# Postal Service will run out of cash by 2024 without congressional reform



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The House Oversight and Reform Committee will try — again — this year to advance bipartisan reform for the U.S. Postal Service in 2019.

Why?

Because it has to, or else the Postal Service will run out of cash by 2024, Postmaster General Megan Brennan told Congress Tuesday.

“Absent legislation and regulatory reform, in all probability, we’ll be out of cash in 2024,” she told the House Oversight and Reform Committee at a hearing on the USPS’ financial status. “That will threaten our ability to meet our obligation to the American public and to our business partners.”

The U.S. Postal Service has been careening toward financial ruin for the past several years.

The Postal Service has suffered $69 billion in net losses over the last decade. Total mail volume has dropped 31 percent and first class mail has fallen 41 percent since 2007.

Unlike nearly every other government agency, USPS is required to pre-fund health benefits for postal retirees. This mandate accounts for 80 percent of those losses, Brennan said. The Postal Service has defaulted on $48 billion in these mandatory payments since 2012 to conserve cash.

If USPS made all of these legally mandated payments in 2019, it will be out of cash in 2020, Brennan said.

In fiscal 2018, the USPS had about $200 million of cash on hand for about two months on any given day. Ideally, Brennan said her agency should have $20 billion in cash on hand for about 100 days.

Nearly everyone on the House Oversight Committee agreed the Postal Service’s financial situation has become untenable. The committee has tried for years to advance comprehensive postal reform. It unanimously passed a postal bill back in 2017, but the legislation never made it to the House floor for a vote.

“It is our responsibility to move further than we did in the past,” Rep. Elijah Cummings, the committee’s chairman. “We now have a whole new Congress. We now have members who are new to this committee and new to this issue. I hope today’s hearing will be an opportunity for all of our members, new and old, to get an overview of the challenges faced by our Postal Service and to get an update on its current financial condition and to hear about the many different proposals that have been made for reform.”

A variety of stakeholders have weighed in over the years with these proposals. The President’s Postal Reform Task Force late last year [recommended](https://federalnewsnetwork.com/workforce/2018/12/postal-task-force-seeks-to-remove-usps-compensation-from-collective-bargaining/) a series of changes to the USPS, including its handling of collective bargaining rights for postal unions.

The Office of Management and Budget in its government reorganization plan recommended [privatization](https://federalnewsnetwork.com/management/2018/06/trump-administration-seeks-to-restructure-then-privatize-postal-service/).

“The crisis here is much more dire, I think, than a lot of people are recognizing. Those health care costs keep accruing every year. First-class mail volume keeps plunging,” Chris Edwards, director of tax policy for the Cato Institute, said. “We should let USPS defend itself, and the way to do that is to privatize them, open them up, give them a pricing flexibility and let them diversify them into other businesses.”

## USPS finalizing financial stability business plan

Brennan said she is working with the Postal Board of Governors to write a business plan that would restore financial stability to the USPS over the next 10 years. The goal, she said, is to find both cost-saving and revenue-producing methods to address a $125 billion funding shortfall, which the agency will experience over the next decade.

But for Rep. Mark Meadows (R-N.C.), who said he has met with USPS more times over the course of his congressional career than any other agency, the Postal Service should be moving with much more urgency on a financial stability plan.

“How long are we going to have to wait for a plan to come from the board, Ms. Brennan? We’ve been dealing with this; it’s been in crisis mode for two or three years,” Meadows said. “When are we going to have a plan?”

Meadows and Brennan sparred over the timing and communication of this plan several times during Tuesday’s hearing.

“Yes, and if this committee had acted and if we able to pass reform we’d be in a much better position today,” Brennan said.

The plan itself is being finalized, and Brennan said she would deliver the plan to the committee within the next 45 days or so.

Still, Brennan insisted Congress could get started on its own by developing legislative proposals to implement key changes that many stakeholders have agreed on.

Postal unions and others, for example, have said Congress should eliminate the mandate for USPS to pre-fund retirees’ health benefits. This mandate started back in 2006 and has been a challenge for the Postal Service since.

“This committee can act now on the core provisions that have been communicated, that have gained broad support among key stakeholders and that will go a long way in putting us on firmer financial footing and giving us some runway to try to build consensus for a plan that will address broader structural issues,” Brennan said.

“We are not going to do a part-time bailout,” Meadows said. “I think the Chairman would agree with me here, we want a plan so you’re not back here in two years asking for more money.”

Cummings said Brennan and the Postal Service would discuss the plan at a public hearing sometime in early July.

Though the USPS business plan isn’t finished, Brennan did preview some of the options that the board is considering. Reducing USPS mail delivery from six to five days with seven-day package delivery, is a possibility.

It’s an option, Brennan said, after Meadows reminded her Congress had once considered a similar proposal that never went far.

“Quit wasting our time, Ms. Brennan,” he said. “We have very little time to get this done. You’re saying you’re going to deliver packages seven days a week and deliver mail five days a week. I do not understand that.”

Many members on the committee understood Meadows’ frustration over the need for urgency.

“This is a slow-motion trainwreck that keeps getting worse while Congress looks on. The situation is untenable under current law, and congressional action is required to stop the bleeding and prevent a catastrophic financial reckoning,” Rep. Jim Jordan (R-Ohio), the committee’s ranking member, said. “Reforms have been right in front of us for a decade, but we’ve lacked the courage to act.”

The new members of Congress that Cummings said he hoped would get involved in the committee’s work on postal reform also weighed in.

“[USPS needs] a plan, but we need a plan,” Rep. Alexandria Ocasio-Cortez (D-N.Y.) said, referring to the committee. “Congress needs a plan.”

But for now, a specific plan for postal reform still seems elusive.

“The thing that really concerns me is we were so much there. We had a solution. It was a solution that I felt pretty good about. Mr. Meadows felt pretty good about it,” Cummings said of the committee’s 2017 bill. “How we’re going to be able to get back to that level of comfort … I don’t know how we’re going to do that, but we’re going to try.”

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