Universal Service Obligation and Self-Sustaining Mandates

The Mandates
With parameters set by the Postal Reorganization Act of 1970 (PRA) and annual appropriations acts passed by Congress, the Postal Service is legally bound by a universal service obligation (USO) to provide prompt, reliable, affordable, and efficient postal services to all Americans, regardless of where they live.

The Postal Service is also designed to fulfill its universal service mission and meet its other statutory obligations in a self-sufficient manner. It does not receive tax dollars to cover operating expenses, including increasing costs resulting from providing effective and regular postal services to rural areas, communities, and small towns where Post Offices are not self-sustaining. All costs are covered through revenues generated from the sale of products and services.

The Issue
Despite the expectation of financial self-sufficiency, the Postal Service has been trapped in an unsustainable business model since enactment of the Postal Accountability and Enhancement Act of 2006 (PAEA), plagued by legislative and regulatory constraints.

Dramatic change in customer demands has caused sharp declines in mail volume. The volume of First-Class Mail, our flagship product, has declined by 45 percent since 2007, and overall mail volume has declined by 42 percent during that same period. At the same time, the PAEA’s rigid price-regulation scheme, under which prices for the Postal Service’s high-volume classes of mail are generally required to remain flat in inflation-adjusted dollars, has substantially eroded our ability to cover the costs of universal service, let alone the new unfunded mandates imposed by the PAEA. In addition to depriving the Postal Service of the flexibility needed to cover its costs amid steep volume declines, the PAEA’s regulatory system has also starved the Postal Service of the capital that it needs to invest in modernizing infrastructure to reduce costs and meet Americans’ current and future service needs.

Recent reforms by the Postal Regulatory Commission offer some pricing flexibility, although the Commission intentionally refused to reset prices to sustainable levels and thus has not provided the Postal Service with the flexibility to ensure financial viability.

The Postal Service is also required to make far larger payments to fund our participation in the federal pension, healthcare, and workers’ compensation systems than other comparable private or public entities.

The Impact
- As of the end of fiscal year 2020, the Postal Service’s liabilities exceeded assets by $80.7 billion.
- As of the end of fiscal year 2020, off-balance-sheet retirement liabilities exceeded assets by $135.2 billion.
- The net loss from fiscal year 2020 was $9.2 billion.
- Since the PAEA’s passage, the Postal Service has lost $70 billion.
- By fiscal year 2022, the Postal Service will have a negative cash balance.
- Based on the continuation of the status quo, the Postal Service is projected to have a net loss of $160 billion over the next 10 years.

The Postal Service takes its universal service mission seriously and strives to keep communities connected and deliver a sense of normalcy, even during local, regional, or national disruptions to service. The organization’s growing difficulties in providing universal postal service in a financially self-sustaining manner will require Congressional action, together with management and regulatory action.

$0.55 Cost of a First-Class Mail Stamp.

Everyone living in the United States and its territories has access to postal products and services and pays the same for a First-Class Mail postage stamp regardless of their location.

$2.14 Billion paid in salaries and benefits

Every two weeks to 644,000 postal employees across the United States.