

October 20, 2011

The Honorable Thomas R. Carper
Chairman
Subcommittee on Federal Financial Management, Government
Information, Federal Services, and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate

Subject: *Potential Financial Effect on the U.S. Postal Service of Increased Voting by Mail*

Dear Mr. Chairman:

The United States Postal Service (USPS) is in a serious financial crisis and has not generated sufficient revenue to cover its expenses and financial obligations as mail volume continues to decline. You requested that we examine how much additional revenue could result from the increased use of voting by mail—that is, more registered voters receiving and casting ballots through the mail. Currently, all states use voting by mail to some degree, most commonly in the form of absentee ballots mailed to registered voters who cannot, or choose not to, vote in person on Election Day.¹ However, Oregon and Washington now administer elections solely through mail voting. According to a 2009 U.S. Election Assistance Commission (EAC) study, about 23.7 million ballots, or 17.7 percent of all votes, were cast by mail in the 2008 presidential election.²

This report documents information on the revenue potential of increased use of voting by mail that we presented to your office on August 17, 2011. This information is based on our estimate of the effect increased voting by mail could have on USPS's volume and revenue, details of which are described below; our review and analysis of reports on the trends in voting by mail, states' and localities' experiences with mail voting, and attitudes and voting patterns of registered voters; and meetings

¹Absentee voting is broadly defined as casting a ballot in advance of an election, usually by mail. All states and the District of Columbia have provisions allowing voters to cast their ballot before Election Day by voting absentee, although they vary in terms of who may vote absentee, whether the voter needs an excuse, and the time frames for applying and submitting absentee ballots. For further discussion of election administration, see GAO, *Elections: The Nation's Evolving Election System as Reflected in the November 2004 General Election*, [GAO-06-450](#) (Washington, D.C.: June 6, 2006).

²U.S. Election Assistance Commission, *The 2008 Election Administration and Voting Survey: A Summary of Key Findings* (Washington, D.C.: November 2009). The Help America Vote Act of 2002 established the EAC as an independent, bipartisan commission charged with developing guidance to meet the act's requirements, adopting voluntary voting system guidelines, and serving as a national clearinghouse of information on election administration, among other things. 42 U.S.C. §§ 15321 *et seq.*

with USPS, EAC, the National Association of Election Officials, the National Association of Secretaries of State, and state and local election officials regarding costs and other issues related to voting by mail. We conducted this performance audit from July 2011 through October 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, we found that voting by mail has limited potential for providing USPS with additional revenues substantial enough to affect its deteriorating financial condition because of the small potential increase in volume relative to total mail volume, the low profit margins on election mail, and the lack of strong nationwide support for voting by mail.

We found the potential for additional revenues was limited, in part, because the volume of election mail would be relatively low even if mail voting were implemented nationwide in presidential elections. To gauge the potential impact of increased voting by mail under one possible scenario, we estimated the election mail volume that could have resulted if the 2008 presidential election had been conducted solely by mail. Our estimate assumed 190 million outgoing ballots—one for each registered voter in 2008—and 134 million returned, completed ballots—the number of voters who actually cast ballots in the 2008 election—resulting in 324 million pieces of mail, or about two-tenths of 1 percent of USPS's total fiscal year 2009 mail volume of 177 billion pieces.³ Given that mail volume has declined an average of nearly 14 billion pieces a year since fiscal year 2008, the additional election mail would be unlikely to alter the current trend of declining mail volume, particularly when taking into account that presidential elections occur every 4 years.⁴

We estimate that not only would this amount of election mail have minimal impact on mail volume but, more importantly, it would not significantly increase USPS's revenues. Election ballots sent to voters typically are mailed using either Nonprofit Standard Mail or First Class Mail rates, depending on a number of factors, including the information contained in the ballot, whether the ballots are presorted, and how local postal officials interpret the mail classification standards.⁵ Voters must generally use First Class postage to return completed ballots. To account for the use

³The actual incremental increase in mail volume would be lower from this overall increase since a substantial number of ballots are already mailed to voters and returned through the mail.

⁴Additional opportunities for an increase in election mail volume, which we did not assess as part of our analysis, include presidential primaries, congressional primaries, and midterm elections; other state and local elections; and nonballot election mailings such as instruction materials or sample ballots. We chose a presidential election as the focus of our analysis because it is national in scope, has relatively high voter turnout, and would thus likely demonstrate the maximum revenue potential of voting by mail from a single election.

⁵The National Voter Registration Act of 1993 allowed election mail to be sent using reduced Nonprofit Standard Mail rates, but did not exempt such mail from having to meet Nonprofit Standard Mail rate presorting, quantity, and other requirements. See, 39 U.S.C. §3629. Some USPS officials have interpreted the act to allow all election materials to qualify for Nonprofit Standard rates and subsequently allow their local election jurisdiction to use the reduced rate, while other postal officials have required local areas to use First Class rates for sending out election materials.

of the two different rates for outgoing ballots, we estimated revenue using both. According to our estimates, an all-mail 2008 presidential election could have generated revenue ranging from \$224 million using Nonprofit Standard Mail rates to \$415 million using First Class Mail rates, representing less than 1 percent of USPS's total fiscal year 2009 revenue of \$68.1 billion.⁶

Although we were able to estimate potential revenue had the 2008 presidential election been conducted solely by mail, we were unable to assess the extent to which this additional source of volume and revenue would have mitigated USPS's financial loss in 2009. Election mail is currently processed using a variety of mail classes, and USPS does not separately account for costs attributable to election mail as it does for individual classes of mail, such as First Class or Standard Mail. However, USPS officials told us that they make little, if any, profit on election mail, depending on factors such as whether it is sent First Class—one of the most profitable classes of mail for USPS—or Nonprofit Standard. The class of mail that includes the Nonprofit Standard rate is, on average, unprofitable, with the revenue that USPS receives for this class covering only 82 percent of the cost USPS incurs delivering it.

USPS officials stated that the Postal Service views the processing and delivery of election-related materials more as a required public service than a revenue opportunity. USPS plans to submit a proposal to the Postal Regulatory Commission by the end of 2011 to create an Election Class Mail rate, which would offer a flat rate for mail up to 3.3 ounces per piece and the features of First Class Mail, including forwarding and return service, but at a lower price than First Class Mail. USPS officials have not yet made public the price of postage for Election Class Mail but have stated that it would be less than current First Class rates and more than Nonprofit Standard Mail rates. USPS officials said that they calculated the new rate based on the amount of revenue they would need to cover their costs for delivering and processing this mail at First Class service standards. Officials added, however, that although the rate would be designed to just cover costs, the actual amount of profit or loss will not be known until USPS implements the rate, and that several factors could affect profitability, including the following:

- *Actual costs of processing and delivering election mail.* Even though the rate would be designed to enable USPS to break even on election mail, the cost of providing First Class service may be more than the revenue generated from the reduced new Election Class Mail rate in any given election year due to variables such as ballot weight. First Class rates are more expensive since USPS provides additional services such as mail forwarding and return of

⁶We made our calculations assuming 190 million ballots were sent to voters and 134 million were returned by voters. If registered voter turnout had been 100 percent during an all-mail 2008 presidential election, the additional election mail revenue would have ranged between \$299 million and \$490 million, still less than 1 percent of total fiscal year 2009 revenue. We assumed a weight of 4 ounces for ballots sent to and returned by voters. Revenue projections would be lower if we had assumed a lighter ballot weight. Additionally, voters in areas that conduct elections solely by mail usually have the option of placing their completed ballot in designated drop boxes instead of returning them through the mail. A Washington State election official informed us that 12 percent to 18 percent of voters in King County—the state's largest election jurisdiction representing 30 percent of the state's vote—typically submit their ballots in a drop box rather than through the mail.

undeliverable mail. If the new rate is too low, it may not generate enough revenue to cover the costs associated with such services.

- *Amount of postage voters put on completed ballots.* USPS officials have stated that voters—who are generally responsible for providing postage on completed ballots—sometimes apply no or insufficient postage to ballots and that election jurisdictions sometimes refuse to reimburse USPS for the costs of delivering these ballots. Nevertheless, USPS has a policy to deliver voter-cast election mail even if it lacks proper postage. Therefore, another factor that could affect the profit or loss of a new Election Class Mail rate might be the extent to which ballots are returned with inadequate postage and how this issue was factored into the development of the new postal rate.

Finally, the willingness of the public and election officials to increase the use of voting by mail appears questionable, further reducing the potential to deliver profits for USPS. A 2010 national survey conducted jointly by the California Institute of Technology and the Massachusetts Institute of Technology found that all-mail elections are supported by an estimated 14.7 percent of the population—less support than for every other election reform presented in the survey, including making Election Day a holiday and voting over the Internet.⁷ EAC and representatives of state and local election jurisdictions we spoke with echoed this lack of support. EAC officials said that voters in some regions of the country would be particularly reluctant to adopt voting by mail because voting is seen as a community event. The Executive Director of the National Association of Election Officials agreed that there is little national interest in voting by mail, citing concerns such as voter fraud and security. In addition, voting by mail could be more expensive than a traditional election; election officials from Nevada’s Clark County informed us that they estimated that the cost of conducting an all-mail special congressional election would be \$75,000, while a traditional 1-day election would cost only \$33,000.⁸ Finally, EAC and local election officials told us that USPS’s proposal to reduce delivery frequency from 6 to 5 days a week could affect states’ and localities’ willingness to conduct elections by mail due to concerns about timely ballot delivery.

We provided a draft of this report to USPS and EAC for comment. USPS provided written comments, which are reproduced in enclosure I. USPS agreed with our finding that voting by mail has limited revenue potential and stated that it considers Election Mail a required public service rather than a large revenue opportunity. USPS noted that it will continue to work with election officials to develop creative solutions to enhance the service offering for election mail. EAC had no comments.

We are sending copies of this report to the appropriate congressional committees, the Postmaster General, the Executive Director of EAC, and other interested parties.

⁷R. Michael Alvarez, Thad E. Hall, Ines Levin, and Charles Stewart III, *Voter Opinions about Election Reform: Do They Support Making Voting More Convenient?* (July 14, 2010). Along with the reforms already mentioned, respondents in the survey were asked whether they supported or opposed the following election reforms: automatically registering all citizens over 18 to vote; allowing people to register on Election Day at the polls; requiring all people to show government-issued photo identification when they vote; and moving Election Day to a weekend. The order of the reform questions rotated across respondents.

⁸Clark County is Nevada’s most populous county and home to Las Vegas.

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or stjamesl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

Additionally, Heather Halliwell, Assistant Director; Samer Abbas; Katie Hamer; Amy Rosewarne; and Mindi Weisenbloom made key contributions to this report.

Sincerely yours,

A handwritten signature in black ink that reads "Lorelei St. James". The signature is written in a cursive, flowing style.

Lorelei St. James
Director, Physical Infrastructure Issues

Enclosure

Enclosure I: Comments from the United States Postal Service

GARY C REBLIN
VICE PRESIDENT, DOMESTIC PRODUCTS



October 7, 2011

Ms. Lorelei St. James
Director, Physical Infrastructure Issues
United States Government Accountability Office
Washington, DC 20548-0001

Dear Ms. St. James:

This letter is in response to the draft report titled 'Potential Financial Effect on the U.S. Postal Service of Increased Voting By Mail'.

As indicated in your draft report, the Postal Service agrees that the revenue potential of increased use of voting by mail has limited potential for providing the USPS with additional revenues substantial enough to affect its current financial condition. The increased Vote by Mail volume would be minor relative to total mail volume. The Postal Service considers Election Mail a required public service rather than a large revenue opportunity.

In regards to increased use of Vote by Mail, the Postal Service has been working closely with state and local election officials and will continue to promote and support their use of Vote by Mail. There is nothing more basic to our national democracy than a citizen's right to vote; and the Postal Service' role in today's voting process is fundamental. Through the U.S. mail system, voters both domestic and abroad, gain access to the full range of election-related communication including polling place notifications; election notices; voter registration materials; and perhaps most importantly – mail-in ballots.

The Postal Service is proud to be part of the democratic process and will continue to work with election officials to develop creative solutions to enhance the service offering for election mail.

If you need further assistance, or any further information, please contact Steve Monteith at 202-268-6983 or via email at steven.w.monteith@usps.gov.

Sincerely,

A handwritten signature in cursive script that reads "G. C. Reblin".

Gary Reblin

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