of our nation, making full use of evolving technologies.

We will carry out this mission by remaining an integral part of the U.S. government and providing all Americans with universal and open access to our unrivaled delivery and retail network; using technology, innovation and, where appropriate, private-sector partnerships to meet our customers' changing needs; operating in a modern, precise, efficient, and effective manner; and remaining an employer of choice, including attracting and retaining high-quality employees.

We serve consumer and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation, and delivery network, and we operate throughout the U.S., including its possessions and territories. We do not operate in segments; we report our performance as a single business.

The PAEA, classifies our products into two broad categories: Market-Dominant and Competitive "products." However, we use the term "services" in this document for consistency with other descriptions of services offered. Legal and regulatory restrictions on Market-Dominant pricing, service diversification, and operations currently restrict our ability to cover the costs we incur to provide prompt, reliable, and efficient postal services to the nation. Additionally, the statutes under which we operate establish certain mandated costs that affect our financial results, including obligations for retirement pension benefits within CSRS and FERS. We must coordinate with OPM to address these obligations.

While legal restrictions on pricing, service diversification, and operations currently restrict our ability to cover our costs to provide prompt, reliable, and efficient postal services to the nation, we continue to implement initiatives that are expected to drive revenue by capitalizing on innovation, technology, customer and consumer insights, and data management. This includes strengthening the value of mail through the continued enhancement of *Informed Delivery,* which enables customers to digitally preview mail and manage package delivery and adds digital marketing capabilities to the printed mail piece, and by adhering to the commitment to meet evolving business needs via *USPS Connect*, which aims to drive package growth by broadening network access to same-day and next-day delivery capability for businesses of all sizes. In July 2023, we launched an improved affordable ground product, *USPS Ground Advantage*, that features two-to-five-day service standards for packages up to 70 pounds, replacing our retired *First-Class Package Services* subcategory and several other service offerings.

DELIVERING FOR AMERICA

In March 2021, we published our vision and ten-year plan to achieve financial stability and service excellence entitled *Delivering for America* (https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf). Our comprehensive plan delivers:

- A modernized Postal Service capable of providing world class service reliability at affordable prices;
- Maintenance of universal six-day mail delivery and expanded seven-day package delivery;
- Workforce stability and investment strategies that empower, equip, and engage each employee and put them in the best possible position to succeed;
- Innovation that grows revenue and meets changing marketplace needs; and
- Financial sustainability to fund our universal service mission.

We can accomplish these goals with effective use of our pricing authorities, by operating more precisely and efficiently across our enterprise, and by driving revenue growth through innovative customer solutions. In addition, legislative change will be required to address retiree pension benefit funding rules determining how

OPM apportions the costs for the CSRS benefits for employees and retirees that worked for both the Postal Service and the Post Office Department, or alternatively the Postal Service will need to identify and pursue more drastic additional cost cutting and revenue initiatives to achieve equivalent results to those reflected in the plan related to CSRS benefit reform.

Our strategies for revenue growth, cost savings, and investment, combined with additional legislative actions, will enable us to operate in a financially self-sustaining manner while fulfilling our universal service mission. In the event legislative change concerning CSRS benefits is not implemented, the Postal Service will need to identify and pursue more drastic additional cost cutting and revenue initiatives beyond those currently in the plan to achieve equivalent results in order to meet our financial targets.

We continue to implement core elements of our plan and were provided with certain legislative reform that was needed through the enactment of the PSRA in April 2022. Our progress reports detailing our accomplishments and the status of plan execution can be found on our website (https://about.usps.com/what/strategic-plans/delivering-for-america/).

RESULTS OF OPERATIONS

SUMMARY

The U.S. and global economies continue to experience significant volatility due to inflation and geopolitical conditions. While inflation has moderated in recent months, inflationary impacts and business and consumer confidence still remain unpredictable and continue to impact our results of operations for the three and six months ended March 31, 2024.

Regulatory constraints cause delays in our ability to generate revenue to keep pace with inflation. Our Market-Dominant services are subject to a price cap system that is generally limited by the CPI-U, with some additional pricing flexibility and authority granted by the PRC. While we continue to judiciously implement our pricing authority, our price cap system restricts our ability to timely adjust prices in line with inflation. In addition, the PRC is re-evaluating the system for regulating the prices for our Market-Dominant products through a rulemaking that was recently announced, and which could impact our pricing authority for such products either positively or negatively.

Other major factors that impacted our operating results include overall customer demand, the mix of postal services and the pricing and contribution associated with those services, the volume of mail and packages processed through our network, our ability to manage our cost structure in line with secularly declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business, and an increasing number of delivery points.

Three Months Ended March 31, 2024

Our operating revenue for the three months ended March 31, 2024 increased $410 million, or 2.1%, compared to the same period last year. As more fully described below in *Operating Revenue and Volume*, this increase was largely due to price increases in our *First-Class Mail* and *Marketing Mail* categories and a volume increase in our Shipping and Packages category. However, these price increases were partially offset by declining volumes in our mail service categories during the quarter.

Our operating expenses for the three months ended March 31, 2024 decreased $685 million, or 3.1%, compared to the same period last year. As more fully described below in *Operating Expenses*, this decrease was primarily due to interest rate impacts on workers' compensation fair-value adjustments and lower transportation costs, partially offset by inflationary impacts on compensation costs and retirement costs.

Overall, we reported a net loss of $1.5 billion for the three months ended March 31, 2024, compared to a net loss of $2.5 billion for the same period last year.

Six Months Ended March 31, 2024

Our operating revenue for the six months ended March 31, 2024 increased $525 million, or 1.3%, compared to the same period last year. As more fully described below in *Operating Revenue and Volume*, this increase was largely due to price increases in our *First-Class Mail* and *Marketing Mail* categories and a volume increase in our Shipping and Packages category. However, these price increases were partially offset by declining volumes in our mail service categories during the six-month period.

Our operating expenses for the six months ended March 31, 2024 increased $426 million, or 1.0%, compared to the same period last year. As more fully described below in *Operating Expenses*, this increase was primarily due to inflationary increases on compensation costs, retirement costs and other operating costs, partially offset by lower transportation costs.

Overall, we reported a net loss of $3.5 billion for the six months ended March 31, 2024, which is unchanged when compared to the same period last year.

Non-GAAP Measures

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We use various non-GAAP measures to help us better manage our business. However, these non-GAAP measures should not be considered a substitute for net loss and other GAAP reporting measures.

We calculate controllable (loss) income, a non-GAAP measure, by excluding the workers' compensation non-cash expenses driven by actuarial revaluation and discount rate changes, which can fluctuate significantly and over which we have no control. We also exclude the amortization of unfunded pension liabilities. The variance in these expenses depends primarily on factors over which we have no control, such as changes in projected discount rates and inflation.

The following table reconciles our GAAP net loss to our non-GAAP financial measures for the three and six months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Net loss	**$ (1,468)**	**$ (2,480)**	**$ (3,540)**	**$ (3,508)**
Workers' compensation non-cash (benefit) expense[1]	(224)	732	945	697
CSRS unfunded liability amortization expense[2]	800	775	1,600	1,550
FERS unfunded liability amortization expense[3]	575	475	1,150	950
Controllable (loss) income	**$ (317)**	**$ (498)**	**$ 155**	**$ (311)**

[1] Represents workers' compensation non-cash (benefit) expense resulting from fluctuations in discount rates, changes in assumptions, valuation of new claims, revaluation of existing claims, and the administrative fee paid to DOL, less current year claim payments.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on the OPM invoices.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on the OPM invoices.

Our controllable loss decreased $181 million for the three months ended March 31, 2024, compared to the same period last year. The decrease was driven by the $410 million increase in operating revenue and lower transportation expense of $285 million, partially offset by higher compensation and benefit expenses of $359 million.

Our controllable income for the six months ended March 31, 2024, increased $466 million compared to the controllable loss we had in the same period last year. The increase was driven by lower transportation expense of $773 million and the $525 million increase in operating revenue, partially offset by higher compensation and benefit expenses of $352 million and higher other operating expenses of $252 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

We generate the vast majority of our revenue through the sale of products and services associated with the processing and delivery of various types of mail and packages, both domestically and internationally. We continue to grow our revenue through optimization of our pricing strategies and effective use of our pricing authority, as outlined in the *Delivering for America* plan. Revenue for each mail class is highly correlated with its volume processed and delivered, although revenue per product varies by service category.

Although we operate as a single segment, we monitor and report revenue by mail classes, products, and shapes. We use the following broad service categories to describe and report on our performance: *First-Class Mail*, *Marketing Mail*, Shipping and Packages, *International Mail*, *Periodicals*, and other services. Additional information on these service categories can be found in *Part I, Item 1. Business, Services* and *Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations, Operating Revenue and Volume* in our 2023 Annual Report.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2024 and 2023 by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Operating Revenue:				
First-Class Mail[1]	$ 6,590	$ 6,310	$ 13,318	$ 12,867
Marketing Mail[2]	3,653	3,579	7,781	7,942
Shipping and Packages[3]	7,711	7,622	16,790	16,462
International	366	400	802	861
Periodicals	221	226	460	465
Other[4]	1,171	1,165	2,175	2,204
Total operating revenue	**$ 19,712**	**$ 19,302**	**$ 41,326**	**$ 40,801**
Volume:				
First-Class Mail[1]	11,678	11,939	23,606	24,571
Marketing Mail[2]	13,814	14,096	29,336	32,031
Shipping and Packages[3]	1,714	1,689	3,749	3,626
International	75	82	167	187
Periodicals	671	737	1,403	1,538
Other[5]	59	67	253	257
Total volume	**28,011**	**28,610**	**58,514**	**62,210**

Note: Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category and have no effect on total operating revenue for the period. These reclassifications are required by Postal Service regulatory requirements and are included in this document for consistency amongst publicly available information.

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial.*

[2] Excludes *Marketing Mail Parcels.*

[3] Includes *Priority Mail, USPS Retail Ground, Parcel Select Mail, Parcel Return Service Mail, Marketing Mail Parcels, Package Service Mail, First-Class Package Service - Retail, First-Class Package Service - Commercial* and *Priority Mail Express. USPS Retail Ground, Parcel Select Ground* (a component of *Parcel Select Mail*), *First-Class Package Service - Retail,* and *First-Class Package Service - Commercial* were retired in July 2023 and replaced by *USPS Ground Advantage.*

[4] Includes *PO Box* and Caller services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, Registered Mail, Stamped Envelopes and Cards, Money Orders and other services. Also includes revenue other than postage associated with COVID-19 test distribution.

[5] Includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

Revenue for the three and six months ended March 31, 2024 and 2023 was impacted by the following pricing changes:

- From October 2, 2022 through January 22, 2023, we implemented time-limited peak season price increases on certain Shipping and Packages subcategories;

- On January 22, 2023, we increased prices on certain Market-Dominant services by an average of 4.2% to offset rising inflation and increased prices on certain Competitive services, with the average price adjustments for these services varying by product in accordance with market conditions;
- On July 9, 2023, we increased prices on certain Market-Dominant services by an average of 5.4% to offset rising inflation; and
- On January 21, 2024, we increased prices for certain Market-Dominant services by an average of 2.0%.

On April 9, 2024, we filed with the PRC notice of our intent to increase prices for certain mailing services to help achieve the financial stability sought by our *Delivering for America* plan. The average proposed price increase is 7.8% for certain Market-Dominant services and, subject to PRC favorable review of this plan, is scheduled to take effect on July 14, 2024. As of the date of this report, the PRC has not completed its review of this price increase plan.

Although revenue and volume are generally linked to the strength of the U.S. economy and changes in how our customers use mail and packages, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our marketing investment in mail and package innovation. However, we also recognize that revenue growth is constrained by electronic media, laws and regulations restricting the types of products and services we may offer to our customers, the prices we charge them, and the speed with which we can bring new services to market.

First-Class Mail

For the three months ended March 31, 2024, *First-Class Mail* revenue increased $280 million, or 4.4%, on a volume decline of 261 million pieces, or 2.2%, compared to the same period last year. For the six months ended March 31, 2024, *First-Class Mail* revenue increased $451 million, or 3.5%, on a volume decline of 1.0 billion pieces, or 3.9%, compared to the same period last year. Revenue grew despite the volume declines for the three and six months ended March 31, 2024, due to the price increases, as noted above. The most significant factor contributing to the declining trend in *First-Class Mail* volume is the on-going migration from mail to electronic communication and transaction alternatives.

Marketing Mail

For the three months ended March 31, 2024*, Marketing Mail* revenue increased $74 million, or 2.1%, on a volume decline of 282 million pieces, or 2.0%, respectively, compared to the same period last year. For the six months ended March 31, 2024*, Marketing Mail* revenue decreased $161 million, or 2.0%, and volume decreased 2.7 billion pieces, or 8.4%, respectively, compared to the same period last year.

For the three months ended March 31, 2024*,* our revenue and volume from political and election mail, a component of *Marketing Mail,* increased by over $100 million and 400 million pieces, respectively, compared to the same period last year. During the three-month period we are beginning to see the effects of higher revenue and volume for political and election mail associated with the 2024 primary elections ahead of the general election. Absent the impact of these cyclical mailings, *Marketing Mail's* adjusted results for the three months ended March 31, 2024, would have been decreased revenue of $26 million, or 0.7%, and decreased volume of 682 million pieces, or 4.8%, respectively, compared to the same period last year.

For the six months ended March 31, 2024*,* our revenue and volume from political and election mail decreased by nearly $175 million and nearly 1.0 billion pieces, respectively, compared to the same period last year. During the previous year, *Marketing Mail* benefited from higher revenue and volume for political and election mail associated with the 2022 mid-term elections. Absent the impact of these cyclical mailings, *Marketing Mail's* adjusted results for the six months ended March 31, 2024, would have been increased revenue of $14 million, or 0.2%, and decreased volume of 1.7 billion pieces, or 5.3%, respectively, compared to the same period last year.

Marketing Mail has been challenged by commercial mailers' increasing use of digital and mobile advertising, which was accelerated by the pandemic, and a higher inflationary environment affecting print media production costs. Nevertheless, this category has generally proven to be a resilient marketing channel, and its value to U.S. businesses remains strong due to healthy customer returns on investment and better data and technology integration.

Shipping and Packages

Our Shipping and Packages business is subject to intense competition. In-sourcing from our major customers, major e-commerce retailers, and other competitors continues to grow. Our ability to remain competitive and maintain or grow our shipping services market share significantly impacts both revenue and volume.

The results for our Shipping and Packages category for the three and six months ended March 31, 2024 and 2023 generally reflect our successful efforts to compete in shipping services, including "last-mile" e-commerce fulfillment markets and Sunday delivery, as well as end-to-end markets, driven by consumers' continued use of online shopping. As part of our ongoing commitment to respond to customer needs, in July 2023, we launched an improved affordable ground product, *USPS Ground Advantage*, that features two-to-five-day service standards for packages up to 70 pounds, replacing our retired *First-Class Package Services* subcategory and several other service offerings.

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2024 and 2023, by each service subcategory:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	**2023**	**2024**	**2023**
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 1,945	$ 3,011	$ 4,434	$ 6,630
Parcel Services[2]	2,447	2,530	5,468	5,421
USPS Ground Advantage[3]	3,087	—	6,415	—
First-Class Package Services[4]	—	1,849	—	3,945
Package Services	232	232	473	466
Total Shipping and Packages revenue	**$ 7,711**	**$ 7,622**	**$ 16,790**	**$ 16,462**
Shipping and Packages Volume:				
Priority Mail Services[1]	180	274	416	594
Parcel Services[2]	868	868	1,937	1,880
USPS Ground Advantage[3]	554	—	1,168	—
First-Class Package Services[4]	—	434	—	920
Package Services	112	113	228	232
Total Shipping and Packages volume	**1,714**	**1,689**	**3,749**	**3,626**

[1] Includes *Priority Mail*, *Priority Mail Express*, and *USPS Retail Ground. USPS Retail Ground* was retired in July 2023.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Launched in July 2023.

[4] Includes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*. These shipping offerings were retired in July 2023.

For the three months ended March 31, 2024, Shipping and Packages revenue and volume increased $89 million, or 1.2%, and 25 million pieces, or 1.5%, respectively, compared to the same period last year. For the six months ended March 31, 2024, Shipping and Packages revenue and volume increased $328 million, or 2.0%, and 123 million pieces, or 3.4%, respectively, compared to the same period last year.

Each of the services within the Shipping and Packages category has its own unique opportunities and challenges:

- Our Priority Mail Services subcategory can be more price sensitive than other services and it continues to face intense competition and an industry-wide trend away from expedited products. Priority Mail Services volume declined 34.3% and 30.0% for the three and six months ended March 31, 2024, respectively, compared to the same periods last year;
- Our Parcel Services subcategory largely consists of last-mile deliveries, offered to large bulk shippers that perform their own sorting before conveying parcels to us for processing and/or delivery deeper into

our network. This is our lowest-priced Shipping and Packages service and produces a lower-contribution per piece when compared to many of our other services. Parcel Services volume was flat for the three months ended March 31, 2024, and increased 3.0% for the six months ended March 31, 2024, compared to the same periods last year;

- Our USPS Ground Advantage sub-category, launched in July 2023, has experienced wide adoption with both existing and new consumer and commercial customers. While *USPS Ground Advantage* promises to continue to meet market needs and offer significant value, there has been heavy competition in the market to challenge its growth. *USPS Ground Advantage* anchors our shipping portfolio, and our focus is to consistently enhance the product to maximize its value, to thereby ensure long-term growth and customer utilization;
- Our First-Class Package Services sub-category, which was the lowest-priced unrestricted end-to-end shipping option in the marketplace, was retired in July 2023 and subsumed into USPS Ground Advantage; and
- Our Package Services category is the only Market-Dominant service within Shipping and Packages. As such, this service has historically followed trends more similar to our other Market-Dominant products, with much larger volume declines than our other Shipping and Packages subcategories. Package Services volume declined 0.9% and 1.7% for the three and six months ended March 31, 2024, respectively, compared to the same periods last year.

International Mail

For the three months ended March 31, 2024, international mail and package revenue decreased 8.5%, on a volume decline of 8.5%, compared to the same period last year. For the six months ended March 31, 2024, international mail and package revenue decreased 6.9%, on a volume decline of 10.7%, compared to the same period last year. The decline in volume was due to various competitive pricing, political, and economic factors. Revenue for the *International Mail* category decreased, largely as a result of the volume decline due to shifts in the mix of services provided, though revenue declined at a lesser rate due to price increases. Additionally, the overall contribution margin per revenue dollar for the International Mail category increased, despite the revenue and volume declines.

Periodicals

For the three months ended March 31, 2024, *Periodicals* revenue decreased 2.2%, on a volume decline of 9.0%, compared to the same period last year. For the six months ended March 31, 2024, *Periodicals* revenue decreased 1.1%, on a volume decline of 8.8%, compared to the same period last year. The declining volume is consistent with the systemic decline related to the decade-long trend away from hard-copy reading behavior and the shift of advertising away from print. We expect the *Periodicals* category to continue to decline as electronic content has gained a significant portion of this market share.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenses under management's control.

We originally designed our mail processing and distribution network to provide delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not well aligned to today's mail and package mix and volume. Consequently, certain of our processing and distribution facilities and our transportation continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which drives up delivery costs. When combined with lower mail volume, this has resulted in a drop in the average number of pieces delivered per delivery point per day from 5.5 pieces in 2007 to 2.6 pieces in 2023, a decline of 53%.

Compensation and Benefits

Compensation and benefits, our largest operating expense category, is significantly impacted by the terms of our collective bargaining agreements. At March 31, 2024, 92% of our employees are covered by collective bargaining agreements. For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 8 - Commitments and Contingencies* in this document and *Part I, Item 1. Business,* *Employees* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in our 2023 Annual Report.

Our compensation and benefits expense consists of costs related to our active career and pre-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health benefits costs, which are further discussed in *Retirement Benefits* and *Retiree Health Benefits*, respectively.

The following table presents compensation and benefits expense for the three and six months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Compensation	$ 10,805	$ 10,488	$ 22,340	$ 22,104
Employee health benefits	1,404	1,362	2,764	2,648
Social Security	635	639	1,291	1,311
Thrift Savings Plan	370	362	757	737
Other	82	86	179	179
Total compensation and benefits	**$ 13,296**	**$ 12,937**	**$ 27,331**	**$ 26,979**

Overall, our compensation and benefits expense increased 2.8% and 1.3% for three and six months ended March 31, 2024, respectively, compared to the same periods last year. While contractual wages increased as a result of the inflationary impacts on related COLA, it was partially offset by the lower number of work hours in the six-month period, as discussed below.

Work Hours

Work hours are a significant component of compensation expense. We are committed to minimizing costs by using the appropriate mix of work hours based on the complement and the assessment of relative cost for each work hour type. In some instances, the use of overtime hours may be necessary to meet service standard commitments and obligations for mail delivery or to serve as a more cost-effective option. In most instances, the compensation for an overtime hour is less than the cost of a straight-time hour as adding employees results in additional costs for hiring, training, and benefits. Furthermore, certain benefit costs are only calculated as a percentage of basic pay and do not increase with higher overtime pay.

For the three months ended March 31, 2024, total work hours were 284 million, which is essentially flat compared to the same period last year. For the six months ended March 31, 2024, total work hours were 581 million, a decrease of 8 million hours, or 1.4%, compared to the same period last year, with the decrease achieved largely from fewer overtime hours.

Workforce Composition

The number of career employees at March 31, 2024 was 531,500, an increase of 12,500 employees, or 2.4%, compared to the same date a year ago.

The number of pre-career employees at March 31, 2024 was 114,000, a decrease of 6,000 employees, or 5.0%, compared to the same date a year ago.

We continue to convert employees from pre-career to career status, consistent with our *Delivering for America* plan, to create a stable and empowered workforce with the opportunity for career development and growth for all employees.

Retirement Benefits

We participate in CSRS and FERS, federal employee defined pension benefit programs administered by OPM. Our retirement benefits expense includes statutorily required contributions to amortize the unfunded portion of these programs and a percentage of basic pay for our active employees, as established by OPM.

For the three and six months ended March 31, 2024, our retirement benefits expense increased 5.3% and 5.2%, respectively, compared to the same periods last year, due to the inflationary impact on amortization calculations for the CSRS and FERS unfunded retirement benefits.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*, in this document and *Part II, Item 8. Financial Statements and Supplementary Data, and Supplementary Data*, *Notes to Financial Statements*, *Note 12 - Retirement Plans* in our 2023 Annual Report.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. The PSRHBF will continue to pay annuitant premiums for our annuitants until the fund is exhausted. Once exhausted, we will be required to contribute to the PSRHBF based on a pay-as-you-go method, similar to most other federal agencies.

We will not incur additional retiree health benefit costs until either OPM's annual calculation results in a top-up payment, expected to occur in 2026, or the PSRHBF is exhausted and we are required to make contributions to OPM for annuitant premiums.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the FECA, administered by the DOL's OWCP, as described in our 2023 Annual Report.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by the DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by the DOL on behalf of our employees for workers' compensation obligations, for the three and six months ended March 31, 2024 and 2023:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Impact of discount rate changes	$ (414)	$ 529	$ 567	$ 407
Actuarial revaluation of existing cases	240	241	554	443
Cost of new cases	312	282	596	530
Administrative fee	24	23	48	46
Total workers' compensation expense	**$ 162**	**$ 1,075**	**$ 1,765**	**$ 1,426**
Less cash payments made by the DOL on behalf of workers' compensation obligations	(386)	(343)	(820)	(729)
Total workers' compensation non-cash (benefit) expense	**$ (224)**	**$ 732**	**$ 945**	**$ 697**

For the three and six months ended March 31, 2024, the portion of workers' compensation expense driven by discount rate changes decreased $943 million and increased $160 million, respectively, compared to the same periods last year.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased $29 million and $177 million for the three and six months ended March 31, 2024, respectively, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases, and updated COLA assumptions, which are largely outside of management's control.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation* in this document and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 14 - Workers' Compensation* in our 2023 Annual Report.

Transportation

Transportation expense includes the costs we incur to transport mail and packages between facilities, comprising highway, air, and international transportation contracts, plus contract delivery services. We rely on third-parties under highway contract routes for the significant majority of long-haul transportation services between facilities. Furthermore, we do not own or operate aircraft, and we rely on third parties for the air transportation service required to deliver our mail and packages to various destinations within the U.S. and abroad.

With the exception of contract delivery services, our costs to deliver mail and other products to end delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs in the accompanying unaudited *Statements of Operations.* Furthermore, transportation expense does not include the compensation and related costs of employees responsible for transporting mail and packages between closely located facilities.

Variations in the volume and weight of mail and packages transported, the mode of transportation used, and fuel prices have significant impacts on transportation expense.

Overall, transportation expense decreased 11.7% and 14.2% for the three and six months ended March 31, 2024, respectively, compared to the same periods last year. The components of transportation expense for the three and six months ended March 31, 2024 and 2023 are presented in the following table:

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(in millions)	**2024**	**2023**	**2024**	**2023**
Highway	$ 1,476	$ 1,536	$ 3,188	$ 3,415
Air	574	773	1,278	1,778
International	87	111	187	226
Other	8	10	16	23
Total transportation expense	**$ 2,145**	**$ 2,430**	**$ 4,669**	**$ 5,442**

Highway transportation expense decreased 3.9% and 6.6% for the three and six months ended March 31, 2024, respectively, compared to the same periods last year, primarily due to lower average diesel fuel prices and our optimization of peak-season contracts. Consistent with the tenet of our *Delivering for America* plan to optimize our transportation networks, our changes in service standards have further facilitated the shift of package volume from air to highway transportation when more economical and allowing for improved reliability and service performance.

Air transportation expense decreased 25.7% and 28.1% for the three and six months ended March 31, 2024, respectively, compared to the same periods last year. This decrease was primarily due to the shift of certain package volume to highway transportation and the impact of lower average jet fuel prices.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2024 and 2023, are detailed in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2024	2023	2024	2023
Supplies and services	$ 849	$ 870	$ 1,723	$ 1,696
Depreciation and amortization	477	443	940	868
Rent and utilities	542	535	1,057	1,036
Information technology and communications	363	304	638	561
Vehicle maintenance service	183	213	394	408
Rural carrier equipment maintenance	147	151	307	310
Fuel - delivery vehicles	169	182	355	382
Miscellaneous other	350	359	728	629
Total other operating expenses	**$ 3,080**	**$ 3,057**	**$ 6,142**	**$ 5,890**

Total other operating expenses remained flat for the three months ended March 31, 2024, and increased 4.3% for the six months ended March 31, 2024, compared to the same periods last year. The period-over-period increases in almost all components of other operating expenses for the six months ended March 31, 2024 reflect emphasis on modernizing information technology systems and ongoing inflation.

NON-OPERATING REVENUES AND EXPENSES

Interest and Investment Income

We generate income from investments in securities issued by the U.S. Treasury. Investment interest income was $235 million and $484 million for the three and six months ended March 31, 2024, respectively, compared to $227 million and $433 million for the same periods last year. The increase was due to higher average interest rates and our higher volume of investments in longer-term Treasury securities.

Interest Expense

Interest expense was $133 million and $266 million for the three and six months ended March 31, 2024, respectively, compared to $90 million and $186 million for the same periods last year. The increase was due to higher average interest rates and higher outstanding debt.

As of March 31, 2024, we had $1.0 billion in short-term debt and $13.2 billion in long-term debt. We finance a portion of our debt at longer-term fixed-rates to decrease our interest rate risk and interest expense volatility in future years and a portion of our debt at floating-rates, which typically have remained below longer-term fixed rates. Floating-rates reset every three months and are impacted by interest rate volatility.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Our liquidity consists of unrestricted cash and cash equivalents, short-term investments, plus our authorized borrowing capacity under the PRA. For additional information see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 3 - Liquidity.*

Our average daily liquidity balance was $20.6 billion and $23.4 billion for the six months ended March 31, 2024 and 2023, respectively.

CASH FLOW ANALYSIS

Operating Activities

Net cash provided by operating activities was $458 million for the six months ended March 31, 2024, compared to $1.7 billion used in operating activities for the six months ended March 31, 2023. This change in cash provided by operations was due to higher revenue and higher receipts for interest and investment income as a result of higher interest rates, as well as lower cash expenditures for compensation and benefits, retirement benefits, transportation expenses and the timing of outlays for payable and accrued expenses.

Investing Activities
We invested $2.2 billion in the purchase of property and equipment for the six months ended March 31, 2024, which is an increase of $970 million, or 76.6%, compared to the same period last year. The increase is due to our investments in network infrastructure consistent with our *Delivering for America* plan. Our projected capital expenditures for 2024 is $3.3 billion.

During the six months ended March 31, 2024, we invested excess cash, when available and not immediately necessary for operations, of $9.3 billion and restricted cash of $464 million in Treasury bills of various maturities ranging between six-months and one-year. Three of our short-term investments matured and were redeemed for $8.6 billion during the period, and five of our restricted investments matured and were redeemed for $2.7 billion. The remainder of the investments held had yet to mature as of the date of this report. During the same period last year, there were investments of $5.0 billion, which we made from excess cash, and maturities redeemed for $5.1 billion.

Financing Activities
Net cash used in financing activities was $1.1 billion for the six months ended March 31, 2024, compared to $402 million used in financing activities for the six months ended March 31, 2023. On February 5, 2024, we borrowed $500 million from the FFB on a 13-year long-term note under the terms of our note purchase agreement. On March 27, 2024, we borrowed $650 million from the FFB on a 14-year long-term note under the terms of our note purchase agreement.

LIQUIDITY OUTLOOK

2024 and Beyond
While the enactment of the PSRA in April 2022 was a critical component of the *Delivering for America* plan and restoring us to financial sustainability, we continue to face systemic imbalances that make our current operating model unsustainable. We have adequate short-term liquidity, however, as of March 31, 2024, in the medium to long-term, our liquidity remains insufficient to pay all obligations, to make capital investments necessary for continuity of operations, and to prepare for unexpected contingencies. For additional information on our operating challenges and constraints and the relevant mitigating circumstances, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 3 - Liquidity.*

Legally Required Obligations
As previously discussed, we have estimated obligations for unfunded retirement benefits of $5.1 billion due on September 30, 2024. We also expect to pay the DOL approximately $1.6 billion in October 2024, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2023 to June 30, 2024, plus the administrative fee.

Capital Investments
As outlined in our *Delivering for America* plan, our technological and physical infrastructures require extensive upgrades. To invest in these upgrades, we have planned for over $40 billion in capital investments between 2021 and 2030. We currently estimate that our required cash outlays for capital investments necessary to modernize the network and ensure that we can continue to perform our universal service mission will amount to $1.1 billion for the remainder of 2024 and an additional $13.3 billion for years 2025 through 2028. However, these projections could change depending on the timing of investments to replace our delivery fleet, modernize our delivery units, transform our retail locations, improve our processing facilities, and acquire or contribute to other appropriate capital assets.

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations have the potential to be influenced by congressional oversight and legislation.

BOARD OF GOVERNORS

Consistent with our independent self-funded design, Congress intended for us to be governed by an eleven-member Board which consists of our PMG, our DPMG, and nine independent Governors. The President appoints the Governors with the advice and consent of the Senate. As of the date of this report, we have seven Presidentially appointed, Senate-confirmed Governors in office.

On February 29, 2024, the President submitted to the Senate the nomination of Martin J. Walsh to serve on the Board of Governors for a term expiring December 8, 2029. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee, where it awaits further action.

APPROPRIATIONS

On March 9, 2024, the President signed H.R. 4366, the *Consolidated Appropriations Act, 2024*, enacted as Public Law 118-42. The law provides government funding for the Departments of Agriculture, Interior, Transportation, Housing and Urban Development, Veterans Affairs, Justice, Commerce, and Energy and other independent agencies, expiring on September 30, 2024. The bill includes a modification of the COFA, which are international agreements between the U.S. government and three countries, the Federated States of Micronesia, the Republic of Palau, and the Republic of the Marshall Islands, collectively known as the FAS. For our purposes, the COFA governs the mail service relationships between us and the FAS. The modified agreements will provide $634 million over the next 20 years for us to provide the mail service to the FAS.

On March 23, 2024, the President signed H.R. 2882, the *Further Consolidated Appropriations Act, 2024*, enacted as Public Law 118-47. The law provides government funding for the Departments of Defense, Treasury, Homeland Security, Labor, Health and Human Services, Education, and State and several related and independent agencies, expiring on September 30, 2024. The bill includes $49.75 million in funding for us to provide for free mail for the blind and overseas voting.

LEGISLATION

On March 12, 2024, the *Protect Our Letter Carriers Act of 2024* (H.R. 7629) was introduced in the House. This bill would facilitate the implementation of security measures undertaken by us by appropriating $1.4 billion for each of fiscal years 2025 through 2029 to install high security collection boxes and replace arrow keys with electronic versions. H.R. 7629 designates an Assistant U.S, Attorney in every U.S. Attorney’s office to coordinate and supervise the investigation and prosecution of alleged offenses committed against postal workers. The bill would also amend sentencing guidelines so that any assault or robbery committed against a letter carrier would use the same sentencing guidelines as the assault of a law enforcement officer. H.R. 7629 was referred to the House Committees on Oversight and Accountability and the Judiciary, where no further action has been taken.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties in accordance with GAAP. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies that require significant management judgment or the selection or application of alternative accounting policies and could result in a material impact to the financial statements are described in

Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies and Estimates of our 2023 Annual Report. Management discusses the development and selection of critical accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements and Supplementary Data*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates, and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline, and aircraft fuel for transportation of the mail, as well as fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We also have provisions in our debt agreements that allow us to prepay our $14.2 billion debt with the FFB at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange, or interest rate fluctuations for debt instruments. Additionally, we have not purchased or held derivative financial instruments for speculative purposes.

See *Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in our 2023 Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

We are responsible for the preparation, integrity, and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA and that this information is accumulated and communicated to our management, including the PMG and CFO, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the PMG and the CFO, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2024. Based on and as of the date of the evaluation, the PMG and the CFO concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Part I. Financial Information, Item 1. Financial Statements*, *Notes to Unaudited Financial Statements, Note 8 - Commitments and Contingencies* in this document, as well as *Part I, Item 3. Legal Proceedings* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Commitments and Contingencies* in our 2023 Annual Report.

ITEM 1A. RISK FACTORS

No material changes have transpired in our risk factors from the disclosures in *Part I, Item 1A. Risk Factors* in our 2023 Annual Report.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/ Louis DeJoy

Louis DeJoy

PMG and CEO

Date: May 9, 2024

/s/ Joseph Corbett

Joseph Corbett

CFO and Executive VP

Date: May 9, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Louis DeJoy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service (“Postal Service”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service’s internal control over financial reporting that occurred during the Postal Service’s most recent fiscal quarter (the Postal Service’s fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service’s internal control over financial reporting; and
5. The Postal Service’s other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service’s independent registered accounting firm and the Audit and Finance Committee of the Postal Service’s Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service’s internal control over financial reporting.

Date: May 9, 2024

/s/ Louis DeJoy

Louis DeJoy

PMG and CEO

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service (“Postal Service”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service’s internal control over financial reporting that occurred during the Postal Service’s most recent fiscal quarter (the Postal Service’s fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service’s internal control over financial reporting; and
5. The Postal Service’s other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service’s independent registered accounting firm and the Audit and Finance Committee of the Postal Service’s Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service’s internal control over financial reporting.

Date: May 9, 2024

/s/ Joseph Corbett

Joseph Corbett

CFO and Executive VP

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service (“Postal Service”) on Form 10-Q for the period ended March 31, 2024, (the “Report”), I, Louis DeJoy, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Date: May 9, 2024

/s/ Louis DeJoy

Louis DeJoy

PMG and CEO

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service (“Postal Service”) on Form 10-Q for the period ended March 31, 2024, (the “Report”), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Date: May 9, 2024

/s/ Joseph Corbett

Joseph Corbett

CFO and Executive VP