



**STATEMENT OF**

**POSTMASTER GENERAL AND CHIEF EXECUTIVE OFFICER**

**David P. Steiner**

**before the**

**Senate Committee on Homeland Security and Governmental Affairs**

**“Reforming the U.S. Postal Service’s Broken Business Model”**

**United States Senate**

**June 24, 2026**

Good morning, Chairman Paul, Ranking Member Peters, and Members of the Committee. Thank you for calling this hearing to discuss the future of the United States Postal Service, a venerable institution that predates the nation itself and has helped drive the growth and development of America for more than 250 years.

We are here today to discuss the fundamental challenges that prevent the Postal Service from achieving long-term financial sustainability. These issues require a focused, frank, and honest discussion. I am pleased to have that discussion with you as representatives of the American public—the more than 350 million customers who rely on the Postal Service every day.

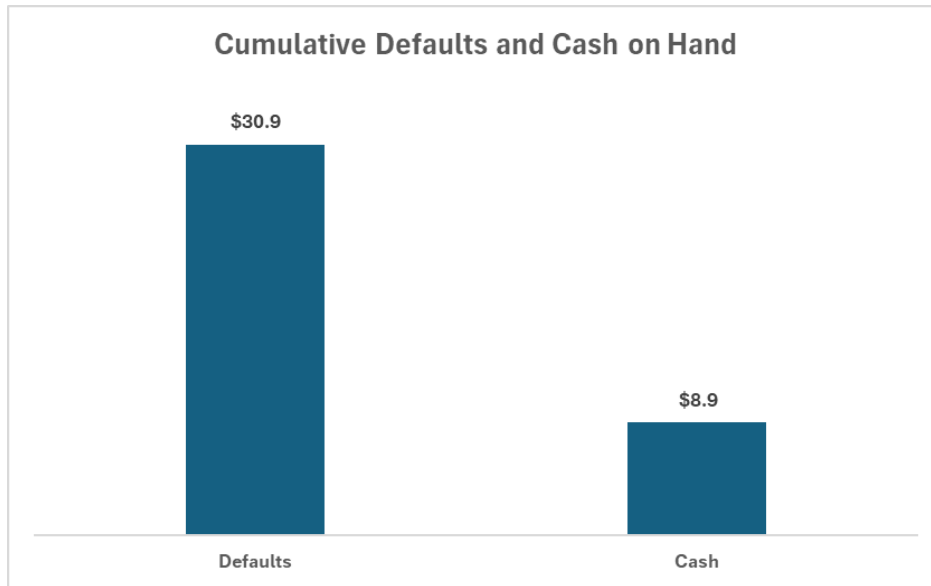
The problem is simple. The Postal Service has a broken business model and action is needed by Congress to fix it. Every lever that is available to private-sector enterprises, or even other government agencies, is unavailable to the Postal Service.

### **The Time Is Now to Fix the Business Model**

Most importantly, I want to emphasize that contrary to recent uninformed commentary, and testimony from the Postal Regulatory Commission (PRC), our financial situation remains precarious. Yes, short-term deferring of employer contributions to retirement payments, and freeing up the use of restricted cash, has extended our cash liquidity projections. However, those actions do not make the Postal Service financially healthy or sustainable. The bottom line is that we are out of cash. We are borrowing from our employees' retirement funds to continue operations. I am not comfortable with that, our employees are not comfortable with that, and those of you in Congress should also not be comfortable with that.

Deferred obligations do not disappear – they must still be paid. As Figure 1 illustrates, relying on payment deferrals only increases the financial burden over time. The Postal Service has amassed nearly \$31 billion in cumulative defaults through the end of fiscal year (FY) 2025 — an amount that greatly exceeds our unrestricted cash on hand of \$8.9 billion as of May 31, 2026. In other words, the obligations we have postponed already far exceed the resources currently available to satisfy them. Every deferred payment becomes a future liability that must be satisfied with our own resources while the Postal Service continues to contend with declining mail volumes, rising costs, and significant capital investment needs.

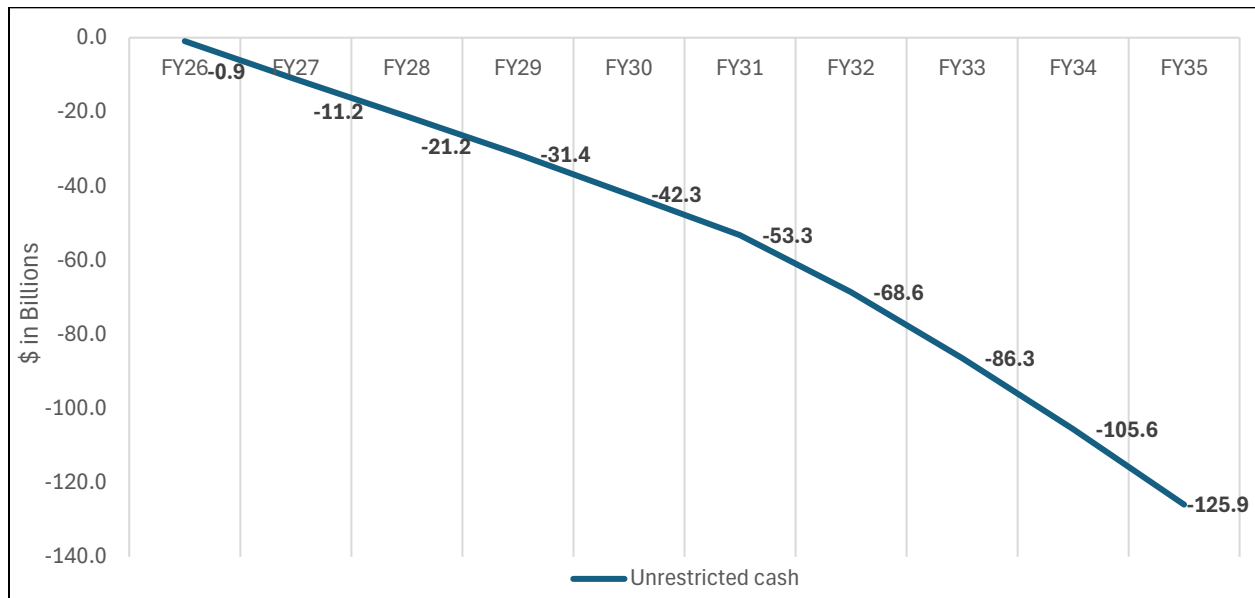
**Figure 1: Cumulative Defaults Compared to Unrestricted Cash on Hand**



Deferrals may provide temporary liquidity breathing room, but they do not address the underlying mismatch between our statutory obligations, our revenues, and our expenses. Instead, they shift today's obligations into the future, creating larger payment requirements and reducing financial flexibility when those obligations come due.

Figure 2 shows what happens if we stop deferring and meet our full statutory obligations: we project running out of cash by the end of this fiscal year, with our unrestricted cash position deteriorating to a negative \$125.9 billion by FY 2035 absent structural change.

**Figure 2: Projected Cash Impact of Meeting Statutory Obligations**



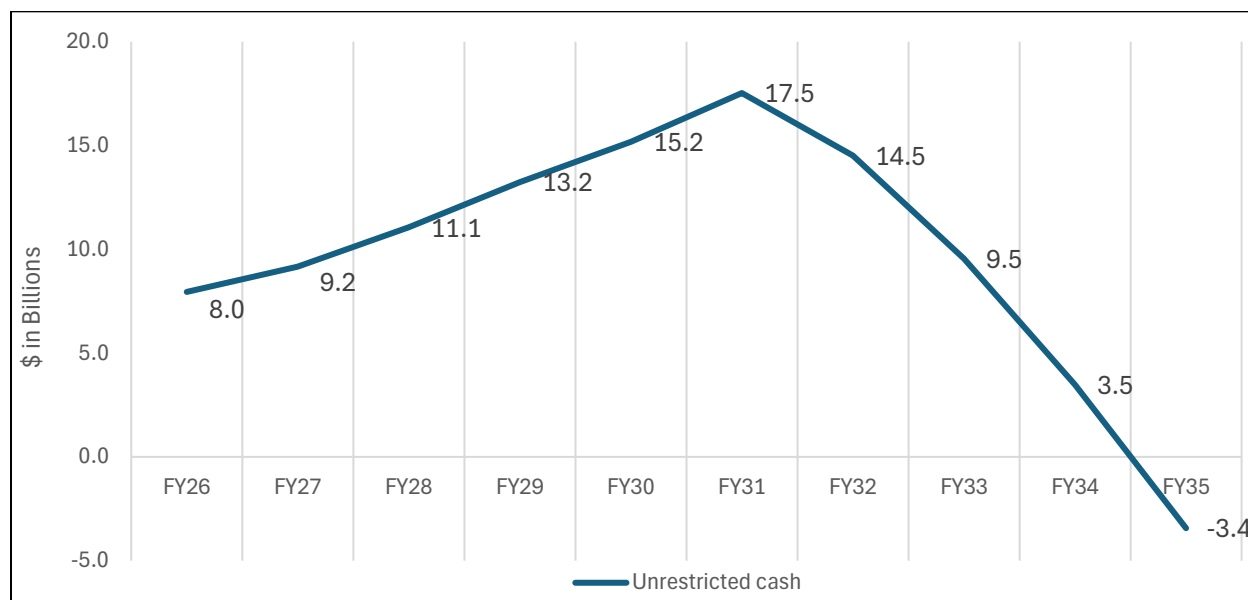
**Note: Cash runs out with year-end payments in September FY 2026**

**\$1.2B of FERS NC already deferred through June 2026 assumed paid at end of FY 2026**

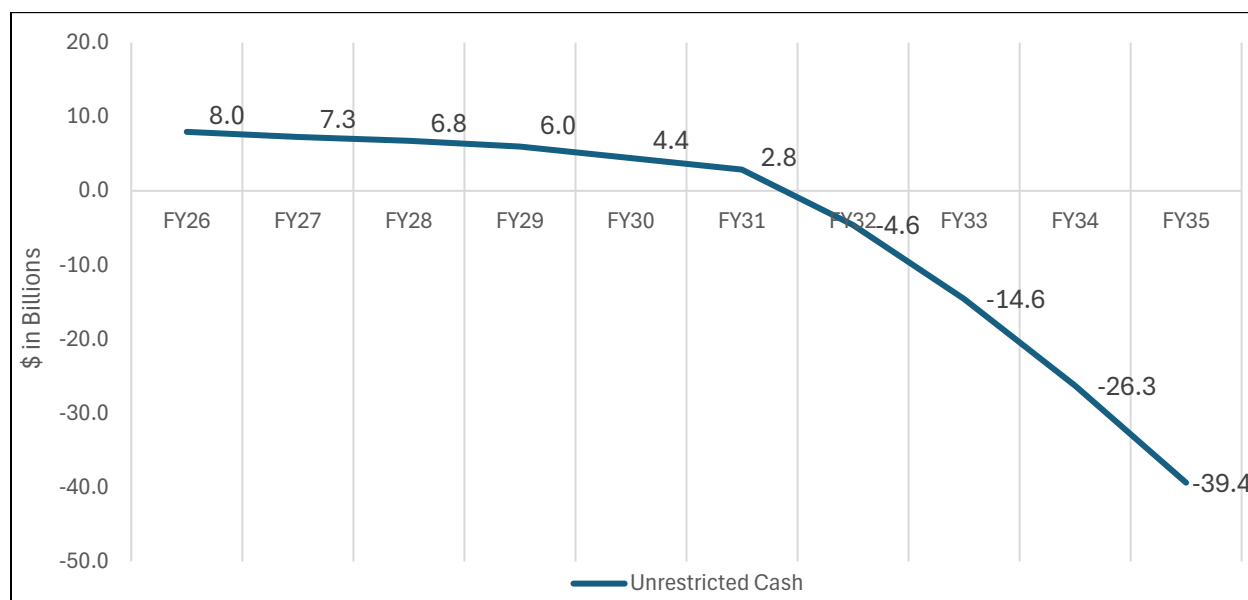
**Reduced Retirement Annuity not included, since CSRS/FERS payments are made.**

Continuing to default is not an alternative path that avoids this outcome, it only delays and ultimately worsens the outcome. As Figure 3 shows, in our base case scenario, even if we continue to default, we will eventually run out of cash once Retiree Health Benefits (RHB) premium payments come due and the RHB fund is depleted. This is because our unrestricted cash position peaks at \$17.5 billion in FY 2031 before falling to negative \$3.4 billion by FY 2035. Figure 4 shows our pessimistic scenario, in which that same dynamic plays out faster and more severely, with cash turning negative as early as FY 2032 and falling to negative \$39.4 billion by FY 2035.

**Figure 3: Base Case Scenario**



**Figure 4: Pessimistic Scenario**

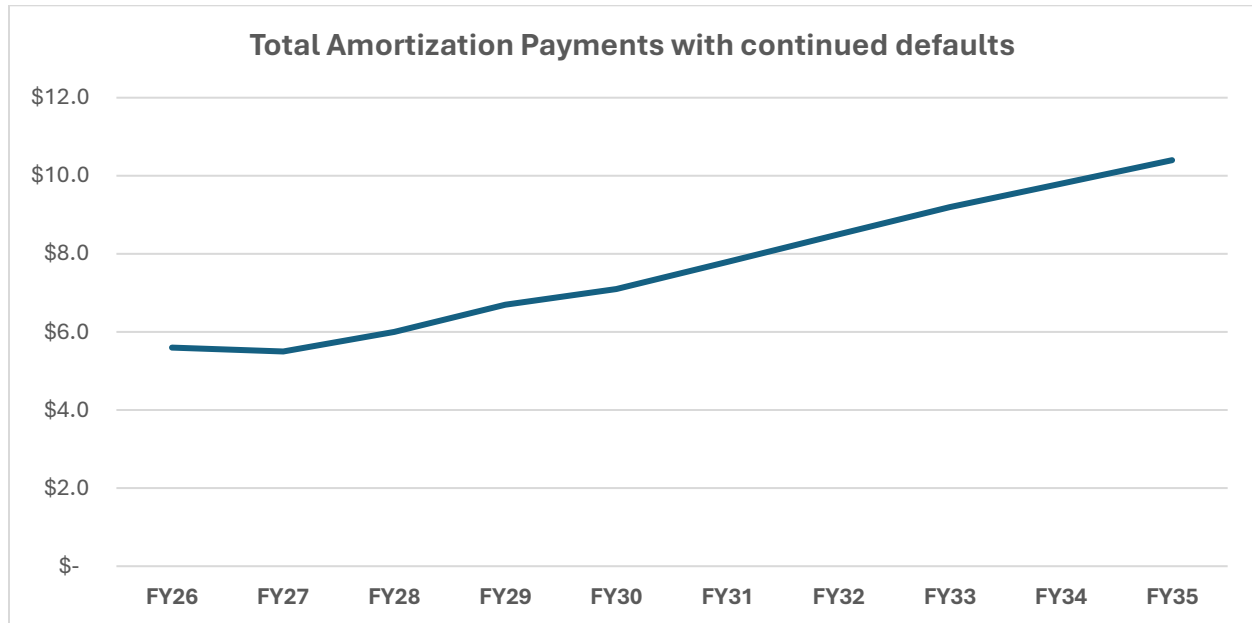


In other words, there is no version of staying the course that avoids this outcome. Whether we defer or stop deferring, the Postal Service is on a path to running out of cash absent structural reform. The only variables are how soon and how severely it happens.

The longer that structural challenges remain unaddressed, the more expensive and difficult the eventual solution becomes. As shown in Figure 5, continued defaults will cause the amortization payment

requirements on our pension funds to rise significantly, growing from roughly \$5.7 billion in FY 2026 to nearly \$10 billion by FY 2035.

**Figure 5: Rising Pension Amortization Payments**



More troubling still, continued defaults will erode the assets of our pension funds themselves. As Figure 6 illustrates, we project that the Civil Service Retirement System (CSRS) fund will be depleted by 2034. If the Federal Employees Retirement System's (FERS) assets are then called on to fund both FERS and CSRS annuitants, the FERS fund will in turn be depleted by 2041.

**Figure 6: CSRS/FERS Fund Depletion**

These cash preservation measures should therefore be viewed for what they are. They are necessary and vital tools to preserve short-term liquidity to ensure continuation of our universal service mission while we find more lasting policy solutions, but they are not long-term solutions themselves. Without structural reforms that address the Postal Service's persistent financial challenges, postponing payments simply compounds the problem and increases the cost of restoring the organization to long-term financial sustainability. Borrowing from the future to pay today's bills is not a viable business model.

### **Elements of the Broken Business Model**

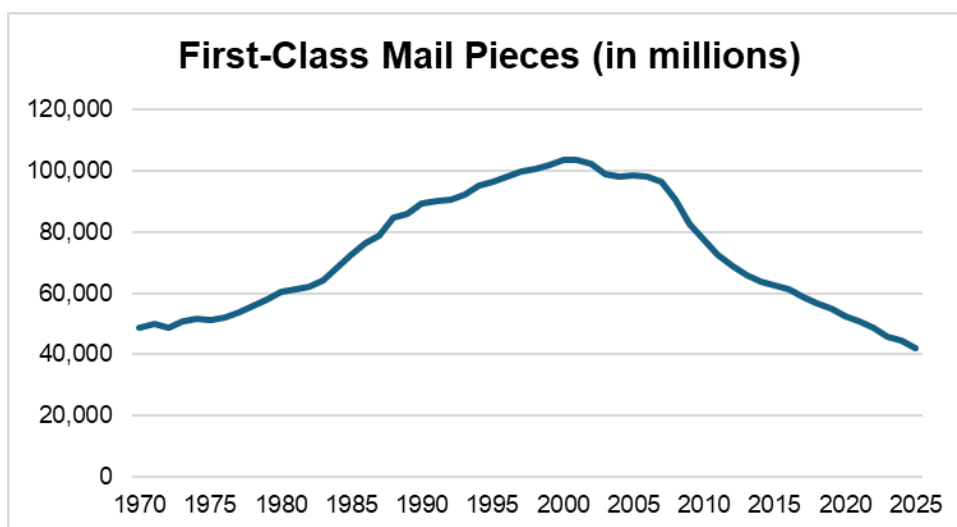
And that brings us to the central issue before this Committee. The Postal Service has a broken business model.

We are expected to operate as a self-financing enterprise while carrying statutory obligations and restrictions that would be unacceptable for virtually any private-sector company and uncommon even among government entities. Every lever available to a normal organization to address financial challenges (adjusting service levels, closing unprofitable facilities, investing retirement assets for long-term growth, managing compensation costs, or accessing adequate capital) is either restricted or unavailable to the Postal Service.

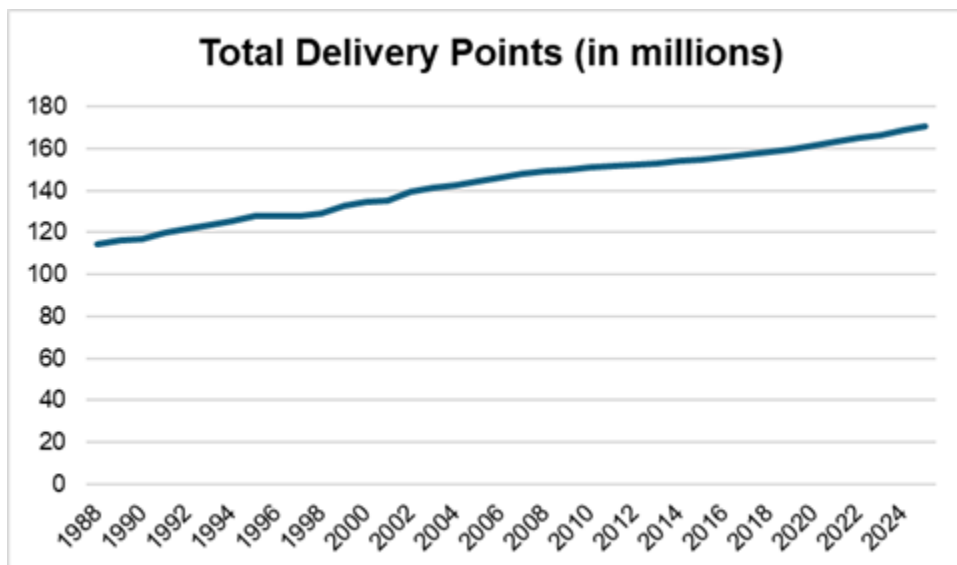
The result is a growing mismatch between the services we are required to provide and the revenues available to support them.

As the following charts demonstrate, we are delivering significantly less mail than we did two decades ago, yet we continue to serve more delivery points every year. Mail volume has declined by more than half since its peak, while the number of addresses we serve continues to grow by more than one million annually. We are delivering less mail to more places. Moreover, our career complement is now roughly equal to what it was 1970s, with mail volume also tracking with volume from that period.

**Figure 7: Delivering Less Mail...**



**Figure 8: ...To More Places...**



**Figure 9: ...With Fewer Employees**



This mismatch between our universal service mission, volume trends, and revenue limitations is why the business model and liquidity crisis facing the Postal Service requires prompt action from public policy makers to ensure the survival of a key part of our nation's critical infrastructure.

This is the crux of the dilemma and thankfully the focus of this hearing. We have many statutory and costly mandates uncontrollable by us, that were created by Congress and only grow over time. Congress has also recently expressed frustration with the speed and scope of our cost cutting, while resisting it in every form (transportation and mail collection adjustments, service standard adjustments, mail processing efficiencies and equipment alignment, pricing adjustments, and more). Congress has also in part resisted our network modernizations to a hub-and-spoke model, which enables handling of packages on a system designed for mail.

It is past time to have a public policy reckoning of what is an affordable set of universal service mandates for the Postal Service to either afford on its own, get reimbursed for, or shed.

While the Postal Service Reform Act of 2022 (PSRA) took two meaningful actions to correct non-cash balance sheet obligations uniquely imposed on the Postal Service by the Postal Accountability and Enhancement Act of 2006, it did not address *all* uncontrollable expenses incurred by the Postal Service. The time to correct these growing uncontrollable costs is long overdue.

The Postal Service is doing our part to achieve cost savings, efficiency gains, network improvements, and service reforms, as I will expand on later in my testimony. Admittedly, our self-help actions have taken more time than we hoped to reap the promised benefits, but they are working—despite steep opposition and changing economic conditions. We are achieving meaningful reductions in costs, as well as

improvements in service, as we continue to roll out and refine our network changes, and leverage the opportunities presented by the new network to operate as efficiently as possible. However, these self-help efforts will never meet the optimistic projections that were made over five years ago, and they will not be enough on their own to address our financial condition given our statutory and regulatory constraints. I hope you agree that before the Postal Service considers taking severe actions to curtail service and make drastic cuts to operations, the Postal Service and Congress can and should take a series of steps to preclude those service impacts to the American people.

Moreover, the Postal Service sits at the center of a vast network of businesses that are an essential part of the United States economy. These businesses generate \$2 trillion in sales revenue and employ almost 8 million people. The leaders of the companies in the industry, and the leadership of the Postal Service, strongly believe that an economically stable Postal Service can help grow this industry to create more jobs, more tax revenues, and more economic activity. In other words, our policy recovery is the best thing for not only the Postal Service, but also for the U.S. economy and commercial network as a whole.

I recently outlined to Committee leadership our recommended path toward the long-term sustainability of the Postal Service. If this policy path is unpalatable to the Congress, as I pointed out at the March 17, 2026, House Oversight and Government Reform Subcommittee on Government Operations hearing, we will need to agree on a different operational and service path before the Postal Service runs out of cash and ceases operations. But Congress should understand those paths will directly and significantly impact mail and package service and will be directly felt by Americans. Examples could include reduction in the days of delivery service, moving to close thousands of Post Offices, and substantially increasing the price of a First-Class stamp. Some of these require a change in statute, and some we can undertake ourselves, although all will face serious opposition.

I must stress the urgent need for policy action. Our financial situation is dire and requires prompt consideration of legislation to ensure continuation of operations. The nation depends on the prompt, reliable, and cost-effective delivery of mail and packages through our integrated network. Our employees, who are also your constituents, deserve reassurance that their employer is financially sound.

The most immediate solution to our financial situation is an adjustment to our borrowing authority that is more in keeping with inflation and our revenue, and which will relieve the near-term cash crisis and allow some time for broader consideration of how to address the Postal Service's long-term sustainability. But even that is not a permanent fix. More long-term solutions, like the resumption of the congressionally authorized public service reimbursement and retirement investment diversification, will help secure our financial situation, including allowing us to pay our deferred obligations, and will compensate us for the universal service obligation.

We believe the best path forward is one that preserves universal service, promotes economic growth, and places the Postal Service on a sustainable financial foundation. But regardless of which path Congress chooses, there is one path that is guaranteed to fail—and that is continuing to do nothing.

For more than 250 years, the Postal Service has helped bind the nation together and supported the growth of American commerce, communication, and innovation. We believe this institution—and the economic engine built around it—is worth preserving.

In the testimony that follows, I will further discuss how we arrived at this point, the actions we have taken to improve our performance, and the options available to ensure the Postal Service remains a strong and reliable institution for generations to come.

### **Overboard with an Anchor: Understanding our Financial Crisis and the Options for Recovery**

So, how did we get here, and what can we do to solve the problem?

We are here because of the drastic reduction in the use of mail. From the historic peak volume of 213 billion pieces per year in 2006 to 109 billion pieces today, we have lost over 104 billion pieces per year in our system. For perspective, if all of that lost volume was paid at the current price of a stamp, which is 78 cents, that's about \$81 billion. No company could weather that much revenue loss and continue the status quo. Something would have to change.

So, it's not hard to see how we got here.

#### **Anchor and No Life Jacket**

I like to say that in the time since peak 2006 mail volume, the Postal Service was thrown overboard into rough seas and instead of tossing us a life jacket, we were thrown an anchor.

So, what do the components of that anchor look like, and why is it weighing us down?

First, there is our regulator. We are regulated like a monopoly, though we ceased to be one long ago. There are electronic or private competitor alternatives to every piece of volume in our system. In fact, we are regulated worse than a monopoly, because even a monopoly is allowed to make money. Think about that: our regulator ensures that we won't make money or break even, out of fear of a non-existent mail monopoly. The regulator puts pricing restrictions on us, requires we give "workshare" dollars back to our customers, and places a number of other unreasonable burdens on us that cost us billions of dollars

every year. Moreover, they recently enacted an order that, among other things, limits us to one price increase per year for our mailing services, a change that by their own math could cost us more than \$700 million in lost revenue in a year. The regulator characterized the \$700 million hit to the Postal Service as “small.” Obviously, if they consider \$700 million to be small, they are not prioritizing the financial stability or survival of the Postal Service.

Second, we are required to pay a disproportionately high share of CSRS benefits for employees that worked for both the Post Office Department, which preceded our creation as an independent entity in 1971, and subsequently for the Postal Service. Virtually everyone, from our Office of Inspector General (OIG) to our labor unions, agrees that the allocation is incorrect. Because we are a self-financed independent entity, and postal ratepayers rather than Congress or taxpayers pay the cost of our employee benefits, we are closer to a private company in our employee benefit financial structure than we are to a government agency. No company in the private sector would ignore modern actuarial practices in apportioning the company’s pension obligations, the way the Office of Personnel Management (OPM) has for the Postal Service.

This CSRS pension amortization payment part of the anchor costs us about \$3 billion per year, on top of the other very large retirement payment obligations to which we are uniquely subjected.

Third, and most urgent to our current situation, we cannot borrow more than \$15 billion, and we reached that limit years ago. The \$15 billion limit was established more than three decades ago, when we were half the size—measured by revenue—that we are today. This limit is one reason we were forced to defer capital improvements for many years, leading to a deterioration in our network that we are still trying to recover from. If you applied inflation over 30 years to that borrowing limit, or set it based on our revenue, the limit should be \$30 to \$40 billion. Again, no private company is as limited in its credit access as the Postal Service, and certainly not one with our scope, operational complexity, and importance to the American public.

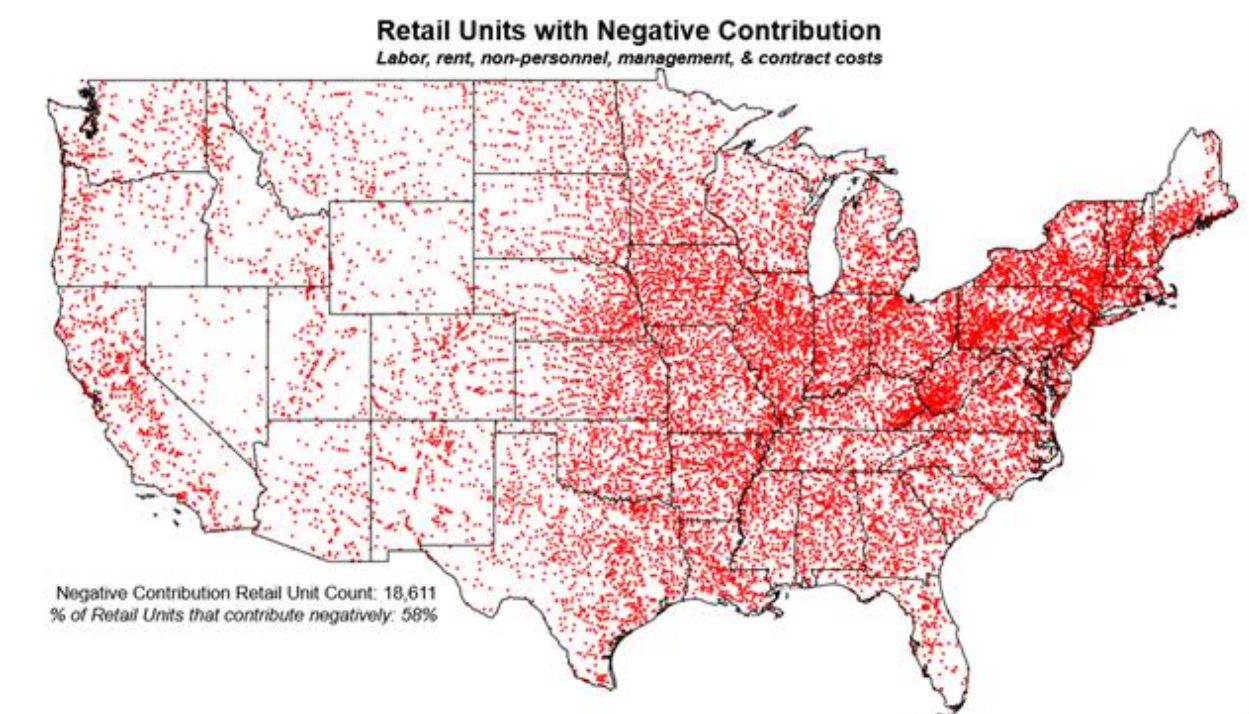
And please keep in mind that the Postal Service (postal ratepayers more specifically) pays the cost of our employee benefits—not Congress and taxpayers as they do for other federal departments and Congress itself. This was the design intended by Congress, and Congress alone can mitigate it now that the financial business model is upside down.

Fourth, we are only allowed to invest our retirement funds in Treasury notes. Obviously, that reduces returns. Neither private companies nor state or local governments limit their investments to Treasury notes. According to estimates by the OIG, if we had been able to use a very conservative 60–40 split of stock indexes and bonds, our retirement plans would be overfunded by \$800 billion rather than

underfunded as they are today. Absent those returns, our pension funding obligations are consistently a draw on our income statement and balance sheet, and we have been forced to at least partially default on our funding payments, which would not have been the case given more reasonable returns.

Fifth, we are mandated by law to deliver to every address—more than 170 million of them—six days a week. While this is our statutory obligation as a public service entity, it is also our financial burden. This leads to 84 percent of city delivery and 52 percent of rural delivery routes being financially underwater. Moreover 58 percent of our Post Offices, or 18,000 of them, are losing money, incurring over \$2.5 billion in operating costs. As shown in Figure 10, retail units operating at a negative contribution are not isolated to a handful of locations. They are distributed across the country and represent a significant share of our retail network. While many of these facilities provide important access to postal services, particularly in rural and underserved communities, the financial reality is that a majority of retail locations do not generate sufficient revenue to cover their operating costs.

**Figure 10: Nationwide Distribution of Retail Units Operating at a Loss**



Each day of delivery costs billions of dollars every year. The simple financial solution would be to cut the number of days of delivery and the number of Post Office locations, which I don't believe is anybody's preference. But if we are expected to deliver six days per week, absent the volume or pricing authority to justify or afford it, some source of funding beyond postal revenue needs to pay for it.

Sixth, we are not allowed to manage our own workers' compensation claims. That costs us anywhere from \$400 million to \$800 million per year because the current federal program fails to reflect private-sector best practices. As an example, we are paying workers compensation benefits to recipients who are over 100 years old because the Federal Employees Compensation Act (FECA), which the Postal Service is subject to, does not contain any provision that limits the amount of time a recipient can receive monthly benefits, nor does it enforce other best practices.

And there are other smaller parts to the anchor. Transporting cargo to the most remote parts of the U.S. costs about \$150 million per year. Not being able to ship alcohol like our competitors costs us hundreds of millions of dollars in missed revenue.

And the list goes on and on.

But you might ask, can't we invest in new equipment and technology to save money? Yes, we can, and we have. But we are at least \$20 billion behind in capital improvements and deferred maintenance, due to the constraints I have mentioned on our ability to raise revenue and borrow money.

So, all those costly inequities amass to an incredibly burdensome anchor that plagues our financial trajectory, and we should have a discussion about all of them. But in the short term, we need to increase our borrowing capacity to mitigate our cash crisis.

Despite all this, we are proud of our universal service mission, and we do everything humanly possible to work through the restrictions and financial handcuffs to deliver the mail and packages that are so depended upon by the American public.

And we are not standing by as we sink under the weight of the anchor; we are taking steps to fight our way back above water. We have pulled many levers within our control to reduce costs, improve performance, and increase revenue. On pricing, we have taken action where appropriate and available. We have achieved meaningful cost reductions across transportation, work hours, and network operations. And we have taken short-term cash-conservation steps, including the temporary suspension of our employer contributions to FERS, because preserving liquidity matters right now.

These have not been easy decisions, nor are they perfect solutions. But they are necessary in a moment that requires us to use every responsible tool we have. And we are not done.

### **Solving our Financial Crisis: Reducing the Weight of the Anchor**

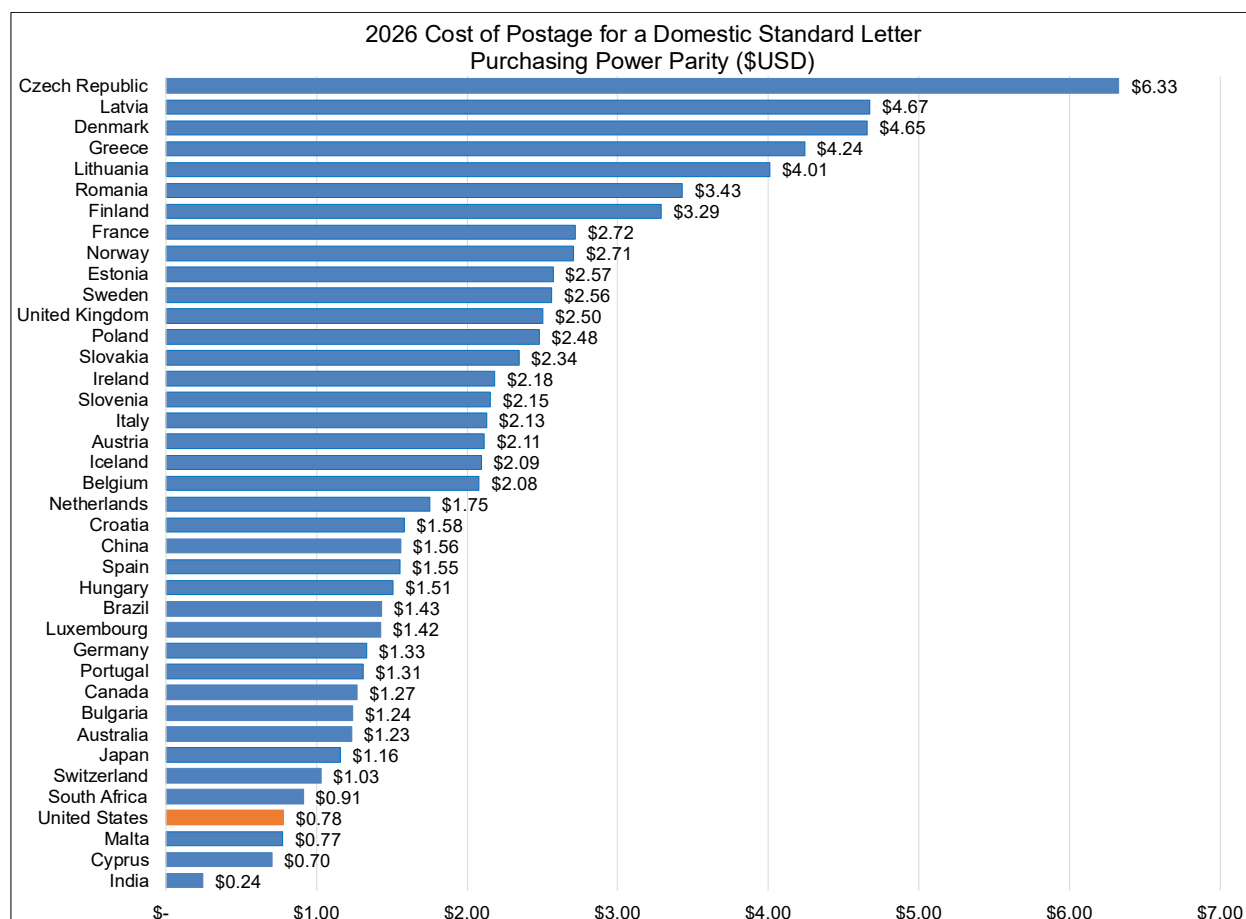
As you all know, there are only three things that any company can do to improve financial performance—sell more products, raise prices, or cut costs. We are looking at all three, because we cannot leave any stone unturned if we want to survive and continue to provide our vital public service.

On selling more, we are hard at work selling new business for our mail and package products, and we recently expanded the portfolio of products by opening up sales of our last-mile delivery product to a broader range of shippers. For example, we expanded our public and private partnerships with companies like DHL by signing a new exclusive multi-year contract at an expected value well over \$10 billion.

On the pricing side, we need to look for higher prices on both our package and mail products. As you can see below, at 78 cents, the U.S. First-Class stamp is the lowest-priced in the industrialized world. Compare it to France, at almost \$3, and England at \$2.50. And the longest distance that letters have to travel in those countries is about 600 miles—smaller than the state of Texas. We deliver from the tip of Puerto Rico to the tip of Alaska for 78 cents. That's a distance of 5,000 miles. So, we sell the stamp at less than half the cost to travel over eight times farther. If we were to change the stamp price to 90 to 95 cents, which is still less than half of the cost of most foreign posts, that would largely solve our controllable loss. And the stamp price would still be the lowest in the industrialized world by a lot.

While international postal systems differ in their service standards and universal service obligations, those differences do not negate the broader point that U.S. postage rates remain among the lowest in the industrialized world. The comparison is not intended to suggest that foreign postal systems are identical to the Postal Service, but rather to illustrate the substantial gap between what American customers pay and what customers in other developed nations pay for basic postal services. Moreover, even a modest increase in the price of a First-Class stamp would leave U.S. postage well below the rates charged by many comparable foreign posts while generating meaningful revenue to help sustain universal service. The question of the scope of the universal service obligation is an important policy discussion, but it does not change the immediate reality that the Postal Service must generate sufficient revenue to fund the service levels Congress has already required it to provide.

**Figure 11: 2026 International Cost of Postage for a Domestic Standard Letter**



*Purchasing Power Parity rates are currency conversion rates that equalize the purchasing power of different currencies by eliminating price-level differences between countries to enable comparison of Gross Domestic Product and expenditures. For the purposes of this analysis, the price for a Domestic Standard Letter in different countries compares the purchasing power of their currencies relative to the U.S. Dollar. United States Postage Pricing current rate as of March 2026 is \$0.78. Foreign First-Class Mail Equivalent Pricing is current as of October 24, 2025.*

And on the cost side, the Postal Service has in recent years undertaken an unprecedented transformation of our network and operating practices to reduce costs. We know that our initial execution of these changes should have been much better, and that we have not yet achieved the entirety of the savings that we initially projected. But that cannot detract from the fact that our network is dramatically improved, and that we are seeing significant benefits from the changes, both in terms of improved service reliability, product visibility, and more cost-effective operations. These benefits will only grow as we continue to roll out and refine our network, add more volume to the same network, and leverage the opportunities presented by those changes to operate as efficiently as possible.

We will continue to aggressively reduce costs wherever we can, and I have asked our team to develop a plan and creative input to further reduce our costs. But we must also ensure that the actions we take are

consistent with our universal service mission to the American public, and that they increase, not degrade, the relevance of our services to the American public.

### **Self-Help Progress Despite the Anchor: Cost Cutting, Modernization, Service Stability, and Pricing Reforms**

To truly understand the situation the Postal Service faces today, it is important to step back and examine how we arrived at this point, and also to recognize the self-help actions we have taken to respond. The pressures confronting the organization did not emerge overnight, and addressing them has required sustained operational and financial changes. Over the past several years, we have taken significant steps to modernize our network, improve efficiency, and stabilize the organization within the controllable pressures we can address, even as broader structural challenges remain.

#### **Controllable vs. Non-Controllable Pressures**

As I have noted, the Postal Service is confronting a severe financial crisis driven by revenue decline and statutory constraints that limit our ability to respond. It is important to remember that we face these challenges as a self-financed, independent establishment of the Executive Branch. We generally do not receive tax dollars to fund our operating expenses—we rely on the sale of postage, products, and services.

To fully evaluate our financial condition, it is essential to distinguish between what management can control and what obligations are imposed upon us by statute, regulation, and external economic forces. We face pressure from a variety of sources, including inflation, volume declines due to electronic diversion, balance sheet obligations unique to the Postal Service, and pricing limitations—most if not all of which are outside the Postal Service's direct control.

Because we report under Generally Accepted Accounting Principles (GAAP), our bottom-line net loss includes substantial non-cash and non-controllable expenses that do not reflect day-to-day operational performance. These include the amortization of unfunded liabilities for our participation in FERS and CSRS, retiree health benefits top-up payments, and non-cash adjustments related to changes in the liability for participation in the federal workers' compensation program. Fluctuations in these expenses are driven by changes in inflation, interest rates, and actuarial assumptions — variables over which the Postal Service has no control. OPM calculates both FERS and CSRS amortization payments based on long-term actuarial projections, not operational performance.

In FY 2025, approximately 70 percent of our reported accounting losses were attributable to non-controllable expenses. That means the majority of the GAAP loss cited in headlines and oversight discussions stem from accounting-driven and statutory obligations largely outside management's

authority to change. For that reason, when evaluating the success of our self-help efforts, it is important to focus on controllable income or loss rather than uncontrollable factors required under GAAP. Judging the financial results of our strategic plan solely by focusing on bottom-line GAAP loss risks obscuring the very real operational progress and cost savings the organization has made.

Many of the different parts of the anchor described earlier in this testimony fall squarely into this non-controllable category. They are structural, statutory, or actuarial in nature. They constrain optionality and affect reported results. But they are not the product of day-to-day management decisions but of legally imposed restrictions. In addition, even with respect to our controllable expenses as reported in our financial statements, we are subject to numerous factors that are outside of our control, and which limit our ability to reduce those expenses. Below, I will further discuss some of the pressures confronting our organization.

### **Mail Volume and Revenue Declines**

Dramatic changes in customer demand put downward pressure on the traditional letter and flat product volumes, especially First-Class Mail volume. These sharp declines since FY 2007 severely impacted our finances as well as the sufficiency of our processing, logistics, and delivery networks. For example, domestic mail revenue declined from \$59.1 billion in FY 2007 to \$42.6 billion in FY 2025—a decline of over \$16.5 billion (28 percent) or an average annual decline of 1.8 percent. Total mail volume has declined by 51 percent since FY 2007, a decline of about 4 percent per year (By the way, the fact that volume has declined by 51%, but revenue has only declined by 28% shows that price increases have been effective in maintaining revenue). First-Class Mail volume — which provides the greatest contribution towards covering the costs of maintaining our universal service network — declined by 56 percent between FY 2007 and FY 2025. Despite these declines, mail services still accounted for more than half of our operating revenue in 2025.

At the same time, the cost to deliver mail increased as our mail volume and revenue declined. This was driven by increased demand on our network, including the number of delivery points we serve, which grew on average by more than a million each year. This has resulted in a drop in the average number of pieces per delivery point per day from 5.5 pieces of mail and packages in FY 2007 to 2.4 pieces in FY 2025. Simply put, we are delivering less mail to more delivery points each year. No business, private or public, could maintain profitability under those circumstances.

### **Inflation**

Inflation continues to impact the price of goods and services such as transportation, cost-of-living adjustments, and our FERS and CSRS amortization expenses. Even as inflation moderates, it continues

to contribute to higher compensation expenses, higher workers' compensation costs, and elevated operating expenses.

### **Unfunded Mandates and Universal Service**

As a self-financed, independent establishment of the Executive Branch, the Postal Service must balance the demands of operating like a business in funding our operations from the sale of postal products and services, while also offering high-quality service to fulfill our universal service mission. Congress and other parts of the government are understandably most focused on our public service mission but often lose sight of our non-appropriated status, and that we must find a way to generate sufficient revenues to pay our bills and continue operating. When new public policy expectations or projects are asked of us, the funding must come from postal ratepayers, not taxpayers as would be the case for most other agencies. There are currently just three exceptions to this construct in which we are reimbursed after-the-fact for "revenue forgone" for providing certain services: free mail to the blind, overseas voting, and the provision of mail service between the United States and the Freely Associated States (Micronesia, Palau, and Marshall Islands), which is part of an international treaty obligation to which Congress commits us.

From a financial perspective, most of the unfunded mandates that are not covered by the three exceptions flow from the Postal Service's universal service obligation. In that regard, even the PRC, which narrowly defines the costs associated with the universal service obligation, recognized in a 2025 report that such costs total at least \$6.5 billion annually. Further, under a more comprehensive evaluation of the costs of universal service, the Postal Service has estimated that the total costs of the universal service obligation and other unfunded mandates total at least \$11 billion per year and likely closer to \$13 billion per year.

#### **PRC's Estimated Universal Service Mission Costs (in millions)**

<b>Postal services to areas of the nation the Postal Service would not otherwise serve</b>	<b>\$1,013</b>
<i>Maintaining small Post Offices</i>	\$840
<i>Alaska Air Subsidy</i>	\$134
<i>Group E PO Boxes</i>	\$39
<b>Estimated revenue not received due to free or reduced rates</b>	<b>\$1,555</b>
<i>Preferred rate of discounts net of costs</i>	\$1,217
<i>Periodical losses</i>	\$338
<b>Other public services or activities</b>	<b>\$4,017</b>
<i>Six-day delivery</i>	\$3,351
<i>Uniform First-Class Mail rates</i>	\$73
<i>Postal Inspection Service (net cost)</i>	\$593
<b>Total</b>	<b>\$6,586</b>

### **Cost-Cutting Measures**

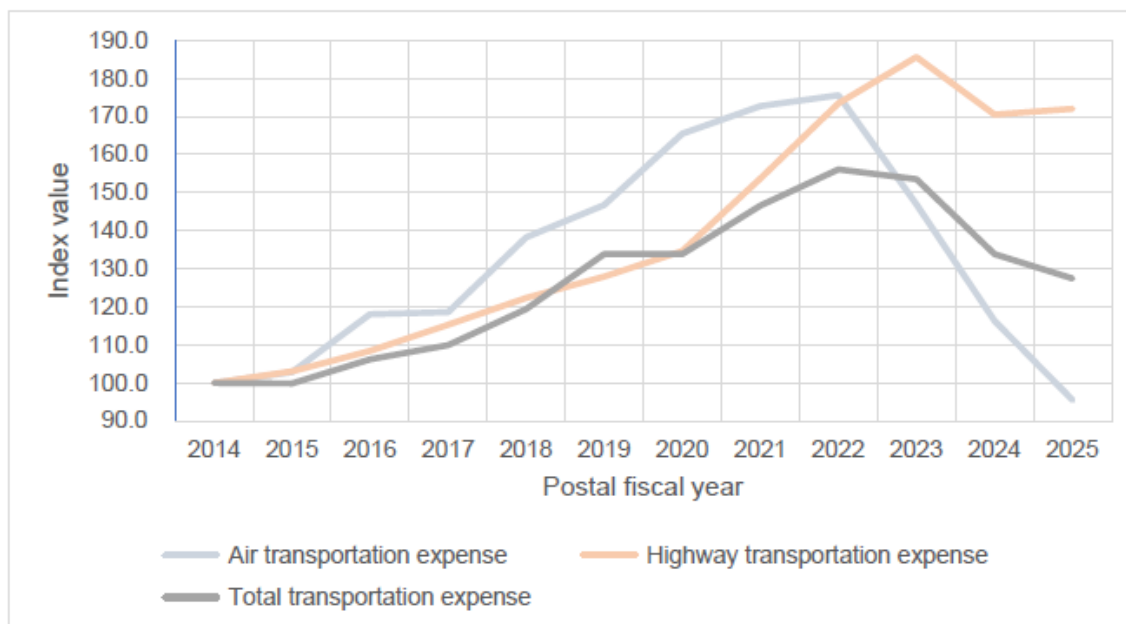
It is vital to remember that while a significant portion of our losses continue to be driven by non-controllable expenses and by factors outside of our control that impact our controllable expenses, we have made measurable progress in reducing controllable costs and improving efficiency. We have done this through strategic cost cutting, making transportation more efficient, and modernizing our network, while keeping service at a level that continues to drive business.

Since the enactment of the PSRA, we have made significant progress toward cutting costs, addressing flaws in the delivery network, and improving efficiency. For example:

- we reduced air transportation, ground transportation, terminal handling facilities, and excess facilities by \$2.0 billion.
- we reduced work hours by 56 million hours, equivalent to \$3.0 billion (FY 2021 - FY 2025) and reduced our overall complement by 28,675 employees.
- we announced immediate restrictions on non-essential spending to conserve cash for operations.
- a self-review of contracts, at the suggestion of the Department of Government Efficiency (DOGE), resulted in \$165 million in savings from all decommitments, and all savings estimated throughout the life of the contract and option years; and
- Contract Postal Unit (CPU) terminations resulted in a \$7 million reduction in spending.

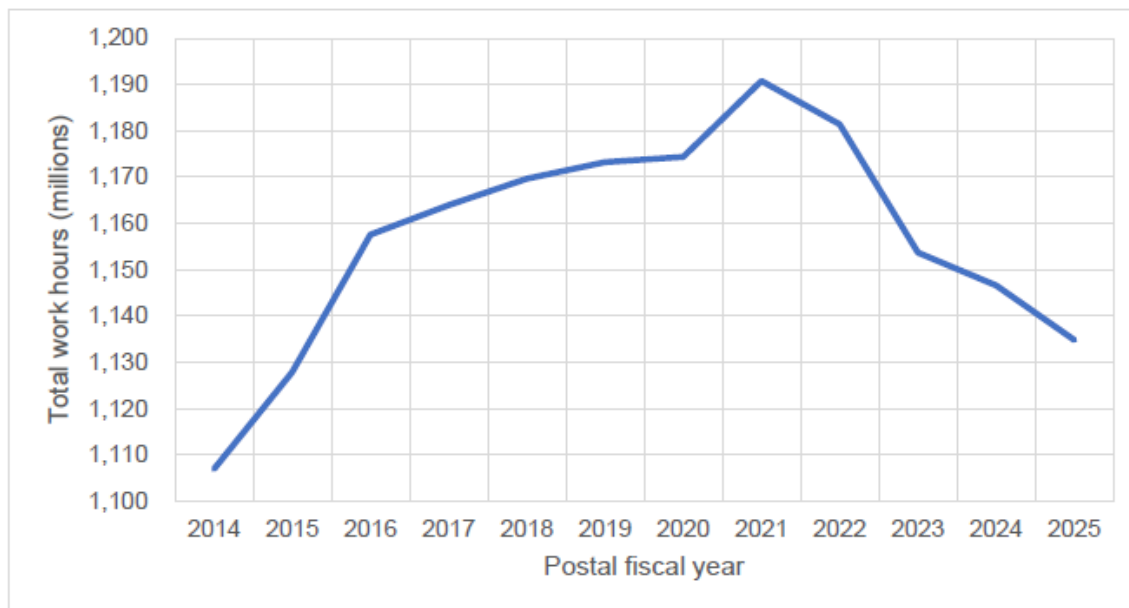
These savings are particularly significant when viewed in historical context. Prior to the implementation of our operational transformation initiatives, transportation expenses had increased in 9 of the 12 preceding fiscal years (FY 2011 to FY 2022), with total transportation costs rising nearly 61 percent over that period. Beginning in FY 2022, however, the Postal Service reversed that trend. FY 2025 marked the third consecutive year of declining transportation expenses, including three straight years of double-digit reductions in air transportation costs. Overall network transportation expenses are now 18 percent lower than they were in FY 2022.

**Figure 12: Transportation Cost Trends, Indexed to FY 2014**



*Note: In addition to air and highway transportation, total transportation expense includes relatively minor proportions of international and other transportation.*

Similarly, after eight consecutive years of rising work hours, the Postal Service began reducing work hours in FY 2022. In FY 2025 alone, work hours declined by approximately 12 million compared to the prior year, bringing the cumulative reduction over the past four years to 56 million work hours, or nearly 5 percent. These results demonstrate that our operational initiatives are not merely slowing cost growth—they are reducing costs and improving efficiency across the organization.

**Figure 13: Work Hour Trends**

These are not abstract projections; they are real, realized cost reductions driven by disciplined management and operational modernization. They reflect controllable improvements made by us within our authority to strengthen our financial position, and deliberate action on the costs we can control even as we continue to face inflation in all of our costs and substantial expenses that remain outside our direct control, all while maintaining reliable nationwide service.

It is important that assessments of our financial situation be clear-eyed and well understood — especially in the absence of legislative reforms and given that we have little or no control over some key expenses. We are responsible for improving controllable performance, and we are doing so through modernization, transportation reform, labor alignment, and revenue growth initiatives.

### **Modernization: Enabling Revenue, Relevance, and Stability**

I want to recognize the progress of our ongoing processing and logistics modernization efforts. Without a doubt, the Postal Service is in a better place today than it would have been without these transformation initiatives. They dramatically improved our middle-mile operations to transform the Postal Service into a logistics powerhouse. We will continue to take steps to increase operational efficiency, reduce costs, and position the Postal Service to be on the right path.

After nearly two decades of deferred investment that undermined efficiency, performance, and employee engagement, we are now investing in our workforce and infrastructure. We are building new facilities and

upgrading existing ones, deploying larger delivery vehicles that enable us to deliver greater volumes of packages to more addresses, adding and modernizing automation, updating our information technology systems, and implementing more effective business processes. We have also integrated our processing and transportation networks into a unified system, allowing mail and packages to travel together on the same transportation. But all of this work still leaves us behind our competitors because of the years and years of underinvestment in our assets.

Our network modernization efforts are focused on correcting the logistical inefficiencies of a legacy network that evolved over decades without a unified logistical design. Many facilities were originally built to support far higher volumes of letter mail and were not equipped with the space, layout, or package processing automation needed to efficiently handle today's evolving mail and package mix. This mismatch created unnecessary transportation movements, underutilized capacity, and operational complexity that increased costs across the network. We have taken significant steps to address these inefficiencies by redesigning how mail and packages move through the network, aligning transportation and processing functions more logically, and improving the use of existing infrastructure. These efforts have supported the transition to a more integrated processing structure built around our regional and local facilities, designed with standardized layouts and coordinated transportation flows that support the logical sequencing of mail and package processing.

The result is a more reliable and efficient network that has enabled significant cost reductions, improved operational precision, and allowed for greater productivity in our processing operations, all while improving the work environment for our employees. By building a more efficient and integrated processing and transportation network, we are now able to pursue new opportunities and initiatives that better leverage our improved network to provide enhanced service to our customers of all sizes.

Our new network is more than a logistics upgrade; it is a broader, more capable platform that allows us to do more for all of our customers. The network improvements enable us to operate with more operational precision, resulting in more consistent, reliable service for our mail and package products. We can now be much more aggressive in growing our shipping business, and we are changing our portfolio for the better. New products like USPS Ground Advantage and Priority Mail Next Day are closing major product design gaps and offering exceptional value.

In FY 2025, we made real progress on our strategy to modernize and streamline our operations. Our old, inefficient and expensive patchwork of facilities is being systematically replaced with a structured, logical and efficient hub-and-spoke network. With a planned nucleus of approximately 60 Regional Processing and Distribution Centers (RPDCs) and an ecosystem of support

facilities and high-speed routes, this new network is designed to facilitate a faster flow of mail and packages nationwide while reducing costs. To date, we have activated 14 RPDCs.

We have now also launched more than 158 Sorting and Delivery Centers (SDCs) across the country, providing millions of Americans with more reliable and efficient service by simplifying our network. The SDC rollout combines delivery operations from smaller delivery units into larger, standardized, optimally located delivery units. The new SDCs feature advanced package sortation equipment, charging infrastructure for electric delivery vehicles, and optimized transportation to and from processing facilities.

Alongside the SDC and RPDC rollout, we are investing in our facilities to correct years of deferred maintenance. Underinvestment has led to facilities that are in disrepair and lack basic amenities and degraded IT infrastructure. We are also modernizing our Post Office retail lobbies to enhance customer experience, making it faster, easier and more convenient than ever for customers to ship and pick up mail and packages and access essential services. We continue to develop a more strategic and agile process for capital investment planning, review, and allocation to ensure we use our limited resources for investments that best align to our strategic goals.

We also streamlined our mail collection and transportation through the Regional Transportation Optimization (RTO) initiative.

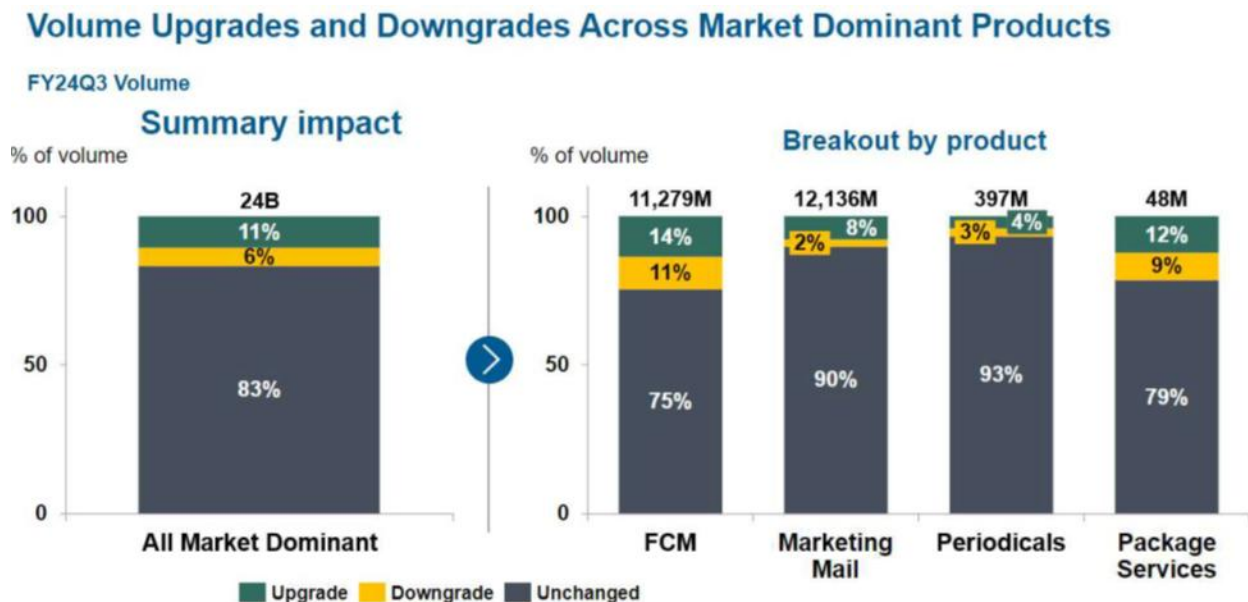
This initiative improves the efficiency and sustainability of our transportation network with regard to mail collection. For Post Office locations that serve ZIP Codes more than 50 miles from an RPDC, we are eliminating multiple daily trips between processing facilities and Post Offices to drop off and pick up mail and packages. Instead, there will typically be one trip per day, which reduces our transportation costs significantly while also reducing environmental impacts. This adds at most one day to how long it takes that mail to be transported for processing. In addition to improving our regional transportation efficiency, RTO facilitates improved operational efficiency in our processing plants. In other words, RTO enables us to process and transport mail and packages faster and more reliably within our network.

It is important to note that the RTO and service standards initiative either maintains or speeds up the majority of mail delivery.

As illustrated in Figure 14, 83 percent of Market-Dominant product volume experiences no change in service standards and 11 percent receives faster service, meaning 94 percent of volume is either unchanged or improved. Only 6 percent of volume experiences a one-day adjustment. Similarly, for First-Class Mail, 75 percent of volume remains unchanged, and 14 percent receives faster service, while only 11 percent experiences a one-day adjustment. These changes preserve the existing one-to-five-day First-

Class Mail service standard and support significant transportation, processing, and operational efficiencies that strengthen the long-term reliability and sustainability of the Postal Service network.

**Figure 14: RTO and Service Standards Initiative Impacts Across Market Dominant Products**



While some stakeholders have expressed concern that the RTO initiative should not be implemented because its purported impact on delivery service outweighs any cost savings, savings which the PRC characterized as immaterial, those assessments reflect a lack of serious engagement with the actual impacts of RTO, our financial situation, and the statutory policies. We addressed this concern and many more in our [response](#) to the PRC's Advisory Opinion on this topic.

As mentioned in that response, RTO represents the Postal Service's efforts to implement modern operational practices to save costs while also minimizing the impact on service. The PRC's criticisms indicate a preference for the status quo over efficiency and financial sustainability. But because no self-help operational initiative is likely to have what the PRC would apparently consider a material impact, from a percentage basis, on our total expenses, if the Postal Service were to adopt the PRC's perspective, we would never pursue any self-help operational initiatives to increase efficiency if such initiatives also had a service impact.

The PRC and other stakeholders ignore an obvious and inevitable link between cost savings and our public-facing mission: if we cannot control costs and achieve financial sustainability, we will find ourselves unable to serve the public at all. The only way the Postal Service is going to be financially sustainable is

through the implementation of a comprehensive set of operational initiatives to cut costs and increase revenue that, cumulatively, will enable the Postal Service to achieve positive controllable income.

RTO is a common-sense operational change that allows mail to move more efficiently through our processing and distribution network, maintains the one- to five-day service standard for First-Class Mail, and supports a significant reduction in operating costs. Considering these significant benefits to the Postal Service and our customers, it would be irresponsible—both financially and operationally—to not see this initiative through.

Having said that, our service levels need to improve. But RTO does not drive service levels, as we have established service standards that reflect RTO operations and our network enhancements. Service performance is more of a function of visibility of mail and packages as they move through our network. Better visibility requires investment in technology, which is another reason the Postal Service needs an increase in our borrowing authority.

### **Service is Foundational to Our Success**

Service performance is at the core of our mission and defines how the American people experience the Postal Service. It is how trust is built. It is how credibility is earned. And in today's environment, it is the foundation upon which our long-term stability depends. Improved service drives customer confidence, which drives business, leading to greater volume and revenue and ultimately enabling a financially viable Postal Service. For that reason, service improvement remains our number one priority, and we will stay committed to continuous improvement in our operational performance.

Today, we are in a period of transition, moving from an outdated, fragmented operating model toward a modern, integrated, performance driven network. From when I first arrived, we have made measurable progress in strengthening service execution across our network. Through structural realignment, strengthened accountability, and a renewed focus on operational precision, service has stabilized and improved.

Our new service standards were implemented starting in early April 2025, and since then we have seen steady improvements in service performance that continued through the second half of the year. By year's end, we achieved six consecutive months of stronger, more stable performance and even exceeded on-time goals for key products, driven by better processes, greater operational stability, and a disciplined focus on precision and reliability. These gains are the result of a multi-pronged approach: aligning staffing to workflow, ensuring adequate transportation, optimizing mail flows, and using analytics to identify root causes and implement solutions quickly. This has produced steady gains and greater reliability across the network. And the outcomes of that effort are becoming visible. As you can see below,

we improved our service scores and average days to deliver from the same period last year in First-Class Mail, Marketing Mail, Periodicals and Package Services.

**Figure 15: On-time Service Performance**

	FY 2026 Q1 & Q2 Performance	FY 2026 Target	FY 2025 Q1 & Q2 Performance	FY 2025 Target
First-Class Mail	87.31	89.00	82.87	88.00
Marketing Mail	93.28	94.50	92.50	94.50
Periodicals	79.74	84.00	77.84	84.00
Package Services	96.58	96.50	93.94	96.50

**Figure 16: Average Days to Deliver**

	FY 2026 Q1 & Q2 Avg. Days to Deliver	FY 2025 Q1 & Q2 Avg. Days to Deliver
First-Class Mail	2.51	2.98
Marketing Mail	2.56	2.81
Periodicals	2.36	2.56
Package Services	1.91	1.63

### **Successful Peak Season**

For example, the Postal Service delivered a very successful peak holiday season for the American people, highlighting our commitment to service excellence. Customers entrusted us with billions of letters, cards, and packages, and based on our metrics, we saw significant improvements in service performance, in on-time delivery, and in customer satisfaction across the country.

During the 2025–26 holiday period, we delivered approximately 16 billion mail pieces and packages with improved performance relative to the prior year. Mail and packages were delivered within an average of 2.5 days, compared to 2.8 days during the same period of the previous year, and on-time delivery scores were high across virtually the entire network. Overall, customer satisfaction also improved, with fewer customer service inquiries and greater positive feedback.

These results reflect the tenacity of our workforce as well as the network improvements we continue to implement. We invested in the right places and in new technology, built a stronger network, and learned to operate it effectively and with more agility. This allowed us to adjust, respond, and solve problems faster, highlighting not only our operational improvements but also our growing expertise in how we run

this massive network. We have demonstrated that when we focus on precision and discipline, we deliver results. But we are not yet where we need to be. We must be candid about the challenges we face.

### **Service Performance Challenges**

Service performance cannot be divorced from the financial realities of our current situation. The organization continues to work towards the successful implementation of a long-overdue network redesign, bringing the Postal Service network into a model based on operational precision to consistently deliver high-quality service to the American people. As with any other transformation of this magnitude, execution challenges have and will continue to arise, but we remain committed to addressing issues as appropriate and adapting when necessary to ensure that the initiatives are achieving the intended results.

While recognizing the challenges in implementation, it is also important to note that our plans—when properly executed—are designed so that our customers, the American public, will receive more reliable service performance. However, the road to improvement must be accomplished while still delivering 101.2 billion mail pieces and 6.8 billion packages per year to the American people at 170 million delivery points across the nation, six and sometimes seven days a week, within an organization that is ambitiously trying to operate and compete in the modern day. We must transform while being fully operational. We must teach our improved operational processes while executing them.

Yet even as we modernize our network, external events continue to test our operational resilience. Service performance does not exist in a vacuum. Our operations always experience events and circumstances that can wreak havoc on our delivery performance.

Given the complexity and scale of our operations across the United States, impacts to service due to severe weather are unavoidable. The Postal Service has navigated weather-related challenges such as Hurricanes Helene and Milton in FY 2025, the severe wildfires in Southern California, and most recently several severe winter storms. These environmental disruptions led to road closures, power outages at processing facilities, and damage to delivery facilities.

When hurricanes, winter storms, or other natural disasters strike, service impacts follow. In those moments, we pause operations as necessary to protect the safety of our employees, resuming delivery when conditions allow them to work safely. Although environmental disruptions are outside of our control, we respond quickly, restore service as rapidly as conditions allow, and are often among the first to help communities reconnect and recover.

But while external disruptions draw understandable attention, they do not define the totality of our performance nor the daily reliability our network provides across the country. Although we never lose sight of our service failings and the customers we disappoint, our service failures are not representative of the Postal Service as a whole.

### **Reasonable Adjustments to Pricing**

As I have already stated, by statute, the Postal Service must provide adequate and efficient service at fair and reasonable rates in a financially self-sufficient manner. Our operations are funded by the sale of postal products and services, making pricing authority and liquidity essential to our stability.

We are seeking action from the PRC to address longstanding structural problems in the system for regulating market-dominant rates that continue to drive billions in annual losses and strain our cash position. Simply put, we need a pricing system that creates a rational relationship between our costs and revenues and adequately responds to our financial situation

To that end, we filed a petition with the PRC that seeks to replace the existing price cap system with a regulatory monitoring approach, or alternatively to provide sufficient additional pricing authority to give the Postal Service a meaningful opportunity to close the gap between costs and revenues over the next five years.

Opponents of pricing reform portray the Postal Service as a greedy monopolist that would abuse its market power to the disadvantage of captive mailers. This is not the case. Current market realities do not support the assumption that a price cap is needed to guard against market power abuses, excessive profits, or inefficient management practices. The Postal Service faces intense pressure to keep the mail as attractive a channel for communication and commerce as possible. Unlike true monopolies, we have competition for each of our products. We must compete in many different markets and against a wide variety of communications channels for the same types of transactions and communications that are conducted using our market-dominant services. Email and other digital technologies, like online bill payment and presentment, offer alternatives to First-Class Mail, while digital forms of advertising, including mobile advertising and social media, can be used in place of USPS Marketing Mail.

### **Congress Faces Three Policy Options**

While understanding the origins of our current challenges and the steps taken to address them is important, it is equally critical to focus on the path ahead. With that in mind, I would like to turn to where we can go from here and the options we have before us.

As a self-financed, independent establishment of the Executive Branch under our current business model, the Postal Service must balance the demands of operating like a business in funding our operations from the sale of postal products and services, while also offering high quality service in the form of the universal service mission. As noted previously, Congress and other parts of the government are understandably most focused on our public service mission but often lose sight of our almost entirely non-appropriated status, and that we must find a way to generate sufficient revenues to pay our bills. When new public policy expectations or projects are asked of us, the funding must come from postal ratepayers, not taxpayers as would be the case at most other agencies. When we perform services for other parts of government, whether federal, state or local government, we need to be paid for those services.

Fixing our unsustainable, statutorily imposed business model is not going to be easy, but it can be done. Congress and the American public must decide what aspects of the Postal Service are most important to them, and what they are willing to change or pay for – whether it is the services we provide or our current prices. There are only three realistic options:

**Option 1: The Status Quo – Mail Delivery Stops Absent Meaningful Actions**

As I mentioned at the beginning of my testimony, the Postal Service is facing a severe financial crisis and if we do nothing, we will run out of cash soon. It is that simple. We will of course take steps to make sure that doesn't happen and as I have mentioned at the beginning of this testimony, we already have: we recently deferred the employer's portion of the biweekly normal-cost contributions for Postal Service employees covered under FERS for the first time since FY 2011. In addition, the PRC has granted our request to provide a temporary waiver of its requirements that the Postal Service use specific cash reserves solely for pension amortization payments. But, as previously noted, this is just borrowing from our retirement plans, which we would like to stop. If we did stop, we would be out of cash before 2027.

Taking these distasteful actions will not be enough, and additional defaults will be required. The defaults and deferrals will also add up, requiring a "balloon payment" reckoning of sorts in the medium term. At some point, however, we will no longer be able to maintain operations in the short-term through such defaults, and those obligations that we cannot meet will have to include payments to our employees and vendors. If our employees, contract transportation providers, and others don't get paid, it's highly likely that the mail will stop. That means that people will not get those important mail and package items that they so depend on and in many cases cherish – prescription drug packages, wedding invitations, and the birthday card from a loved one or friend.

In my mind, the status quo is not an option, and I trust Congress and the American people agree.

## **Option 2: Service Cuts and Price Increases**

Short of ceasing operations, severe actions could be taken connected to delivery service, postal rates, workforce cuts, and a reduction of Post Office operations. It is unlikely that Congress or the American people would tolerate these severe consequences individually or collectively.

*Reducing Days of Delivery:* The Postal Service Reform Act enacted in 2022 codified a requirement that the Postal Service provide six-day delivery. Congress could give the Postal Service the flexibility to reduce the number of delivery days from six to five, or even fewer. We estimate the annual cost savings of reducing one day of delivery per week at \$2.9 to \$3.5 billion.

*Closing Post Offices:* Congress could provide the Postal Service with greater legal authority to make retail network changes, such as by eliminating the provision in current law that precludes a Post Office from being closed solely for operating at a financial deficit. Currently, roughly 60 percent of Post Offices lose money. Instead, the Postal Service would have the ability to close a Post Office for such reasons if service can be adequately provided through other means or in nearby locations. The Postal Service maintains small Post Offices, which are generally located in rural or remote areas. The annual cost of operating these small Post Offices is \$2.5 billion. Should the American taxpayer support their continued operations through appropriations, rather than postal ratepayers as is the case now, since their direct utilization does not cover costs?

*Raising Prices:* Raising the price of a First-Class stamp to 90 cents or more and other increases in commercial mail prices would also help solve our controllable loss, bringing in billions of dollars annually.

I recognize that Option 2 may not be palatable to Congress or the American public, but the third action of substantially raising the stamp price would largely address our controllable loss and would still make our stamp one of the lowest priced in the world.

## **Option 3: Public Service Reimbursement and Growth of the Mailing Ecosystem**

As I testified at the March 17, 2026, House Oversight and Government Reform Subcommittee on Government Operations hearing, there are a number of relatively straightforward financial policy reforms, all of them common-sense private-sector best practices, that would cut the Postal Service's financial losses nearly in half. In addition to those reforms, one such option that has not been discussed yet would be to reform and resume the "public service reimbursement" appropriation.

In 1971, Congress recognized that it was asking the Postal Service to take actions that would, by definition, lose money. Consequently, they authorized and appropriated a "public service reimbursement."

Resuming and updating this public service reimbursement would help alleviate the cost of providing the universal service that the American public has come to expect in recent years. The authorized reimbursement is currently capped at \$460 million a year and was last appropriated in 1982 for a partial amount. This amount does not reflect the actual costs of the large unfunded mandates to which we are subject. Importantly, we would propose that the reimbursement is reviewed on a periodic basis for adjustment, either up or down, as circumstances change. The resumption of the public service reimbursement would not diminish our drive to pursue cost and revenue initiatives and thus decrease the reimbursement, with the intent of eliminating it altogether as we grow to profitability.

The truth is the Postal Service performs significant public service obligations that benefit not only the American public but also the broader mailing and shipping ecosystem. Under this approach, Congress could provide an annual appropriation to reimburse the Postal Service for the costs of those public service mandates, allowing the organization to continue providing universal service while supporting an industry that generates more than \$2 trillion in economic activity. To be clear, even if the public service reimbursement were resumed and updated, the majority of revenue to support Postal Service operations would still come from sale of stamps and mailing services.

Such a policy determination rests entirely with Congress. The Postal Service will continue to fulfill its statutory responsibilities and implement whatever path Congress determines best serves the American people.

### **Conclusion**

We are proud of our storied legacy and are steadfast in our commitment to bind the nation together through universal service. But legacy alone does not resolve our financial realities. We are a self-financed, independent establishment of the Executive Branch that generally does not receive tax dollars for operating expenses, and we are confronting a severe financial crisis driven by revenue decline and statutory and regulatory constraints that limit our ability to respond in total.

Again, nearly 70 percent of our reported FY 2025 accounting losses were attributable to noncontrollable expenses that function as an anchor on this institution and that management cannot unilaterally lift. Our controllable expenses are also subject to numerous factors outside of our control that constrain our flexibility and thus impact our financial results. At the same time, we are delivering measurable progress on the costs we can control through modernization, transportation adjustments, labor alignment, and revenue growth initiatives. We are doing our part to right the ship. But long-term sustainability requires alignment between what the country asks of the Postal Service, what revenue sources are available and what policy limitations are imposed.

In concept, it is appropriate to ask the financially self-sustained Postal Service to continue to cover the break-even cost of mail and package delivery from postal ratepayers. But it may be time to consider reforms for when policymakers or the American people are unwilling to make adjustments to elements of universal service that do not cover their costs. If the nation expects six-day universal service to 170 million addresses at uniform and affordable rates, then we must either be compensated for that public service or provided the pricing and operational flexibility necessary to sustain it. Otherwise, the anchor remains, our options narrow, and the burden does not get buoyed by life vests but instead becomes a cost we must bear within a system already under strain.

The choice is clear: either allow us to operate as a truly independent agency, free of government-imposed mandates, or pay us for those mandates. We truly believe that paying for those mandates and utilizing the Postal Service as a growth engine for the \$2 trillion mailing industry is what is best for the American people. However, those policy decisions belong to Congress, not the Postal Service. Should Congress choose a different policy direction, we will implement it and make the Postal Service profitable as money-losing mandates are removed.

We look forward to working with you to determine the best path forward.