



STATEMENT OF

POSTMASTER GENERAL AND CHIEF EXECUTIVE OFFICER

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before the

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“Oversight of the Postal Service: The Financial Future under

Postmaster General Steiner”

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Good afternoon, Subcommittee Chairman Sessions, Ranking Member Mfume, and Members of the Subcommittee. Thank you for calling this hearing to discuss the important work of the United States Postal Service. I welcome the opportunity to testify today and discuss the severe financial crisis facing the Postal Service, the statutory and regulatory constraints that limit our ability to respond, our own self-help efforts around financial and operational improvement and service performance, and the urgent need for greater operational and pricing flexibility to preserve universal service in a self-sustaining manner.

I am not sure that the American public is aware that the Postal Service is at a critical juncture. I know that I wasn't aware of the extent of it before I took on this role, but at our current run rate and if we continue to pay our required obligations in the same manner as we have done in recent years, then we will be out of cash in less than 12 months. So, less than a year from now the Postal Service will be unable to deliver the mail if we maintain the status quo.

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

We got 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 dollars. No company could weather that much revenue loss.

For comparison, if UPS or FedEx lost that much revenue, they could not survive.

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 and instead of tossing us a life jacket, we were thrown an anchor.

So, what does 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 “work share” 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 will cost us more than \$700 million in lost revenue over five years. 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 Civil Service Retirement System (CSRS) benefits for employees that worked for both the Post Office Department, prior to 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/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 acquiring company in the private sector would ignore modern actuarial practices in apportioning the acquired 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 looked at it based on 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.

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 have an additional \$800 billion in them. 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 71 percent of our delivery routes being financially underwater. And fifty-eight percent of our Post Offices do not cover the cost of their operations. 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 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. Keeping all Post Offices open and not being allowed to consider financial losses as a reason to replace them with alternative means of accessing our services costs another \$840 million.

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, 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, in order to ensure our survival beyond next year, we need to increase our borrowing capacity so that we don't run out of cash. The failure to do this could lead to the end of the Postal Service as we know it now.

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 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, which I cite later in this testimony.

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. But we are not looking at only one, 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.

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.

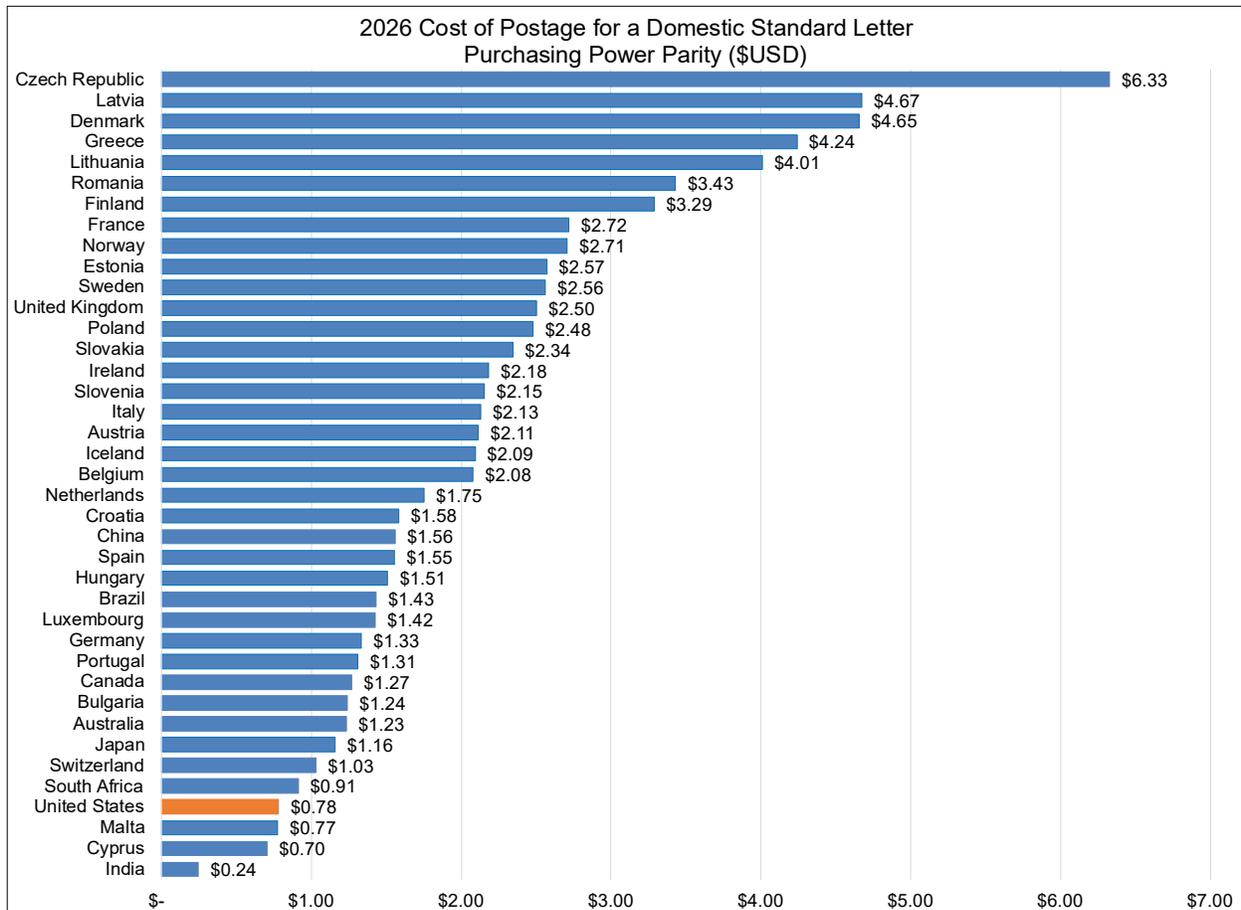


Figure 1. Purchasing Power Parity rates are currency conversion rates that equalize the purchasing power of different currencies by eliminating price-level differences between countries to enable comparison of Gross Domestic Product and expenditures. For the purposes of this analysis, the price for a 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 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.

So, I am here today to tell the American people that we can do anything that you want—we have been doing exactly that for over 250 years, longer than the nation itself has existed.

If you want the same level of services that we have today—six-day-a-week delivery and 33,000 plus post offices, we can do that, and we are glad to do that. But someone has to pay for it, and the only options are postal ratepayers or taxpayers.

If we want to have a discussion about reducing the level of service to both meet the needs of the American public but also make the Postal Service self-sustaining, we are glad to have that discussion.

But there is one thing we can't do, and that is maintain the status quo. I am confident that we can grow revenue, reduce costs, and solve our financial predicament. But that takes time, and we don't have a lot of time. One small and easy action, increasing the borrowing limit, buys us that time—time that we can use to determine what the Postal Service should do to best serve the American public.

We stand ready to continue to serve the American public. We just ask that you take away the anchor and offer us the life jackets that let us operate like a truly independent entity, free from the statutory requirements and regulations that weigh us down. The other option is that you provide funding to compensate us for the cost of the anchor. Toward the end of my testimony, I will offer the doors through which we can travel to save the Postal Service. I believe the middle ground and rational solution will strike the right balance for the American people. Nonetheless, I will also offer more extreme solutions, because policymakers should have all the options on the table. If we can arrive at the rational solution together, I can promise an unparalleled service that will last for years to come.

Part 2: 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, and 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 is 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 the Federal Employees Retirement System (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 fiscal year (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, 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. 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. 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.

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 in the form of the 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 Postal Regulatory Commission (PRC), which narrowly defines the costs associated with the universal service obligation, conceded in a 2025 report that such costs total at least \$6.5 billion. 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 over \$11 billion per year.

PRC’s Estimated Universal Service Mission Costs (in millions)

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

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.

Our cost cutting is significant. In FY 2025,

- we reduced total work hours by approximately 12 million compared to the prior year and 56 million hours over the past four years, with most of that reduction coming from delivery operations;
- there are 28,675 fewer employees than there were four years ago, even as the country continues to grow and we go to one million additional addresses each year;
- we reduced overall air network costs by approximately \$435 million;
- we achieved a net reduction of \$422 million in overall network transportation costs compared to FY 2024;
- since FY 2022, air transportation costs have declined by 46 percent and overall network transportation costs by 18 percent; and
- we have reduced local transportation costs by over \$150 million.

Cumulatively, our network and transportation reforms have generated approximately \$1 billion in savings through the end of FY 2025. 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.

Additionally, under our newly refined service standards, we project at least \$36 billion in savings over 10 years from transportation, mail and package processing, and facility cost reductions.

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. As such, we will continue to execute the strategies in our comprehensive plan. These strategies 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 schedules.

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, like the "last-mile bid."

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 17 RPDCs.

We have now also launched more than 179 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. 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 initiative either maintains or speeds up the majority of mail delivery. All First-Class Mail will still be delivered within the service standard maximum of five days, with the vast majority being delivered in the same time frame or faster than it is currently.

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

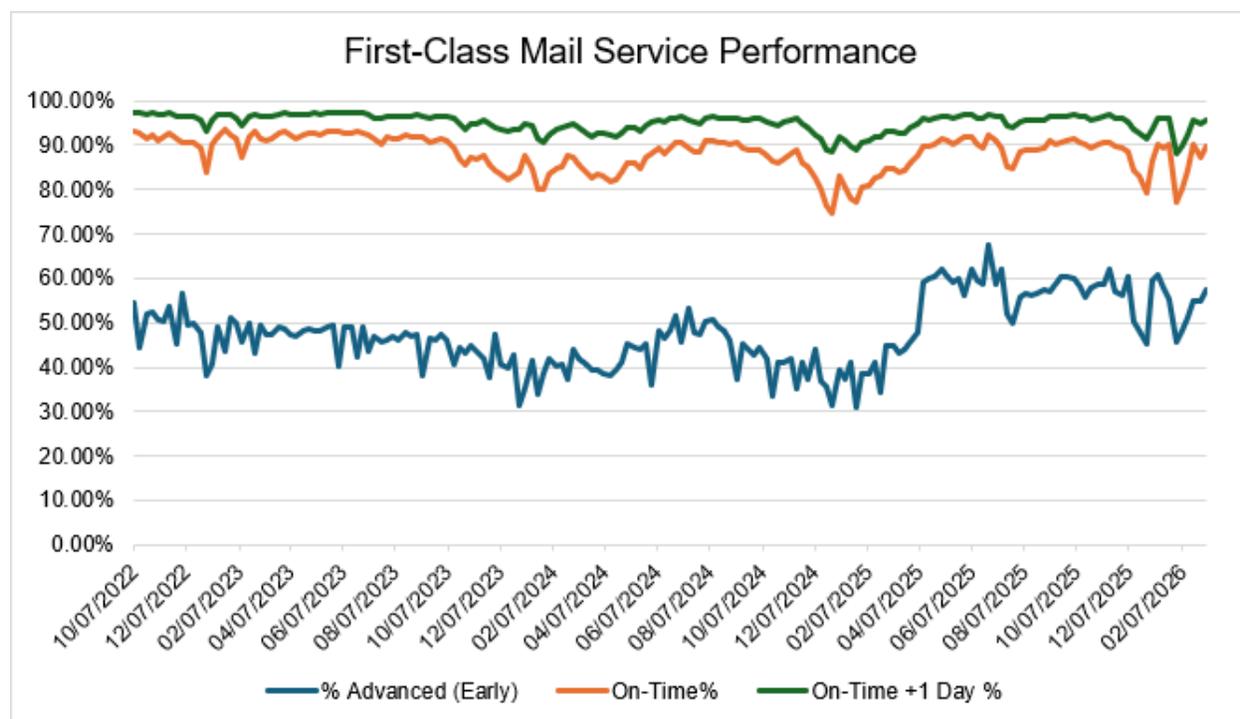
Service performance is at the core of our mission and defines how the American people experience the Postal Service. It is how trust is built. It is how credibility is earned. And in today's environment, it is the foundation upon which our long-term stability depends. Improved service drives customer confidence, which drives business, leading to greater volume and revenue and ultimately enabling a financially viable Postal Service. For that reason, service improvement remains one of my top priorities, 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. For the week ending March 6, 2026, 90.45 percent of mail and packages arrived on time, 64.52 percent arrived early, and 95.65 percent arrived within one day of the service standard.

A quick review of service performance over the last few years demonstrates that over half of First-Class Mail is delivered early, and about 95 percent is delivered within one day of our service standard.



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 purely 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 have filed two petitions with the PRC. The first 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. The second seeks near-term liquidity relief by eliminating duplicative payment conditions so we can retain more unrestricted cash.

Part 3: Which Door Should We Go Through?

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, 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 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:

Door Number 1: The Status Quo – Mail Delivery Stops Absent Meaningful Actions

As I mentioned at the beginning of my testimony, if we do nothing, we will run out of cash in about one year. We will of course take steps to make sure that doesn't happen, which will include defaulting on various benefit funding obligations as we have done in the past. This will not be enough, and additional defaults will be required. 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.

Door Number 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 \$840 million. 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 \$1 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 Door Number 2 may not be palatable to Congress or the American public, but the third option 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.

Door Number 3: Common-Sense and Reasonable Solutions – The “Goldilocks” Choice

There are a number of relatively easily fixed financial policy reforms, all of them common-sense private-sector best practices, that would cut the Postal Service’s financial losses nearly in half. They would demonstrate to the American public that their government is making great strides in reducing the losses borne by the Postal Service, and therefore protecting the long-term provision of universal postal services. These proposed reforms make changes that do not cut service or raise prices. The first reform laid out below will address the immediate liquidity crisis that we face, and the following additional reforms are set forth in order of financial impact.

Postal Service Borrowing Authority

The Postal Service is not allowed to borrow more than \$15 billion, a limit that has not been raised since 1992 despite inflation and the increase in the Postal Service's revenues and costs. Raising the cap would enable more prudent financial management for the Postal Service. The borrowing limit is established in statute, so a legislative change would be needed. By expanding our borrowing capability, the Postal Service could invest in the assets we will surely need to compete in the growing package delivery marketplace and continue to achieve our universal service mission.

Civil Service Retirement System (CSRS) Liability Reallocation

OPM apportions the cost of pension benefits between the Treasury and the Postal Service for CSRS retirees who worked at both the Post Office Department—the Postal Service's predecessor before we became independent—and the current Postal Service. The method that OPM currently uses for this apportionment makes the Postal Service responsible for all increases in pension benefits resulting from pay increases made after 1971, even covering the years that our employees worked for the Post Office Department, and even though the Postal Service was never given control over wage increases or pension costs. Independent actuarial studies have confirmed that the apportionment method OPM utilizes fails to reflect modern actuarial and accounting principles typically employed in the private sector for the allocation of pension liabilities.

We believe that this reform could occur through administrative action, and that the Office of Legal Counsel could re-examine the decision (which we believe erroneous) it reached during the Biden administration that legislation is needed to make this change. This change can also occur through legislation. Making this change would provide the single biggest contribution to our long-term financial stability: it would not only eliminate the Postal Service's annual CSRS amortization expense (which last year alone was over \$3 billion), it would also ensure the solvency of the Postal Service's retiree health benefits fund for decades. Currently, that fund is projected to be exhausted in the early 2030s.

OPM has overstated the Postal Service's obligations to the Civil Service Retirement and Disability Fund (CSRDF) by more than \$153 billion as of FY 2025 (including interest that would have been earned on the overstated benefits). Implementing a reapportionment of these pension liabilities would save the Postal Service an estimated \$3.5 billion annually through the elimination of amortization payments. In addition, a sweep of the excess assets of CSRS based on this reform into the Retirement Health Benefits Fund (RHBF), consistent with the current statute, would eliminate an estimated \$6 billion annually in required premium and top-up payments that will begin as early as FY 2031 when the RHBF is exhausted.

There is no vocal industry stakeholder opposition to CSRS Reform, and the USPS OIG and the USPS' largest unions are all in favor of the reform.

Flexibility in CSRS and FERS Retirement Funds Investment

The Postal Service has no control over how our more than \$250 billion of retirement funds are invested. The funds are managed jointly by the OPM and the Treasury and by law can be invested only in Treasury securities, which are stable investments, but they typically generate lower rates of return compared to other common kinds of investments. A recent OIG report found that if the Postal Service's funds were in a very conservative portfolio of 60 percent stocks and 40 percent bonds, the assets in these funds could have been \$1.2 trillion in FY 2022, with an aggregate surplus of \$797 billion across the three funds. This portfolio mix would realize a gain of \$130 billion in 2026 assuming 8.53 percent (S&P 500 Bond/Stock Index 5-year weighted average annual return) in investment income. The investment income would grow to \$180 billion in 2030, with a total balance at \$2.3 trillion in FY 2030. A statutory change is necessary to enable the Postal Service to pursue this alternative investment strategy.

Pension Funding

The Postal Service is subject to onerous funding obligations for our two pension programs, CSRS and FERS. In FY2024, these pension funding obligations totaled over \$10 billion, including \$5.5 billion of payments that OPM determined are necessary to amortize unfunded actuarial liabilities. However, OPM does not use the most appropriate actuarial assumptions in calculating our liabilities, which inflates these expenses. Moreover, these pension payments are driving large financial losses even though we have funded our pension liabilities at a much higher rate than the rest of the federal government. Our funding obligations should be based on the most appropriate actuarial data, and we should not be required to make amortization payments at all to the extent our combined funding status for our pensions liabilities is at a higher level than the rest of the federal government as a whole.

The Postal Service's current FERS fund balance is \$138 billion, which is 76 percent of the actuarial liability as of September 30, 2024. By comparison, the rest of the federal government is only funded at 57.5 percent of the current federal civilian government FERS liability. Eliminating the CSRS and FERS pension liabilities, as well as the retiree health benefits "top-up" payments, would save the Postal Service an estimated \$6.3 billion in FY 2026 and like amounts in future years.

Workers Compensation Reform

Postal Service employees are covered by the Federal Employees Compensation Act (FECA), which is administered by the Department of Labor (DOL). The FECA program fails to reflect private-sector best practices, which leads to the Postal Service incurring excessive workers compensation expenses as

compared to private industry. The Postal Service OIG has estimated that in two years alone, we could have potentially saved more than \$692.9 million if we were allowed to adopt best practices (such as settling claims) used by private industry to control workers' compensation costs.

While DOL could take action within its existing authority to better manage the FECA program and to better control costs, Congress should also enact legislative reform to either give us control over our workers' compensation expenses or improve the FECA program by adopting industry best practices that are not permitted under current law. The Postal Service would save \$394 million in FY 2026 using best practices from the private sector. We would suggest making the Postal Service a test case for workers' compensation reform. By allowing the Postal Service to show how workers' compensation could be better managed, not only would the Postal Service benefit, but it would also potentially save a significant amount of money for the entire government if other agencies followed our reforms.

Option 3 is the "Goldilocks" option. Unlike Option 1, it doesn't stop mail delivery. Unlike Option 2, it doesn't severely reduce service or raise prices. Option 3 provides a number of very large levers to offset some of our largest uncontrollable costs and enable us to continue fulfilling our universal service obligation. These reasonable changes amount to billions in savings and provide us the time and space to take continued self-help actions *and* to have the discussion about what the Postal Service should do to best serve the American public. Of course, we can also look at a combination of items from Door 2 and 3.

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 non-controllable 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 hence 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, and what revenue sources are available and 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 optionality narrows, and the burden does not get buoyed by life vests but instead becomes a cost we must bear within a system already under strain.

Lift the anchor and grant us the freedom to operate as a truly independent agency, and I am confident the Postal Service will not only stay afloat, but remain a strong, self-sustaining institution that continues to bind the nation together for another 250 years.