

The USPS: A \$9.5 Billion Deficit in 2024

Introduction

You may have seen the recent news that the United States Postal Service (USPS) had a deficit of \$9.5 billion during its recently completed 2024 fiscal year. This is after Postmaster General Louis DeJoy suggested four years ago that his “Delivering for America” plan had a chance of getting the USPS to a breakeven point by now. As it turns out, though, this is not all DeJoy’s fault. In a very true sense, the USPS has its hands tied. The United States government does not see the postal service as a “service” provided to taxpayers—it wants the USPS to be self-funding, but in several important legislative ways, the government has made it very difficult for the USPS to break even.

Good News and Bad News

The good news from the latest USPS fiscal announcement was that the USPS increased its operating revenues by \$1.4 billion, largely due to gains in package shipping. Even so, it still experienced a \$9.5 billion net loss in its 2024 fiscal year. Of this \$9.5 billion, the USPS considers only \$1.8 billion of that deficit to be under its control. According to USPS management, the remaining \$7.7 billion is “uncontrollable.” In other words, these losses are dependent on factors that are outside of USPS management's control. These losses are attributed to the amortization of unfunded retiree pension liabilities and non-cash workers' compensation adjustments. These are losses that, according to the USPS, can only be improved by legislative action.

Controlling the Uncontrollable

At the public meeting about its 2024 fiscal results, outgoing Chairman of the Postal Service Board of Governors Roman Martinez IV made the following points about uncontrollable costs:

“Simply put, the key premise of the [Delivering for America] plan is that the Postal Service cannot achieve its dual mandate mission with its historical business model and operating structure. To achieve its mission, the Postal Service needs to grow its package business to generate sufficient cash flow to cover operating costs, capital investments (both new and deferred), and other obligations. To meet that objective and to improve service overall, the Postal Service must restructure its nationwide network into a cost-effective, integrated mail and package logistics system and do so while handling almost 400 million pieces of mail and packages every day.”

He continued, “...the plan also includes needed reforms that are outside of the Postal Service’s control. Any analysis of its financial results needs to be realistic about the things that the Postal Service can mostly control and those it cannot control.”

Martinez went on to say that over 80% of the USPS’s accounting losses in 2024 were the result of non-controllable factors. These include:

- **Civil Service Retirement System obligations:** Martinez said that these need to be reformed because they were created using a flawed methodology that works directly against USPS profitability.
- **Investment limitations:** By law, the USPS’s retirement assets can only be invested in treasury debt. Martinez would love to see this changed by legislative action. He cited a recent Inspector General report estimating that if the funds had been invested in a traditional portfolio, the USPS would have a huge surplus instead of a deficit.

- **Workers' compensation:** Martinez stressed that the USPS should be able to manage its workers' compensation program like private sector companies do. He says that the inability to manage this program has led to a \$16 billion liability on the USPS's books. Legislative action could reform this.
- **Pricing constraints:** Martinez notes that the USPS is hamstrung by pricing rules, workshare rules, and price caps that should be eliminated.
- **Financial flexibility:** Martinez says that legislative action is necessary to give the USPS the flexibility it needs to give it access to capital or credit markets. The debt limit for the USPS was set by law to \$15 billion in 1991 and has not been adjusted for inflation since.

The Bottom Line

In March 2021, the USPS came up with its ten-year "Delivering for America" plan. Now that we are almost four years in, the USPS has released "Delivering for America 2.0 – Fulfilling the Promise," which "revisits and reexamines our original 10-year transformation and modernization plan." Those wishing to review this progress update and the evolution of the USPS's major strategies can find it on the USPS's website at <https://about.usps.com/what/strategic-plans/delivering-for-america/assets/dfa-2-0-fulfilling-the-promise-2024.pdf>.

It's clear that a large portion of the USPS's fiscal woes could be improved through legislative action. How likely is that to happen? The Postal Service Reform Act of 2022 certainly helped, but there is not a lot of hope for additional legislative change in the immediate future. We'll have to wait and see how this plays out in the next Trump administration. DeJoy was a 2020 Trump administration appointee and his position seems secure, so the fiscal future of the USPS will depend largely on the success of the latest update to his "Delivering for America" plan.

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