



Testimony of

The Honorable Ann C. Fisher, Commissioner

Postal Regulatory Commission

Before the

U.S. House of Representatives

Committee on Oversight and Government Reform,

Subcommittee on Government Operations

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Good morning and thank you Chairman Sessions and Ranking Member Mfume for holding this hearing and for inviting the Commission to testify.

The Postal Service faces an incredibly tough mandate: it must operate like a business by funding itself through its own revenues, yet it must serve the public as a universal service provider, delivering to every single address regardless of profitability—all while under extreme and persistent financial stress.

Today's hearing focuses on the Commission's authority over postal rates, its oversight role, and how both intersect with the U.S. Postal Service's financial health. I would like to note that I fully support both the written and oral comments of Acting Chairman Taub and will focus my own remarks on the Commission's role as it relates to USPS finances. At its core, the question before this Committee is whether the current rate system and broader statutory framework give the Postal Service a realistic path to long-term solvency while preserving universal service.

### **Objectives and Rate Authority**

With the 2006 enactment of the Postal Accountability and Enhancement Act, Congress explicitly directed the Commission to establish a Market Dominant ratemaking system designed to achieve a set of interlocking objectives laid out in Section 3622 of Title 39. Particularly relevant for today's hearing on the Postal Service's financial crisis is Objective 5: "to assure adequate revenues, including retained earnings, to maintain financial stability."

True financial stability means a system that can legally generate the capital reserves and retained earnings needed to invest in vehicles, facilities, and modern infrastructure; without long-term financial viability, the universal service mandate cannot be sustained in practice.

If Objective 5 were the *only* objective the Commission had to consider, our modeling shows that Market Dominant rates would need to rise by roughly 50 percent to add about 10 billion dollars to annual net income and provide about a 1-billion-dollar buffer for retained earnings. But such an increase would likely trigger an almost 30

percent drop in mail volume—driving away even faster what remaining mail users the Postal Service has. On average, mail volume drops approximately 4.3 percent annually.

However, that is not how Congress designed the rate system to work. The system Congress created requires Objective 5 to be balanced with 7 other objectives that call for, among other things, maximizing incentives for operational efficiency and cost reduction and maintaining predictable, stable rates and high-quality service standards. The Commission cannot simply allow the Postal Service to “price its way” out of its structural deficit without seriously eroding the very mail volumes that still fund universal service.

### **Service, Cost, and Structural Trade-Offs**

Members of Congress routinely hear from their constituents about service problems. The American public expects high quality, reliable service, but that expectation carries an undeniable multi-billion-dollar cost.

In logistics and postal economics, there is often a structural trade-off between cost efficiency and service speed and reliability. Cutting service may allow the Postal Service to run a leaner, cheaper network while driving service performance scores to consistently high national levels requires substantial operational premiums.

High-quality service does not come from good management alone. It requires an operational buffer—keeping additional employees on the rolls to cover absences, paying overtime to clear sorting backlogs, and running extra trucks to ensure the mail never sits idle. For a cash-constrained Postal Service operating under a price cap and a hard debt limit, incremental improvement in service scores has a direct price tag.

According to the Commission’s recently issued Financial Analysis of the USPS for FY 2025,<sup>1</sup> almost 70 percent of the Postal Service’s expenses are for employee pay and benefits. In FY 2025, the Postal Service used 5 million more overtime hours while reducing total workhours by 12 million and total headcount by about 15,000 employees

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<sup>1</sup> *Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2025, May 21, 2026.*

compared to the prior year.<sup>2</sup> Although recent reductions in workhours and total headcount have moderated the pace of growth in cost, factors such as higher benefit costs, increased career conversions, and volatility in overtime workhour usage continue to exert upward pressure on compensation expenses.

### **Transition to Current Financial Condition**

To put these structural pressures in context, it is important to look at the Postal Service's current income statement and balance sheet.

In 2025, the Postal Service again reported a net loss of about 9 billion dollars, extending a string of annual losses that now stretches back nearly two decades. Total operating revenue was roughly 80.5 billion dollars, essentially flat in real terms, while controllable loss—the loss excluding certain non-controllable items—increased to about 2.7 billion dollars.<sup>3</sup>

At the end of FY 2025, the Postal Service recorded total assets of approximately 41.7 billion dollars and total liabilities of about 83.3 billion dollars—roughly double its assets. That imbalance has worsened from FY 2024, when assets stood around 45.6 billion dollars against 78.2 billion dollars in liabilities.<sup>4</sup>

The Postal Service also remains at its 15-billion-dollar statutory borrowing limit from the Treasury, which means it cannot rely on borrowing to cover capital expenditures let alone operating costs. Indeed, in recent years, debt has been used to cover operating losses, a less-than-ideal financial situation. As of the end of FY 2025, it held only about 8.2 billion dollars in cash against annual operating expenses approaching 90 billion dollars.<sup>5</sup>

These underlying cost dynamics are precisely why the design of the ratemaking system—and the tools it provides to respond to them—matters so much.

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<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

## **PRC's Rate Reforms and Their Limits**

In 2020, the Commission modified the rate making system and granted the Postal Service additional flexibility to raise Market Dominant rates above inflation to help address some structural deficits and retirement health benefit obligations. We had to strike a very careful balancing act—allowing prices high enough to cover the actual costs of processing and delivery, but not so high that they accelerate volume declines and drive customers out of the mail altogether.

Those tools have helped stabilize revenue, but they cannot, by themselves, fully overcome the combination of declining mail volumes, rising structural costs, and balance sheet obligations. By law, the Postal Service is supposed to be self-funded over time, yet it has not reported an annual profit in roughly the last decade. Over just the last three years, cumulative net losses total about 25 billion dollars, underscoring that the current trajectory is not self-correcting.

## **Emergency Liquidity Relief**

Given this backdrop, the Commission has had to make difficult decisions. In April, we granted the Postal Service emergency liquidity relief via a waiver that allows USPS to redirect billions of dollars from future pension top-up payments into daily operations and capital investments. This was a difficult decision to make. It was necessary in light of the Postal Service's limited cash reserves, its debt ceiling, and the immediate need to maintain service while also investing in critical infrastructure under the Delivering for America plan. However, redirecting these funds from the pension account risks exacerbating a future pension fund shortfall.

The Postal Service is also seeking Congressional assistance in the form of an increased debt limit, an annual appropriation to fund the cost of universal service, and has requested to invest certain funds beyond Treasury bonds. All these options deserve consideration, and I share the Acting Chairman's conclusion that this waiver will provide Congress with time and space to decide what the nation needs from the Postal Service and how best to finance that mandate. From a regulatory perspective, short-term

liquidity fixes are not a substitute for a sustainable long-term funding model for universal service.

### **Financial Transparency and Delivering for America**

I will close with a brief comment on transparency. For the Commission, and for this Committee, to fully assess the Postal Service's financial position, we must have clear, timely data on the savings, costs, and service impacts associated with major initiatives such as the Delivering for America plan.

To date, the Postal Service has not provided detailed, verifiable information on the net savings from DFA-related changes, and it is not even clear that the agency itself has this data. That is a serious deficiency. Without knowing what is working and what is not, the Postal Service cannot correct failures or replicate successes. Further, the lack of transparency makes it harder for the regulator, mailers, and Congress to understand whether the current strategy is improving the long-term balance between service, cost, and revenue.

Thank you.